



भारतीय बीमा संस्थान
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INSUNEWS

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QUOTE OF THE WEEK

“A leader is best when people barely know he exists, when his work is done, his aim fulfilled, they will say: we did it ourselves.”

Lao Tzu

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INSURANCE TERM FOR THE WEEK

Assessed Value

Definition: For the purpose of taxation, a property is assessed for its monetary worth. This ascertained price is known as assessed value.

Description: This assessment is done at an annual basis, considering factors such as property values and market conditions in the neighboring areas. Governmental agencies like Municipal Corporation conduct this assessment for measuring applicability of property taxes based on the monetary value of the property.

Insurance companies may not use these valuations for indemnification, etc. In general, this assessed value tends to be less than the fair or actual market price of the property.



Source

INSURANCE INDUSTRY

Scripting change in the financial and micro-insurance sectors – The Hindu Business Line – 3rd March 2020

In a country where financial inclusion and security remain an aspiration, any innovation is a welcome initiative. And that is why *BusinessLine's* Changemaker Awards have a specific category for Financial Transformation. This year, the category saw many very interesting entries. The five that were shortlisted are:

Kumar Shailabh

Prevention is better than cure, and Kumar Shailabh knows this well. A master in social work, Shailabh started Uplift Mutuals, a mutual micro-insurance model designed, co-owned and led by women, which focusses on preventive health. Started in 2004, Uplift Mutuals currently has nine local mutual micro-insurance units covering over three lakh people. It plans to reach one million lives by 2022.

Trade Receivables Discounting System

A platform to address the liquidity woes of the MSME sector, TReDS facilitates the financing of trade receivables of MSMEs from corporate buyers through multiple financiers. With three licensed players in operation, the TReDS platform has 3,708 MSME sellers, 604 buyers and 71 banks. They have helped finance 2.52 lakh invoices worth ₹6,669 crore as of March 2019.

IndiaStack

The world's largest open application programming interface (API) platform, IndiaStack aims to take the benefit of technology to every individual in the country. The platform provides digital infrastructure to governments, businesses, start-ups and developers to develop presence-less, paperless and cashless service delivery systems. In just six years, it has catalysed 1.06 billion Aadhaar cards, 2.98 billion Aadhaar authentications and 150 million eKYCs — a testimony to the platform's capability.

Chetna Gala Sinha

A social activist and farmer, Chetna Gala Sinha is the founder and Chairperson of Mann Deshi Bank, India's first bank for and by rural women. Located in the drought-prone Mhaswad region of Maharashtra, the bank, along with the Mann Deshi Foundation, empowers women entrepreneurs with access to knowledge, financial literacy and much-needed credit support. The bank plans to support over 10 lakh woman entrepreneurs by 2022.

Pension Fund Regulatory and Development Authority

Pension fund regulator PFRDA, which manages two key pension schemes — the National Pension System (NPS) and Atal Pension Yojana (APY) — plays a major role in the promotion and development of a pensioned society in India. PFRDA, which currently manages 1.31 crore NPS subscribers and 2.01 APY subscribers, has set an astronomical target of covering 45 crore subscribers under the two pension schemes.

The winner will be announced at the *BusinessLine* Changemaker Awards event to be held on March 6 in New Delhi. Attendance at the event, supported by LIC, Tata Sons, Dell, Qualcomm, PepsiCo and Nestle, among others, is strictly by invitation.

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A lot of unutilised space in insurance sector for foreign investment - Business Standard - 2nd March 2020

The stagnant share of foreign investment in insurance companies has prompted the government to defer raising the limit in the sector to 74 percent from 49 percent now. As the table shows, there is headroom for foreign partners in both the life and non-life sectors within the current limits. This is the list shared by the sector regulator, the Insurance Regulatory Authority of India (IRDAI), with the finance ministry before the Budget.

Both the finance ministry and IRDAI had talks on this with the companies in the run up to Budget 2020-21. “We did get representations to raise the limit, but the data does not support those,” said a senior official of the sector. There have also been strong representations from US business interests supporting the move to raise the insurance foreign investment limit. After the Budget made no mention of it, the influential US-India Strategic Partnership Forum expressed disappointment.

	Total equity of life insurers	Share of foreign investor	In per cent	Total equity of general, health and re-insurers	Share of foreign investor	In per cent
2015	26,239.55			11,504.31		
2016	26,691.46	7,498.63	28.09	12,064.77	2,462.99	19.54
2017	26,956.94	9,353.32	34.70	13,127.83	3,503.54	26.69
2018	27,164.38	9,565.95	35.09	14,970.69	3,805.30	25.42
2019	27,515.94	9,764.20	35.49	17,664.00	4,045.63	23.66

Source: IRDAI

Speaking at a recent event on the India-USA trade dialogue, Sanjay Chadha, additional secretary, ministry of commerce, said raising the foreign investment limit was a key issue of difference between New Delhi

and Washington DC. As of March last year, in the life insurance sector, for instance, against the 49 percent limit of permissible foreign investment, the aggregate foreign investment is 35.49 percent.

It is almost unchanged from what it was a year ago. Of the 23 private sector companies in the sector, 12 have space for more investment in the sector. This includes leaders like Bajaj Allianz Life, HDFC Life, and ICICI Prudential. In the case of general, reinsurance, and standalone health insurance companies the utilisation percentage of the space for foreign investment is worse. The aggregate space for foreign investment has been utilised to less than half the permissible limit. It has gone down from the level of March 2018, when it was 25.42 percent, to 23.66 percent.

(The writer is Subhomoy Bhattacharjee.)

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INSURANCE REGULATION

North East Delhi Riots: IRDAI issues guidance note for insurance companies – Financial Express – 5th March 2020



The riots in North East Delhi during the last week of February 2020 have had a serious impact on people, property and business in North East Delhi. The Insurance Regulatory and Development Authority of India (IRDAI) has come out with a guidance note for all general, life and stand-alone-health insurance companies that issued insurance policies in the riots affected areas in North East Delhi. In this situation, all insurers have been advised by the insurance regulator to act immediately for fair and speedy settlement of claims.

The IRDAI has issued the following instructions to Insurers:

- a. To nominate a Senior Officer who would act as a nodal officer for Delhi State, who would be coordinating or facilitating the settlement of all the claims that are reported in the affected areas.
- b. To publish in the press and through State Government, the contact details of offices/special arrangements set up for this purpose.
- c. To initiate immediate steps for quick registration of claims.
- d. To engage an adequate number of surveyors immediately in the affected areas to ensure that all claims are promptly assessed expeditiously and payments of claims/on account payments are disbursed within 15 days.
- e. To create an extensive awareness campaign in the affected areas duly highlighting the measures taken. Also, in order to gauge the magnitude of the loss, all General, Life, Stand-Alone-Health Insurers have been asked to submit information relating to insurance claims related to North-East Delhi Riots on a weekly basis in a specific format.

(The writer is Sunil Dhawan.)

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LIFE INSURANCE

Covid-19: Life insurers likely to be hit by adverse market movements than the rise in claims – The Hindu Business Line – 6th March 2020

The Coronavirus disease (COVID-19) impact on life insurance companies are more likely to result from adverse market movements than increased claims, said Canadian credit ratings DBRS Morningstar on Thursday. The outbreak will likely affect the companies in terms of adverse movements in the financial markets, including declines in bond yields, equity markets, reducing profitability, business interruption and potential impact on revenues. There could also be increased incurred claim costs, including death and disability claims and drug costs, the rating agency said in a press statement. Although most countries have had minimal reported coronavirus cases so far, and consequently the impact on claim costs for life insurers is negligible to date, the impact on business operations for some global insurers has already surfaced, particularly for those operating in high-risk regions such as China, Iran, and Italy. Most life insurers expect to feel the impact of coronavirus on the financial markets because of the highly interlinked global economy, the agency said.

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Life insurers to insist on medical tests to keep term rates under check – The Times of India – 5th March 2020



Buying a term cover could get more difficult, even as insurers are already indicating that term rates for life policies could rise 15-20% from April due to higher reinsurance costs. The companies are now likely to insist on health checks as medically underwritten policies attract relatively lower reinsurance costs.

Term insurance policies — contracts which compensate only in the event of death without any survival benefits — have crashed more than 50% since liberalisation. Companies have offered term insurance of up to Rs 1 crore for rates as low as Rs 6,000.

Even as they reduced the premiums, insurers also accepted proposals without insisting on medical checks instead of opting for financial underwriting. The assumption was that those who are wealthier are better placed to take care of themselves or avail medical treatment, thus reducing mortality risks. This is in addition to factoring in life expectancy, where India lags behind developed countries.

‘Term insurance premium equal to those in US and UK’

“The pricing of term insurance in India has been aggressive because of a rate war between companies. At present, term insurance rates are equal to those in the US and the UK, and cheaper than Singapore,” said Santosh Agarwal, chief business officer (life insurance), PolicyBazaar.

Earlier this month, LIC chairman M R Kumar had also indicated that term insurance rates would rise because of reinsurance. According to Agarwal, reinsurers charge more for life policies that are issued without medical checks as against those that have been issued after the applicant has undergone tests. “To keep the rate increase at 15-20%, companies will increase medical underwriting,” said Agarwal.

Life insurance companies reinsure their portfolios to protect themselves against unexpectedly large claims. Reinsurance is also a statutory requirement. Companies said, given the coronavirus scare, insurance becomes more crucial. “Now we are in the process of smoothening the medical underwriting journey, letting the customer schedule medical checks online, and link our systems, the insurance company and the third-party administrator doing the check,” said Agarwal.

(The writer is Mayur Shetty.)



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Life insurance companies may sell indemnity-based health plans again – Financial Express – 4th March 2020



Four years after it banned life insurance companies from selling indemnity-based health insurance policies, the Insurance Regulatory and Development Authority of India (Irdai) has now formed a nine-member panel to study the feasibility of allowing life insurers to offer such policies once again.

The regulator had received representations from life insurance companies to allow them to offer indemnity products as well. The Irdai’s panel will be headed by G Srinivasan, director of National Insurance Academy. The panel will submit its recommendations within two months.

A popular category of health cover, indemnity-based health plans protect a policyholder against unexpected medical expenses. The insurer reimburses the actual expense incurred on hospitalisation up

to the sum insured. In some policies, the policyholder can even claim reimbursement after visiting a doctor.

Tarun Chugh, MD & CEO, Bajaj Allianz Life Insurance, says allowing life insurers to sell indemnity products will help provide a host of benefits to customers. "Given the low penetration of health insurance in the country, selling the value-packed products through life insurer's strong distribution network—agents/ partners/ online—will help take the benefits of health insurance to many more customers across the country, enabling them to take care of the expenses arising from critical illness/ hospitalisation."

Indemnity-based health cover

In health insurance, there are two types of covers—fixed benefit and indemnity-based plans. At present, all the 24 life insurance sell only fixed benefit health plans to the customers. Non-life and standalone health insurers offer both fixed benefit and indemnity-based plans.

In fixed benefit policies, insurers pay a fixed amount which is the sum insured following a claim. In indemnity-based policies, popularly known as Mediclaim insurance plan, insurers reimburse the money spent on medical treatment after the policyholder submits all the hospital bills. The regular individual health plans or family floater plans come under indemnity plans. For instance, if the sum insured of the policy is `5 lakh and the policy holder submits hospitalisation bill of `3 lakh, subject to policy conditions the insurer will pay Rs 3 lakh to the policyholder and the remaining sum insured can be utilised for future claims during the policy term. In case of cashless hospitalisation plan, the insured will have to pay a certain fixed amount and the rest will be paid by the insurer.

The advantage of an indemnity-based based health policy is that it covers a wide range of treatments and illnesses and most policyholders prefer buying such a cover. These plans may also have a deductible, a fixed amount paid by the policyholder for hospitalisation expenses and the rest paid by the insurer.

Health insurance regulations

In 2016, Irdai had banned life insurers from offering indemnity-based health products either as an individual or a group policy. The regulator also stopped life insurers offering single premium health insurance product under unit-linked platform. In fact, the new health insurance regulations, which kicked in from July 2016, have helped differentiate the product offerings by life and health insurers for the first time.

The regulator allowed life insurers to offer long-term individual health insurance products for term period of five years or more. It underlined that the premium for such products shall remain unchanged for at least a period of every block of three years and the premium may be reviewed and modified as necessary. General and standalone health insurers can offer individual health products with a minimum tenure of one year and a maximum tenure of three years, provided that the premium remains unchanged for the tenure.

Santosh Agarwal, chief business officer, Life Insurance, Policybazaar.com, says life companies understand the long term pricing modelling better as they provide coverage in the form of pure term plans for at least 25 – 30 years. "Life insurers may be able to implement the actuarial models and review the price periodically say every five years or so instead of doing it every year. This step will be beneficial for the customers as it will increase several options for them to choose from in order to stay protected."

If the Irdai panel recommends that life insurers can offer indemnity-based health policies, policyholders should evaluate the pros and cons of both the plans and then opt for the one which suits them best.

(The writer is Saikat Neogi.)



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Guaranteed Pension Plan: An annuity plan that provides regular income for life time – Check benefits – Financial Express – 2nd March 2020



With rising life expectancy and falling interest rates, the regular income needs in the post-retirement life face grave danger. What one needs is both regular and fixed income to support household expenses after retirement. While all other post-retirement investments such as Senior Citizens Savings Scheme (SCSS), bank fixed deposits etc provide a fixed and regular income, the re-investment risk exists in them if interest rates fall in the future. What one needs is an immediate annuity plan to secure one's lifetime regular income. An Immediate Annuity plan can be one of the investments for post-retirement needs.

IDBI Federal Life Insurance has launched a Guaranteed Lifetime Income Plan to address this concern. It is a single premium, non-participating, non-linked general annuity plan that would offer guaranteed regular income for life to help manage expenses during the retirement phase of life. The money will not be invested in equities and according to the insurer, the funds will be locked-in at guaranteed rates and such long-term guarantees are only available under annuity plans. This guaranteed income, akin to drawing a salary, could be drawn with pre-determined periodicity – monthly, quarterly, half-yearly, or on an annual basis.

The Guaranteed Lifetime Income Plan offers three options –

1. Immediate Life Annuity,
2. Immediate Life Annuity with Return of Purchase price, and
3. Deferred Life Annuity with Return of Purchase price

Out of the 3 options, the first two are aimed at retirees while the third option (deferred life annuity) is aimed at who is about 5-6 years away from retirement.

Guaranteed lifetime pension

For the two immediate annuity options, the pay-out would start from the first-year itself while for the deferred annuity with return of purchase price option, the annuity pay-out would commence from the 6th policy year. Opting to defer the payout for five years allows the policyholder to lock-in a higher rate at the inception itself which remains constant until the end of his or her lifetime.

Before you know the benefits, let us see how the immediate plan works. The amount that you invest is called Purchase Price, while the annuity is similar to a pension. In all such plans, the pension is paid till one survives while only a few options will return the capital invested to legal heirs when the investor dies. Therefore, choosing the right option should be determined carefully.

Benefits of Pension Plan

The Survival Benefit for the first two options of Immediate Life Annuity and Immediate Life Annuity with Return of Purchase Price is the Guaranteed Annuity Payout commencing from the first policy year, determined as per the frequency chosen at inception, and payable in arrears throughout the lifetime of the annuitant. Further, under the option 'Immediate Life Annuity with Return of Purchase Price', the purchase price is returned to the nominee on the annuitant's death.

Under the Deferred Life Annuity with Return of Purchase price option, on survival of annuitant till the end of the deferral period, i.e. 5 years, Annuity Payout, determined at inception, will commence from the sixth policy year, and would be paid in arrears as per frequency chosen at inception throughout the lifetime of the annuitant. On the death of the annuitant, death benefit as defined under the plan is paid to the nominee which would be a minimum of 110 per cent of the purchase price.

(The writer is Sunil Dhawan.)

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Source

How term insurance can help you save tax? – 2nd March - Financial Express 2020



Term plans are valuable when it comes to saving tax. The premium paid for a term plan qualifies for tax exemption under Section 80C and the proceeds received to the nominee are also exempted from tax. It is often observed that customers buy insurance plans only to meet their tax requirements.

The term plans are valuable when it comes to tax savings. The premium paid for a term plan qualifies for tax exemption under Section 80C and the proceeds received to the nominee are also exempted from tax. It is often observed that

customers buy insurance plans only to meet their tax requirements.

Term plans tend to be less popular since they do not have a maturity or surrender benefit. Customers thus end up putting their money in an endowment or ULIP plans where returns are expected but at the risk of availing lower protection cover.

Term insurance helps in protection against loss of income from the breadwinner, in providing a higher risk cover for the family in return of a comparatively lower premium. Endowment plans and ULIPS, on the other hand, helps in building a corpus and as an added benefit also provides risk cover; but the risk cover does not exceed the maturity sum assured or fund value in case of ULIP. It is important for the customer to understand that the needs served by these two plans are different.

Thus, while buying any insurance there are certain other critical things to consider along with the tax saving. The most critical being how much life cover would be sufficient. One can make use of the tools available online to calculate the amount of life cover that would be sufficient to secure the future needs family.

It is also advisable to buy term plans earlier in life when the premium charged would be lower. With the increase in responsibilities and premium one can buy additional plans to add to one's insurance portfolio later. The duration of the term plan is also critical, ideally, the term should cover the income-generating span of an individual's life.

Adding riders to the plan also adds benefits to cover additional risk events at a very low cost. The rider premium is also eligible for tax benefits and thus should not be ignored. Riders like accidental death benefit, critical illness, and disability, etc. come with key benefits to cover uncertainties in life. Return of premium plans are a special kind of term plans where the premiums paid are returned on maturity and it also provides a surrender value. For some clients, this may offer better value.

Also, there should be more focus on extending life cover to all segments of society. At present term plans are majorly positioned towards the affluent urban market, but the need for the common man is much more critical. Especially in segments that have the lower financial security to fall back on the death of a breadwinner can be catastrophic. SLIC works to extend life protection to these segments and has tailored products that meet the needs of the common people. Over 50 per cent of the policies sold are term plans (including the return of premium) which clearly indicates the strong need for cover in this segment.

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A combination of risk coverage and returns makes ULIPs worth a look – www.pressreader.com – 2nd March 2020

There are a variety of life insurance policies. While term policies cover only death risk and for a given period, whole life policies offer longer coverage periods with options like return of premium and other add-ons. It is the endowment policy that offers some return on the premium paid over and above just

coverage. This return, or bonus, is a share of the returns that the life insurance company realises when it invests your premium and is usually more modest than even bank fixed deposit interest.



The Unit-Linked Insurance Policy (ULIP) offers life coverage and a larger component of investment. However, this investment is linked to the capital market returns on the premium funds that are invested. We can infer that the risk profile of this investment is pretty different from other life insurance policy bonuses because, in the case of the latter, the funds are invested according to prudential norms laid out in the insurance regulations designed for the safety of funds and not to maximise returns. In short, ULIP returns are subject to market risk while affording an opportunity for higher returns.

It is also one policy where you, as policyholder, can choose the bouquet of investments your funds should be deployed in. Funds are usually in distinct asset classes or specified combinations of asset classes. A high-risk fund would be largely in equities where the returns can also be commensurately high. A low-risk fund would have investments largely or wholly in debt securities while a medium-risk fund would have some combination of the two.

So, the policy pays out a death benefit should the policyholder die during the policy period. If he survives, he gets the maturity value of the ULIP. The death / maturity benefit is an assured sum and unaffected by the ULIP maturity value which is nothing but the value on that date of the investments in the fund of his choosing. Even if the value of the ULIP investments are less than the sum assured, the death benefit is assured.

Carrying flexibility

ULIP has some flexibilities. You can choose any option of fund to invest in and you can switch from one fund to another as well. You can topup your ULIP policy any time and also direct future premiums to go into a specified fund. Partial withdrawals are also possible.

Staying invested also brings loyalty additions and bonuses which add value to your investment. Premium paid for a ULIP policy has tax benefits under Section 80C of the Income-Tax Act, 1961 and maturity proceeds are tax-free under Section 10 (10) (d) subject to certain conditions.

ULIPs should be actively managed for better returns. You should study your own risk appetite, the stage of life you are in and your financial goals in order to make intelligent decisions. Some policies have systematic transfers from one asset class to another or a life-cycle-based strategy that automatically switch your funds.

Capital market investments in equities, typically, are long term in nature so you should also take a longterm view on your ULIP investment strategy given that there is a five-year lock-in period anyway. ULIP funds of insurance companies have published track records and studying these to decide on a strategy would be a good idea. The other important thing to track is the charges in various ULIPs. Be sure you choose one with lower charges so that more of your money is invested and earns you returns.

(The writer is K. Nitya Kalyani.)

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Source

Are life insurers equipped to sell indemnity health plans? – Mint – 2nd March 2020

Last week, the Insurance Regulatory and Development Authority of India (Irdai) formed a committee to look into the feasibility of allowing life insurers to sell indemnity health plans. The payout from these plans is limited to the expenses incurred up to a predetermined sum insured. Irdai had first allowed them to sell individual and group indemnity plans in 2013 but rolled back the provision in 2016, saying life

insurers could offer only health products that had a savings element. Now that Irdai is reconsidering the roll-back, Disha Sanghvi asks experts if life insurers are equipped to offer indemnity health plans yet.

Vibha Padalkar, MD and CEO, HDFC Life Insurance

It is an obvious opportunity waiting to be leveraged

Statistics reveal that insurance covers a mere 5% of the overall health expenditure in India. Out-of-pocket spends are around 65% and with a growth rate of 18% year-on-year, the coverage gap is a concern.

Health indemnity individual plans which help decrease the burden have the scope to grow at a faster pace. Such plans are largely sold by individual agents and direct channels, a distribution forte of life insurers. It is, therefore, an obvious opportunity waiting to be leveraged and can help narrow the protection gap.

In the last couple of years, term life has more than doubled, on the back of continuous product innovations and ownership of customer needs. However, we could do a lot more by offering customers innovative solutions such as a combined life and health protection offering. With health indemnity, life insurers will be able to offer a comprehensive solution, while passing on the advantages of underwriting and pre-policy expenses. Combine this with the life-long customer ownership which the life insurer has, and a mutual interest in promoting health and wellness, and you have a win-win.

Shreeraj Deshpande, chief operating officer, Future Generali India Insurance

This will lead to better policies and higher penetration

There are two ways to look at it—from the business and from the people's (human resources plus agency) points of view.

The move will affect the business of specialist health insurance companies that have been the growth drivers for retail health indemnity policies in India. While this will affect general insurers in the retail segment, they will still control corporate or group policies and have other lines of business to rely on, so their focus will move to specialization in the other lines of business, geographic concentration and outreach in tier II and tier III towns to increase penetration. The factor to consider is that general and special health insurers have built underwriting expertise as well as claims management over a period of time, and it will take some time for life insurers to understand the nuances. Life insurers will have to invest time and capital to upskill resources.

If this goes through, general and special health insurers may see higher than usual attrition in both people and agents. Having said that, increase in the number of manufacturers will result in better products and higher penetration.

Abhishek Bondia, MD and principal officer, SecureNow.in

Life insurers are not used to high-utilization health product

The expectations of policyholders and the ecosystem for health insurance services have matured over the years. There is a customer segment who would like a single window for health and life insurance. The ability to offer indemnity-based health insurance will allow life insurers to structure product combinations that service both needs. They will be able to leverage their existing distribution network, including banks and agents.

But policyholders expect a more seamless, tech-enabled claims experience. A few health insurers have made the claims process paperless. Life insurers have limited experience in managing indemnity claims. They will have to leverage third-party service providers with tech capabilities and this may not be a competitive advantage.

Also, health insurance is a high-utilization product as compared to life insurance. So, life insurers will need to significantly invest in operations and client engagement capabilities. General and standalone health insurers have gradually enhanced their wellness proposition and network. Life insurers would have to catch up on that.

Aalok Bhan, director and chief marketing officer, Max Life Insurance

Larger base can aid life insurers but they need to adapt

With a more robust experience of delivering specialized protection and health plans and riders over the last few years, the Indian life insurance sector has been able to address the core need of life and health covers.

Life insurance companies with their efficient and large multi-channel distribution will be able to reach out to a larger section of the Indian population at a lower cost. With the sophisticated underwriting processes that life insurers have developed, policy issuance has become much easier. This could be an added expertise that will also help process health insurance faster and more efficiently. Therefore, this could provide more comprehensive protection to consumers in the future.

With indemnity-based health insurance involving higher operational costs of claim processing, the life insurance industry will, as the next step, need to adapt to the evolving challenges in the landscape.

Life insurers will be able to reach out to their large base of existing customers and will be favourably placed to have conversations around health insurance covers.

(The writer is Disha Sanghvi.)

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Source

Life insurers may offer bundled life & health packages, likely at lesser price - The Economic Times - 29th February 2020



IRDA announced the setting up of a committee to study the feasibility of allowing life insurers to offer indemnity based health policies, Life insurers have expressed interest and their ability to create newer markets to cover the under insured population.

NS Kannan, MD and CEO, ICICI Pru Life Insurance said the focus has shifted to living well from living long. Going forward, the problem of the country is not mortality as longevity is increasing, but are people living well and healthy.

Speaking on the advantage which life insurance companies will have in offering health products, Kannan said, “The deep expertise to assess morbidity and mortality is the biggest advantage, in managing the risks associated around health products.”

On pricing of health insurance policies by life insurers, Aalok Bhan, Director and CMO, Max Life Insurance said if a customer is buying both life and health cover from the same insurance provider at a given point of time, there will be no need for separate medical and financial underwriting for each product, thus, cost of policy issuance and administration might also be lower. There will be a possibility to pass on such cost benefit to policyholders.

The distribution strength of life insurance companies is unparalleled at 2.3 million, especially with LIC alone having over 1.2 million agents. “Besides agent-driven distribution model, we have recorded vast customer base via bancassurance model, where 40-50 per cent of premium comes from these bank partners.”

Policybazaar.com spokesperson said through the drafted regulations, life insurers may be able to implement the actuarial models and review the price periodically say in every few years or so instead of doing it every year. IRDA banned life insurers from offering indemnity-based health products since 2014

(The writer is Mamtha Asokan.)

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Source

GENERAL INSURANCE

Insurers stop issuing policies for travel to coronavirus-affected countries – The Hindu Business Line – 5th March 2020



General insurance companies are no longer issuing travel insurance for countries against which India has issued a travel advisory with regard to coronavirus.

While there has been no formal instruction from the Insurance Regulatory and Development Authority of India (IRDAI) on the issue, a number of insurers that *BusinessLine* spoke to said it is common practice not to issue

travel insurance for countries against which there is a travel advisory.

“We are following the advisory as listed by the Government of India on their website,” said Gurdeep Singh Batra, Head - Retail Underwriting, Bajaj Allianz General Insurance. “Yesterday, too, an advisory has been issued. Travel insurance policies have a clause for exclusion for countries against which the government has issued a travel advisory. Those who had travelled before the advisory will stand covered.” Batra added that it is advisable not to travel to such countries, and to follow the dos and don’ts as a precaution, without panic, as of now.

The Centre had on March 3 issued a fresh travel advisory directing Indians to refrain from travelling to Japan, Iran, Korea and Italy, apart from China. It also cautioned against non-essential travel to other Covid-19 affected countries.

‘Sound underwriting practice’

“People who travelled to these countries before the advisory stand covered under the travel insurance policies,” said Shreeraj Deshpande, Chief Operating Officer, Future Generali India Insurance Company. “It is only sound underwriting practice that we do not issue policies for travel to countries against which there is a travel advisory, be it because of coronavirus or a war time situation.”

As such, existing travel insurance covers taken before the advisory, as well as regular health insurance policies, cover coronavirus. In case a policyholder gets infected, he/she can file for a claim, insurers said.

However, the treatment expenses for coronavirus are not likely to be much as all of it, including screenings and quarantine, are being undertaken by government health authorities, insurers pointed out. Subramanyam Brahmajoyula, Head - Underwriting and Reinsurance, SBI General Insurance said, “Claims due to coronavirus are payable provided the concerned person is hospitalised for at least 24 hours. Most of the health insurance policies in India do not cover outpatient treatment. However, if coronavirus is declared as a pandemic by WHO or Indian government, then claims might not be payable as such claims are excluded under many health insurance policies.”

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How to ensure you have chosen the right travel insurance policy? – Fab Newz – 3rd March 2020

There is nothing as fulfilling as travelling the world with your closed ones. However, it requires a great deal of planning, especially if you want to travel abroad. As you cannot foresee what might happen during your trip, it is essential to have a financial backup to avoid significant losses. Having travel insurance in India will keep you away from all such troubles and worries that may ruin your vacation.

In case of medical emergencies, natural disasters or flight delays, you may have to cut short your plans. Buying travel insurance in India makes sure you can continue your trip without any hassles that may arise due to any emergency.



You may tend to get confused while choosing travel insurance in India, considering the variety of options available. Here are some crucial points you must consider before making the final decision:

How to Ensure You Have Chosen the Right Travel Insurance Policy?

Destination

If you are planning a trip abroad for the first time, you would want it to be perfect. Hence, it is crucial that you leave no scope for mistakes. Some high-risk places are not covered under **travel insurance in India**, depending on the insurance company you choose.

For instance, you plan a trip to a specific destination and later get to know that your chosen plan does not provide coverage in that place. This can ruin your trip totally. Thus, it is best to plan accordingly to minimize possible challenges. Also, it is necessary to enquire about the terms of the travel insurance policies before making vacation plans.

Duration

It is crucial to find suitable **travel insurance in India** that covers you for the period of your holiday. If you are planning on taking several trips throughout the year, a multi-trip insurance policy will be more economical for you. If it is just a one-time vacation, travel insurance for a single trip will suffice. So, make sure you buy travel insurance in India by keeping in mind your trip plans in the recent future to avoid paying a high premium.

Coverage of the plan

Before buying travel insurance in India, know everything about what the policy covers and to what extent it covers. The right travel insurance policy will provide you cover for emergency medical expenses, personal liability, flight delays, delay of checked-in baggage, loss of baggage, loss of personal documents, medical evacuation, contingency travel benefit, financial emergency assistance, trip cancellation, trip delay, hijacks and burglary at your home in your absence. It is always helpful to research in-depth about travel insurance in India before buying one.

Purpose of the trip

High-risk activities, such as skiing, bungee jumping or motorcycling, often mean you need a more extensive coverage of **travel insurance in India**. If you have plans to engage in particular sports and activities, make sure you have the right level of medical protection in your policy, mainly if there's a possibility that you may injure yourself and need medical treatment while on vacation. Before you buy a travel insurance plan, consider what you will be doing on your holiday to get the coverage accordingly.

Choice of The Right Travel Insurance Company is Crucial

The most convenient way to make the right decision is to explore various options of travel insurance policies online. There is extensive knowledge available on the internet; you have to make the best use of it to serve your interest. Shortlist a plan that offers comprehensive features at affordable prices. Reputable insurers like Tata AIG offer travel insurance in India that provides 24/7 worldwide assistance to support you in adverse situations during your travel. It also saves you from the losses that may happen due to missed departures, loss of passport or even hijacks.

Ensure peace of mind by getting **travel insurance in India** that fits your plan and be ready to bring back a box full of pleasant memories.

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Have a connected home? You may need cyber insurance - Moneycontrol - 2nd March 2020



If you are among those obsessed with using a home assistance device or looking to constantly invest in connected devices, you are prone to the risks of hacking. It is, therefore, imperative that you have the apt financial cover to recover costs in case of an untoward incident.

This is precisely why cyber insurance is becoming popular not just among corporates, but also among individuals. Cyber insurance policies cover possible ransomware attacks or attempts to bypass the security system.

India is still a nascent market but there has been a steady rise in its demand. At present, these add-on features are part of a home insurance cover.

In an interaction with Moneycontrol, Shay Simkin, Global Head of Cyber for Howden Specialist Insurance Brokers said the company is seeing demand for cyber products among individuals.

Howden is a global insurance broker with a large presence in cyber insurance.

"We are finding that there is a demand for individuals in connected homes. We are giving individuals add-ons to the home insurance if there is ransomware or if there are infiltrators in the home camera," Simkin said.

There are various risks with having connected homes. An external person hacking into an in-home automation system will be able to control it and wreak havoc. It also creates the scope for data theft from devices like laptops and computers.

So far, less than 700 cyber risk insurance policies have been sold in India and almost 90 percent of these policies have been brought by companies.

Globally, cyber liability policies cover privacy breach liability, cyber extortion, business interruption losses, liability from multimedia and public relations costs, legal expenses and data theft liability. The premiums, generally range between \$5,000 to \$15,000 per for a \$1 million cover. However, the distribution of unsolicited email, wire-tapping, eavesdropping, fraudulent acts, failure to maintain standard computer security are major exclusions under this policy.

Simkin highlighted that since both individuals, as well as corporates, are heavily dependent on computer systems for all processes, there is a rising threat from cyber risks that have made cyber insurance essential.

"Cybersecurity risks are growing. Risks from cyber have moved from being an IT issue to a boardroom level matter. This is because the brand of the business also gets impacted," he added.

From a demand perspective, Howden is now looking to understand the risk is the demand. Simkin explained that there is underinsurance as far as cyber is concerned and therefore, the thrust is to first increase awareness to increase the size of the covers.

(The writer is M Saraswathy.)

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Twin props for general insurance - The Telegraph - 29th February 2020

A universal health insurance plan proposed by Irdai and amendments to the Motor Vehicles Act will be key drivers for the general insurance industry, which aims to reach a business of Rs 3.35 lakh crore by 2024-25.

A.V. Girijakumar, chairman and managing director of Oriental Insurance Company Ltd, on Friday said the total premium of non-life business is estimated to grow to Rs 3.35 lakh crore by 2024-24 from Rs 1.7 lakh crore at present.

“Health insurance will be a key growth driver. The Arogya Sanjeevani Scheme expected from April onwards will increase the insurance coverage,” Girijakumar said at an MCCI event.

The family floater policy, which is universal in structure, will offer a sum insured of up to Rs 5 lakh. But each of the insurance companies will have the option to price and market the product differently. “Even after Ayushman Bharat, there is scope to extend the health cover,” he said.

“The amendments to the Motor Vehicles Act will push for more vehicles to be insured and this is good for everyone, including the insurance companies, as the distribution of risk will be better and the consumers will also get a better price. Today, not even 50 per cent of the vehicles on the road are covered by insurance. So, there is a vast potential for growth and the pool will only get larger,” he added.

He added that the regulator is mulling use-based insurance, especially for the motor segment, depending on how much a car is being driven.

He said that the penetration of non-life insurance, as a percentage of GDP, is 0.97 per cent in India at present, which is expected to grow to 2.5 per cent in the coming years.

Premium growth

Oriental Insurance Company is eyeing a 6 per cent growth in premium in the ongoing fiscal.

“This year we expect premium to be at around Rs 14,250 crore against Rs 13,450 crore last year,” Girijakumar said, adding that the company has been focussing on consolidation and faster claims settlement.

The board of the state-run insurance company is expected to meet next month to decide on its growth course.

The company may require a capital infusion of Rs 3,000 crore to grow its business next fiscal but is open to tweak its business plan for the fiscal depending on the situation.

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Indian brokers - bumpy road ahead - Asia Insurance Review

Low insurance penetration, expanding markets and emerging risks offer more opportunities but digitalisation, web aggregators and changing customer preferences pose stiff competition to brick and mortar brokers. Asia Insurance Review spoke with Tata Motors Insurance Broking and Advisory Services managing director and CEO M Ravichandran about Indian brokers’ plans to face the competition.

Indian insurance brokers have been the largest contributor to the growth of the country’s non-life insurance premium since the process of insurance industry liberalisation began.

During 2018-19, the non-life insurance industry wrote a gross premium of \$23.88bn and brokers contributed around 22% of it at \$5.25bn.

Mr Ravichandran said, “The first broking licence in the liberalised era was issued in 2003. Today there are 460 valid brokers registered with the Insurance Regulatory and Development Authority of India (IRDAI).”

According to a 2016 EY report 'Vision 2025: brokers driving customer-centric growth', the Indian non-life insurance market is expected to touch INR4tn (\$55.8bn) by 2025 and insurance brokers are expected to handle around 40% of this.

An important role in the insurance value chain

Mr Ravichandran said, "Brokers play a major role in assisting corporates with the commercial lines of business insurance which are complex in nature. As risks grow more complex and become larger, more risk managers find value in engaging with brokers.

"Intermediaries analyse information about risk scenarios and organisational requirements, which help insurers develop new and innovative products and create a market where it did not exist. We also introduce consumers to the innovative add-on covers to suit their requirement. There are a few insurance brokers like us who are also active in the retail insurance segment," said Mr Ravichandran.

Outlook for 2020-2030

Speaking about his outlook for the next decade Mr Ravichandran said, "This is an age of the survival of the fittest. We have competition from various channels of intermediaries and also direct sales channels of the insurers. The next 10 years will be as challenging as the previous decade in terms of changing business environment and changing socio-economic situation not only in India but globally."

He said, "Growing internet and smartphone penetration has certainly created a wider reach resulting in varied price points and product offerings. Insurers are also deploying technology to further drive the growth of direct sales in India.

"The insurers are also using AI-based customer interface solutions such as chatbots for product queries, sales, as well as payment reminders. This has contributed to improved customer relationship management, thereby supporting growth of the sector.

Digitalisation brings new challenges

"The businesses are becoming more complex and this brings in new demands from customers to provide better risk solutions, which are unique and customised for the new challenges. This is where our role begins to bring in expertise to manage these complexities," he said.

Mr Ravichandran said, "I am very hopeful that the third decade of the millennium will see insurance intermediaries increasing their penetration in various segments and partnering with insurers to bring in innovative insurance products and services for the new customers.

100% foreign direct investment in insurance intermediates

Speaking about permitting 100% foreign direct investment (FDI) in the insurance intermediary business, Mr Ravichandran said, "It is perhaps a little too early to comment on this move by the government. We also need to examine how did the 2015 FDI enhancement from 26% to 49% fare?"

"With 100% FDI in insurance intermediaries we can look forward to the latest technology, global best practices and better job opportunities to come into the country. We should also ensure that these help in increasing the insurance penetration. The Indian brokers are sure would continue to stay relevant and would upgrade themselves to meet with increased competition. We have an opportunity to upgrade our skills, our offerings to our customers, ensure that our relevancy remains intact and at the same time we also contribute to the growth and development of the industry. We benefit only if the industry grows," said Mr Ravichandran.

Upgrade and reskill

He said, "This is the time to develop our own in-house capabilities to address the changing needs of the customer as industry digitalisation progresses. With more choices and better aware and enlightened customer we need to be able to offer sound and timely advice."

"Innovative customer service, particularly in claims, would keep our relevance intact.

Clients would need professional advice and guidance to make sure that they get the best protection available and in case need arises also their rightful claim at the right time,” Mr Ravichandran concluded.

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HEALTH INSURANCE

Create new cover for Covid-19, says Irdai - The Economic Times – 6th March 2020



Irdai has asked non-life companies to devise a special policy that provides compensation if coronavirus is contracted. The regulator has also asked insurance companies to ensure they do not reject claims by those infected by coronavirus, including treatment during quarantine period under existing mediclaim policies.

The directive comes even as health authorities are yet to come out with a standard treatment. The regulator has said that where hospitalisations are covered, insured shall ensure patients affected by coronavirus are handled expeditiously.

According to Oriental Insurance chairman Girija Kumar, the current mediclaim policies are enough to cover treatment for coronavirus.

“The directions from the regulator are to pay due diligence to claims,” he said. Kumar, who is chairman of the General Insurance Council, was in the city, with other non-life CEOs, to launch the industry’s awareness campaign — Faayde Ki Baat. The CEOs said the current mediclaim policies do not exempt coronavirus hospitalisation.

At present, those infected are admitted to government-designated hospitals, while suspected patients too are not admitted to regular hospitals. “Patients may have to be admitted to regular hospitals if other organs are affected. There might also be cases where detection happens later,” said Future Generali COO Shreeraj Deshpande.

According to Deshpande, the specialised cover for coronavirus could be in the nature of a benefit cover where the insured gets a fixed amount if infected. “It is the variant of flu virus and in all likelihood the treatment will be administering a cocktail of antibiotics. For majority of people who are kept under isolation, there would be loss of salary that can be covered under the policy,” he said.

According to Aditya Birla Health Insurance CEO Mayank Bathwal, the focus of authorities at present is on isolating those infected by the virus. “A health insurance policy covers all infections, and coronavirus is one such. Coverage will be available in all our products that offer hospitalisation covers. Hence, all covers such as in-patient treatment, pre- and post-hospitalisation, OPD and ambulance cover, that your health policy offers will be available to you,” he said.

Source

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Insurers prepare to launch virus products - Financial Express – 6th March 2020

Health and general insurance players are keeping a close watch on the spread of Covid-19 in India as they prepare to launch new products that will specifically cater to treatment and quarantine costs. Large corporations are also seeking specialised covers from insurers over and above the group insurance plans so that quarantined employees are covered.

ICICI Lombard General Insurance, SBI General Insurance and Future Generali, among others, that FE spoke to said they were looking at launching vector-based products that would address people affected by the new virus. Go Digit has already launched such a product two days ago, which is being offered under the regulator's sandbox product approval guidelines.

Vector-based products are those where an insurer pays a lump sum to the insured in case he/she is diagnosed with any serious disease caused by vectors, which are essentially organisms that transmit pathogens. Irdai on Wednesday came up with a set of guidelines for insurers so that they can apply for such vector-based products for which approvals would be fast-tracked.

Explains Shreeraj Deshpande, COO, Future Generali India Insurance Company, "We are positively looking at it and are working on such a product. Such a product would benefit even those who are not hospitalised. If a person contracts the novel coronavirus, there's loss of income due to quarantine and the new product would cover such a situation."

The Insurance Regulatory and Development Authority of India on Wednesday came out with guidelines for insurers where it said, "In order to provide need-based health insurance, insurers are introducing products for various specific diseases, including vector-borne ones. For the purpose of meeting health insurance requirements of various sections, insurers are advised to design products covering costs of treatment for coronavirus." Consumers with existing mediclaim policies need not worry as the insurance regulator has guided insurers to settle hospitalisation claims from those infected by the virus.

SBI General Insurance is evaluating a short-duration vector-based product, which will cover other such ailments too, and not just Covid-19, said Pankaj Verma, head of underwriting operation, SBI General Insurance.

Large corporations are also approaching insurers to seek additional protection over and above group insurance cover. Sanjay Datta, chief – underwriting and claims at ICICI Lombard, said the company is looking at all variants and add-on covers, apart from new products, as many companies have sought extra cover over and above group insurance covers. While the insurer is working on a coronavirus-specific product, Datta said it is typically hard to sell a product like this after the crisis is over.

(The writer is Malini Bhupta.)

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World Obesity Day: 'Insurance cover for bariatric surgery in India continues to be an unknown fact' – The Economic Times – 5th March 2020

On World Obesity Day, ET Healthworld interacts with noted bariatric surgeon, Dr Muffazal Lakdawala, co-founder and chief surgeon of the Digestive Health Institute (India & Dubai) to understand the challenges and measures that need to be put in place to control the ballooning burden of obesity and diseases associated with it.

Obesity is defined as abnormal or excessive accumulation of body fat. Apart from diabetes, this medical problem increases the risk of non-communicable diseases (NCDs), such as cardiovascular disease, hypertension and stroke, and various forms of cancer.

In October 2019, when Insurance Regulatory and Development Authority of India (IRDAI) included bariatric surgery or weight loss surgery under the insurance cover, the move was expected to benefit a lot of patients, however, the awareness and inclusion of the same in the health insurance policies is yet to be done.

Bariatric surgery provides significant –long term weight loss for morbidly obese patients. These IRDAI guidelines were issued because earlier the surgery was considered to be a cosmetic procedure and

therefore was not covered by many insurance firms as previously it was rather than a life-saving surgery. Bariatric surgery provides significant –long term weight loss for morbidly obese patients. These IRDAI guidelines were issued as earlier the surgery was considered to be a cosmetic procedure rather than a life-saving surgery and was, therefore, not covered by many insurance firms.

Sharing his experience with patients, Dr Muffazal said, “Insurance coverage for bariatric surgery in India still remains an unknown fact and until the government declares obesity as a disease, it will be very difficult to claim bariatric surgery as a life-saving surgical solution. There were only a few case reports of people who got covered under it.”

The gravity of the obesity problem has been taken up globally as many nations including America, Australia, Brazil, Europe and Saudi Arabia not only recognise it as a disease but many also cover it under government and multiple insurance programmes.

Stressing on challenges, Dr Muffazal emphasised that India still fails to recognize obesity as a disease. Most developed nations across the world cover bariatric surgery as part of their disease armamentarium. Anything caused by obesity, i.e. diabetes, osteoarthritis, gallstones, hiatal hernia, sleep apnea can get covered by certain insurances across the world unlike in India.”

India and China are facing this twin epidemic called ‘Diabesity’ where obesity leads to type 2 diabetes and vice versa. “Without government support in tackling obesity and not defining it as a disease, we will struggle to tackle the growing burden of obesity,” he concluded.

(The writer is Rashmi Mabiyan.)

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IRDAI Allows Issuance of E-Policy for Standard Health Products – The Economic Times – 6th March 2020

The Insurance Regulatory and Development Authority of India (IRDAI) has allowed general and standalone health insurance companies to issue policy certificate for standard health products in electronic/digital formats.

Currently under the IRDAI (Issuance of e-Insurance Policies) Regulations 2016 it is mandatory for insurers to provide a physical copy of the policy.

IRDAI in its circular said, “Since features of Arogya sanjeevani policy are common across the industry and as the terms and conditions of the policy are already specified by the Authority, with the objective of reducing the operating costs and to pass on this benefit of reduced operational cost to the policyholders by way of affordable premiums, insurers are allowed to issue the policy contract of Arogya Sanjeevani Policy in electronic / digital format.”

In case where policy holders seek a physical copy insurers are required to provide the same.

IRDAI said, "Every insurer offering Arogya Sanjeevani Policy shall provide a certificate of insurance to the policyholder indicating the availability of health insurance coverage. The certificate shall have a reference to access detailed terms and conditions of the policy contract."

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Healthcare costs are skyrocketing, so why is young India ignoring health insurance? – The News Minute – 6th March 2020

It's alarming how many people in India ignore health insurance, and I am witness to it almost every day. A common question I ask young people during a job interview is what kind of health insurance they have.

The two most common answers I get are: 'I don't have one', or 'I have one, but I don't know anything about it.'



A large number of people in India either don't have insurance, or just go along with what their company gives them, without much thought to it. According to the Insurance Regulatory and Development Authority of India (IRDAI), only 44% of the Indian population is covered under a health insurance plan, and a huge majority of them are covered by government insurance schemes. According to publicly available research data, only 5-8% of India has health insurance from non-government providers.

What's even more alarming to me is that many young people don't think having health insurance is important. Many millennials and early-jobbers I meet are under the impression that they don't really need it. Despite our efforts to create awareness, spending on a health insurance policy is low on their priority list.

What people don't realise is that health insurance is not a want. It's a necessity. It is not something you can ignore.

Healthcare is becoming more expensive in India. Imagine this: you are hospitalised for two days due to a medical emergency. At the end of it, you are handed over a bill of Rs 2 lakh – several tests, medicines and room charges. How would you pay? Does everyone have Rs 2 lakh set aside ready for such an unforeseen emergency? You would have to empty your pockets, borrow money and drain out savings.

Unless you have health insurance.

In my various interactions with youngsters, especially those in their twenties, I realised that there are a few key reasons why people don't take health insurance seriously.

Lack of awareness: Health insurance policies aren't as publicised as life insurance policies. I have even met people who have a policy, but don't know how it works or how it can be claimed.

Carelessness: Many people don't realise the costs that come with falling sick. They think that they are young and healthy, and accidents are rare. So, they just don't think about it.

Not worth it: Many don't believe that a health insurance plan actually benefits them. With rising inflation and cost of living, spending on a health insurance policy is not on their list of priorities.

Let me simply explain how wrong they are.

Rising costs: Do you know that the medical inflation rate in India stands at 20%? That's huge. Healthcare is advancing at a fast pace, but with it, costs are also increasing. You must have a medical cover to ensure an emergency doesn't empty your pocket and cause you further distress.

Cashless comfort: Policies with cashless hospitalisation will let you get treated without shelling out a penny from your pocket. Max Bupa offers a wide coverage with a sum insured of up to Rs 3 crores. You can even log onto our website, select an illness and find out how much our health insurance plans can help you save on treatment costs.

Protect your family: Most insurance policies cover your partner and children, and in some cases your parents too. This way, with your medical insurance, you will be able to take care of your family as well. Max Bupa offers some of the best family health insurance plans which cover your family, from new-borns to senior citizens and extended family in a single plan.

Critical illnesses: For life-changing illnesses such as cancer or lung disease, treatments are usually long-drawn and very expensive. This disrupts the entire family's life and could wipe out your savings. Having some of the best health insurance plans, especially those with critical care covers, can keep you safe from

such unforeseen circumstances. The critical care plan offered by Max Bupa covers 20 critical illnesses including cancer, open heart replacements, kidney failure and permanent paralysis of limbs.

Tax benefits: The premium you pay for your health insurance policy is tax deductible under section 80D, so that's an added incentive.

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Source

Basic mediclaim policy covers Covid-19 – The Asian Age – 6th March 2020



Your basic health insurance/ mediclaim policy will cover you against Covid 19 for tests and hospitalisations cost up to the sum insured.

Most individual health insurance policies cover up to 30 days of pre-hospitalisation expenses and 60 days of post hospitalisation expenses. Usually, a health cover is triggered when the insured is hospitalised for minimum 24 hours. However, if quarantine is advised, the cover may pay you partially or may not pay you at all. Read your

health insurance policy contract to know the terms.

In case you are insured by your company's group health insurance, you would have to check on what the policy covers as group policies are tailor made to corporate needs.

Incase you plan to buy a health policy now, remember that there will be a one-month waiting period for your cover to be active. Also, read the policy wordings on exclusions and coverage limitations. While policies cover hospitalisation expenses, they may cover OPD and quarantine expenses depending on the exact policy wording.

Meanwhile, non-life insurance and pure health insurance companies said that they are evaluating the insurance regulator's suggestion to design products covering the cost for coronavirus while some insurers ruled out the need for a separate coronavirus cover as all standard policies anyway would cover the insured against such pandemic.

Mayank Bathwal, CEO at Aditya Birla Health Insurance said, "In the past few years, the world has faced outbreaks of dreaded viruses such as Ebola, Zika, Nipah, and now Corona. A health insurance policy covers all infections, and Corona is one such infection. Hence, all covers such as in-patient treatment, pre-hospitalisation, post-hospitalization, OPD and ambulance cover that your health policy offers will be available to you, to fight against this pandemic."

Atul Sahai, MD & CEO of New India Assurance, the country's largest non-life insurer, explained, "Individual mediclaim policies cover the hospitalisation cost as permissible under the policy for all diseases that are not excluded in the policy contract and that require 24 hours of hospitalisation."

"Regarding specific product for coronavirus, we are evaluating the Irdai advisory and exploring related data."

The Insurance Regulatory and Development Authority of India a day earlier issued guidelines on handling of claims reported under coronavirus suggesting that "insurers are advised to design products covering the costs of treatment for coronavirus." The guidelines said where hospitalisation is covered, insurers should ensure that the cases related to corona virus disease (Covid-19) are expeditiously handled. "The costs of admissible medical expenses during the course of treatment including the treatment during quarantine period shall be settled in accordance to the terms," Irdai said.

(The writer is Falaknaaz Syed.)

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Can NRIs save tax through health insurance bought in India? - The Economic Times - 5th March 2020



Health insurance comes with the double benefit of medical coverage for the policyholder and their family, as well as tax benefit. Did you know that if you are a non-resident Indian (NRI) who has a health insurance policy in India, you too, are eligible for a tax break?

That is right. Along with providing the much-needed medical coverage for the family, an NRI will also be eligible for a tax break on taxable income earned in India.

NRIs can buy health insurance in India

An NRI is allowed to buy a health insurance policy in India to secure their health as well as that of their family members. Most Indian health insurance policies provide treatment only within the boundaries of India, i.e., it will cover expenses for hospitalisation that takes place within the territorial boundaries of India.

Also, treatment overseas is typically not covered by health insurance policies bought in India. For example, if you are an NRI living in Germany and seek medical treatment there, the policy bought in India will not cover you for these expenses.

Aarti Raote, Partner, Deloitte India said, "NRIs are comparatively viewed riskier by insurance companies considering the efforts of collecting facts and ascertaining the authenticity of claims. However, NRIs covering for the health of their parents and family in India through an Indian insurance company is certainly advisable."

She adds, if an NRI buys a health insurance policy abroad, the policy may cover the treatment in India. However, the payment of premium for that policy will not be eligible for tax-benefit in India.

NRIs are eligible to claim tax breaks

For tax benefit purposes, NRIs are eligible to claim a deduction for the health insurance policy from his/her taxable income in India as per income tax laws.

Shalini Jain, Tax Partner, People Advisory Services, EY India, said, "NRIs are eligible to claim deduction up to specified limits for health insurance premium paid similar to Indian residents. The deduction can be claimed for the premium paid not only for self but also for parents, spouse and dependent children. However, such deduction is available only in relation to the premium paid towards the health insurance policies which are approved by the Insurance Regulatory and Development Authority (IRDAI). Apart from tax considerations, NRI should also consider other practical aspects while buying for a health insurance policy in India such as policy terms in relation to geographical areas covered, foreign exchange management regulations relating to settlement or repatriation of claims etc."

As per section 80D of the Income-tax Act, 1961, an individual (resident and non-resident) can claim a deduction of up to Rs 25,000 for premiums paid for the health insurance of self, spouse, and dependent children, including the expenditure of up to Rs 5,000 on preventive health check-up. An additional deduction of Rs 25,000 is available on the premium paid for the health insurance of parents aged up to 60 years. If the parents are above 60 years of age, then the additional deduction available is Rs 50,000 for premium paid for their health insurance.

If both the taxpayer and parents for whom the medical cover is taken for are aged more than 60 years, the maximum deduction that can be availed under this section is to the extent of Rs 1 lakh.

Section 80D of the Income-tax Act allows a deduction for preventive health check-up. Maximum deduction allowed is Rs 5,000 for the payment made on account of preventive health check-up of self, spouse, dependent children, father and mother. This deduction amount for preventive health-checkups is inclusive of the overall ceiling of the health insurance premium paid.

The below table gives an idea of deduction available in different scenarios

Scenarios	Premium paid for self, family (Rs)	Premium paid for parents (Rs)	Total deductions under section 80D available (Rs)
Individual, family and parents below 60 years	30,000	35,000	50,000
Individual, family below 60 years but parents above 60 years	40,000	60,000	75,000
Both individual, family and parents above 60 years	60,000	70,000	1,00,000

Source: Deloitte India

Preventive health check-up basically means those expenses which one incurs on preventive measures for early detection and safeguard against possible exposure to any disease in future. Also, the deduction on medical expenditure covers the expense incurred for treating existing diseases or ailments.

income, dividend etc., can avail of this deduction to reduce their tax liability as well as to ensure healthcare for their family in India."

(The writer is Navneet Dubey.)

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Coronavirus update: Existing health policies cover COVID-19, says GIC – Mint – 5th March 2020

The General Insurance Council, the apex industry lobby of the 44-member strong non-life insurers, on Thursday said almost all health insurance policies cover epidemics, including coronavirus.

The statement comes after the regulator Irdai on Wednesday asked insurers to cover coronavirus cases in their existing policies and also to ensure that they expeditiously attend to the coronavirus claims.

"Almost all the existing health policies cover almost all epidemics, which includes the coronavirus too. What the regulator (Irdai) said was not to frame a new policy but asking the industry to treat coronavirus cases expeditiously," A.V. Girija Kumar, chairman of the General Insurance Council, told PTI here on the sidelines of an industry event to launch an awareness campaign to increase adoption of general insurance policies.

There are 30 confirmed cases of coronavirus infection in the country as of Thursday, of which 16 are Italian tourists.

On Wednesday, the Insurance Regulatory and Development Authority of India (Irdai) asked insurers to expeditiously settle hospitalisation claims related to coronavirus disease under health policies. It also instructed insurers to come out with policies to cover treatment costs for coronavirus infection, which has impacted thousands of people worldwide.

"For the purpose of meeting health insurance requirements of various sections, insurers are advised to design products covering the costs of treatment for coronavirus," Irdai said in a circular.

He said the campaign is funded by the 44-strong industry — 25 general insurance companies, six standalone health insurance and two specialised insurance companies, along with 11 reinsurers — to drive awareness about the importance of non-life insurance.

Kumar, who is also chairman of the state-run Oriental Insurance Company Ltd, said the industry is on course to close the current financial year at ₹2 trillion and the industry is eyeing to double the size to ₹4 trillion by 2024-25.

He also said the industry has set a target of increasing the adoption of non-life insurance policies to 2.5 % from the current 1 % by 2029-30.

He said that over the past two decades — since the privatisation of the industry — the non-life insurance industry has grown at a compound annual growth rate of about 17 % and the premium is expected to be ₹2 trillion this year, up from about ₹10,000 crore in 2000-01.

Though the penetration in this period has increased from about 0.5% of gross domestic product (in 2000) to around 1% now, this is far below the penetration of 1.85% and 2.8 % in Asia and globally, respectively. According to the latest Irdai data, only about 4.2 crore individuals have a retail health policy, leaving out-of-pocket spends at about 65% as compared to global average of 18 %.

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Source

Premium perks: Wearables, apps are set to transform health insurance – Business Standard – 5th March 2020

The health insurance sector could be in for a major transformation as technology-backed wellness regimes become the order of the day. Moving away from actuarial data, much of the health insurance benefits in future might be linked to real-time data from health apps and wearable devices. Last year, IRDAI invited proposals for products under the sandbox regulatory regime.

Regulatory sandbox usually refers to live-testing of new products in a controlled environment. It is similar to a pilot project. The insurer is free to withdraw from the project in case it fails to succeed, and provided it doesn't impact the customers who have already purchased a product. IRDAI has so far received 173 proposals, most of which incentivise wellness in the health insurance space through the use of apps and wearable devices. Many health insurance companies are already experimenting on these lines. For example, Aditya Birla Health Insurance has come out with a concept called Active Dayz.

A customer needs to wear a device and earn Active Dayz points, which can be redeemed while paying the insurance premium for the next year. The customer can earn an Active Dayz by taking 10,000 steps in a day. Health insurers are also looking to test targeted disease management programmes under the sandbox. For example, ICICI Lombard General Insurance has got the approval for an app-monitored diabetes and cholesterol management wellness programme. The company will reward customers who exhibit regular exercise and well-managed sugar, cholesterol, weight and hypertension levels, which are monitored through real-time health devices.

(The writer is Namrata Acharya.)


Source

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Coronavirus impact: Insurers see marked jump in inquiries for health policies – The Economic Times – 5th March 2020

Insurers are seeing a sharp increase in inquiries on health insurance policies, with customers seeking protection against Covid-19 that has already infected about 93,000 people around the world. Queries on new policies have increased up to 40% since fresh cases of the virus were detected in Delhi and Agra. But the impact on pricing for new policies will be negligible as actuarial models generally factor in historical data. However, businesses of several health and travel insurers could be hit if the virus were to significantly impact India, industry players told ET.

“We have seen enquiries on health insurance policies from customers rise nearly 30-40% over the past few days,” said Amit Chhabra, business head, health insurance, PolicyBazaar. “A standard health insurance policy will cover all post-hospitalisation covers. Right now, pre-hospitalisation costs, such as check-ups, are being incurred by the government.”

In India, tests for Covid-19 are free. But hospitalization expenses for confirmed cases must be borne by the patients themselves. However, in the case of a patient covered with a standard health product, the insurer will cover for a patient's hospitalization expenses including surgical procedures, room rent and ambulance costs, only if it is for a minimum of 24 hours.

"Globally, we have seen in such cases that impact large populations, there is an increased push from consumers to get themselves covered. We have seen the same happen here as well in the wave of fresh cases being detected," said Pankaj Verma, head, market underwriting operation, SBI General Insurance. "We as insurers are currently mapping the situation on two fronts: The particular areas where impact is the most, and the preventive measures that can be taken."

Covid-19 has now spread to more than 70 countries, with its epicentre in China. Meanwhile, some insurers are also creating standalone coronavirus covers. Insurance startup Digit on Tuesday announced a policy that allows a person to insure themselves for a sum assured from ₹25,000 to ₹2 lakh. The policy pays out 100% of the sum insured as a lump sum if one is diagnosed and 50% if quarantined in a government or military hospital.

Separately, business of travel insurance is also being hit as foreign trips are being cancelled and events being rescheduled. "The impact on the business is more from a standpoint of significant reduction in policy volumes," said Verma.

(The writer is Ashwin Manikandan.)

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Source

Should you buy a Coronavirus-specific health insurance policy? – Mint – 4th March 2020

More and more people are testing positive for COVID-19 (popularly known as Coronavirus) globally. According to the World Health Organisation (WHO) report, as many as 1,792 new cases were reported outside China on Tuesday alone. In India, the total number of confirmed cases was at 28 as on Tuesday.

Taking cue from the increasing panic and rapid spread of the virus, insurers have started offering specific products for Coronavirus alone. Digit Insurance, under the Insurance Regulatory and Development Authority's Sandbox regulations, has launched a defined-benefit health insurance policy for Coronavirus. Policyholder gets the full sum insured on being tested positive for the illness after which the policy terminates.

The premium for the policy starts at Rs. 299 (including taxes) for a sum insured of Rs. 25,000. You have the option to increase your sum insured up to Rs. 2,00,000 and the premium will be calculated accordingly. For example, for a 50,000 sum insured, you will pay a premium of about Rs. 599.

"One restriction which comes with a regular health insurance policy is that it requires 24 hours hospitalization for you to be able to file a claim. Some policies do include out-patient (OPD) expenses but most products which include OPD expenses don't have many takers because the premium is relatively higher," said Vivek Chaturvedi, head of marketing and direct (online) sales, Digit Insurance. Within 24 hours of its launch, Chaturvedi said the company has sold over 200 policies.

WHAT THE POLICY COVERS

The policy is valid for one year and the cover will be exhausted after the payment of 100% sum insured. Anyone below the age of 75 can avail the product which comes with a 15 days waiting period. The product comes with a defined benefit which means if you've been tested positive for coronavirus and file a claim, you'd be eligible for 100% of the sum insured. In case you're quarantined which could lead to loss of income, you will be eligible for 50% of the sum insured.

However, note that the policy comes with a host of terms and conditions. In order to be eligible for the claim, the insured should not have been in contact with anyone with suspected history of COVID- 19 till the end of the policy tenure. Also, the insured or their immediate family members should not have

travelled to countries such as China, Japan, Singapore, Thailand, Malaysia, Hong Kong, Macau, Italy, Iran, Bahrain, Kuwait, Taiwan since 1December 2019. Policyholders suffering from symptoms such as cough with or without sputum, cold or nasal block, fever with pody pain and shortness of breath for the last six weeks will also not be eligible.

“The product has many exclusions making the plan very specific. Consequentially, it may not be a product that everyone will look forward to buying,” said Rakesh Goyal, director, Probus Insurance, an Insurtech broking company.

If you travel abroad after buying the policy and end up contracting the virus, you will be covered only if you’ve traveled to any country other than China, Japan, Singapore, Thailand, Malaysia, Hong Kong, Macau, Italy, Iran, Bahrain, Kuwait, and Taiwan, said Chaturvedi.

SHOULD YOU GO FOR IT?

Note that this is a disease-specific plan and comes with a list of exclusions which could make it difficult for you to file a claim. If you already have a standard health insurance plan, it makes little sense to go for this. “As of now, all health and general insurance companies are ready to support the insured in case of any claims filed for Coronavirus under their health plan,” said Goyal.

You could consider this product if you don’t have a health insurance policy in place and are worried about contracting the virus. However, Mint recommends going for a standard health plan first as it would cover you for hospitalization under any condition. Many health policies now also cover for pre and post-hospitalisation expenses.

Shwta Jain, founder and CEO, Investography, a financial planning firm agrees. "There are just too much exclusion and for a disease that's easy to contract (Coronavirus), the policy has gaps which will leave very few people eligible for the cover. One must ensure she has a standard health cover in place before going for a disease-specific policy."

(The writer is Disha Sanghvi.)

[TOP](#)



Health Insurance: Know how you can port your health cover – Financial Express – 3rd March 2020



You can choose to switch your health policy in case you are not happy with the services and features of your current health insurer. In 2011, the Insurance Regulatory and Development Authority of India (Irdai) allowed porting of health insurance policies in order to policyholders maximum benefit. However, the sad part is that many people are still uninformed of the nitty-gritty of porting a health insurance cover.

Some of the reasons why people feel the need for porting their health insurance cover include expensive policies, capping on room rent, limited coverage and extended delays in claim settlement. Better features in terms of services offered by different insurers are also some popular reasons for porting of health policies. The various features that traditional health policies lack include OPD cover, automatic restoration cover, hospital cash, etc.

Insurers are now offering new-age health insurance products to customers that mostly focus on prevention as most insurers believe that regular preventative health checks are important for greater wellness. With the introduction of new-age health insurance products, the insurers are moving towards a more outcome-based preventive structure in order to promote healthy lifestyle amongst the customers.

While earlier, a Rs 1 crore health insurance plan cost Rs 30,000 now they are available for as low as Rs 8,000 for a 30-year-old male. This is why it is advised to go for porting!

Similar policy types

Portability in health insurance cover is allowed in all health insurance related products — individual and floater covers. However, you are allowed to shift the insurer between two similar policy types. For example, if you have an individual health cover of Rs 10 lakh sum insured and you wish to switch your insurer, you can do the same provided you switch to an individual health cover. You cannot choose to change the policy type to a disease-specific cover or a critical illness cover. Also, porting is only permitted during the policy renewal though some insurers even allow porting of the health insurance till the expiry date of the policy.

One of the main benefits for those who port their health insurer is that they are allowed to enjoy the advantage of the waiting period (usually for pre-existing disease and maternity) as they can carry forward the time already associated with the previous insurer. For instance, you have a health policy that has a waiting period of 24 months to avail maternity cover and with your existing insurer you have already passed 18 months. Now, when you port your policy to another insurer, the waiting period for availing maternity cover will be reduced to six months (provided the new policy also has a waiting period of 24 months for maternity cover) as you have already served 18 months waiting period with the previous insurer.

Waiting period

The waiting period for pre-existing diseases and maternity cover vary from one insurer to another. While porting a health policy, you may even port credits earned on no-claim bonus. Under this feature, assuming the sum insured of your existing policy was Rs 5 lakh and after two continuous annual renewals without any claims, the sum insured reaches Rs 6 lakh, thanks to NCB. Next year when you port the policy with a new insurer, total sum insured remains Rs 6 lakh. But the premium will also be calculated on the current sum insured, i.e., Rs 6 lakh.

To port, the policyholder needs to approach the new health insurer at least 45-60 days prior to the expiry date of the existing policy, though porting is even permitted till the last day of the policy. Once there, the policyholder needs to fill a proposal form for portability of the policy and furnish important details regarding the previous year policy copies and later apply for the portability. After the new insurer receives the porting request, the company approaches the existing insurer in order to verify the medical and claims history of the applicant. Based on various checks, it is the prerogative of the new health insurer to accept or reject the proposal. Once the new health insurer receives all the required details, it has to take a decision on whether or not to accept porting of the policy within 15 days.

(The writer is Amit Chhabra.)

[TOP](#)



Source

Angioplasties shoot up due to price cap, says research on insurance claims – Deccan Herald – 2nd March – 2020

Did India's price control policy for coronary stents create unintended consequences? This is the question that researchers from four management universities sought to address by analysing nearly 26,000 insurance claims in Karnataka.

They found that the change in the number of angioplasties per hospital per month after price control disproportionately increased compared to the change in bypass surgeries. Angioplasties grew by 6% in absolute terms and 28% when compared to bypass surgeries before price capping.

The authors of the study Sarang Deo, Indian School of Business, Hyderabad, Hanu Tyagi, University of Minnesota, US, Chirantan Chatterjee, IIM Ahmedabad, and Himasagar Molakapuri, Carnegie Mellon University, US, published a paper on the topic in Social Science and Medicine journal, Elsevier.

In February 2017, India capped the retail price of coronary stents. “Prior research shows that care providers respond to such regulations in a way that compensates for their loss in profits because of price control. Therefore, price control policies often introduce unintended consequences, such as distortions in clinical decision making,” the paper says.



As many as 25,769 insurance claims under Vajpayee Arogyashree (now merged into Ayushman Bharat-Arogya Karnataka) from 69 private and seven public hospitals from Feb 2016 to Feb 2018 were considered for study. “Disproportionate increase in PTCA (angioplasty) procedures occurred only among private hospitals, indicating the possibility of profit-maximization intentions driving the clinical choices. Such clinical distortions can have negative implications for patient health outcomes in the long run,” the paper states.

Dr Devananda NS, HoD and consultant cardiothoracic surgeon, Manipal Hospital, said, “Randomised and double-blind studies like FREEDOM and SYNTAX have shown that bypass surgery is better than angioplasties in the long run but now since patients can afford five stents instead of one for the same price, hospitals where there are no ethics committees to watch, go for angioplasties instead of bypass.” Dr C N Manjunath, Director, Jayadeva Institute of Cardiovascular Sciences, said, “Although the stent price has come down, the angioplasty procedure cost remains the same in private sector. If it is elective surgery, depending on the anatomy, if it is less complex, we go for angioplasty.”

(The writer is Suraksha P.)

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Source

CROP INSURANCE

Insurance firms may not munch on Centre's crop insurance scheme – The Economic Times – 6th March 2020

The government's move to make PM Fasal Bima Yojana voluntary for non-loanee farmers is likely to lead to a drop in the number of farmers opting for the scheme and hit the stakeholders, including insurance companies.

The step could lead to a 10-20% drop in the area covered under PMFBY, while the total number of farmers enrolled under the scheme could also see a fall from kharif 2020. The scheme is already voluntary for those who have taken loans.

Hit by farm loan waivers

Already, between 2016 and 2018, the total number of farmers enrolled for the scheme has fallen by 14% to 34.80 million.

This is largely due to the weeding of duplicate claimants several loan waivers announced by various state governments that have encouraged farmers to drop out of the scheme.

Rising premiums

The actuarial premium under PMFBY has climbed to 12% in the rabi season and 14% for the kharif season crops due to the drop in farmer numbers in the last few years.

It may rise again if more farmers quit.

About 60% of the total farmers covered under the crop insurance scheme in 2018-19 had availed crop loans. Making crop insurance optional for such a large chunk of farmers would reduce the pool of the insured, and push up actuarial premiums.

The scheme

Pradhan Mantri Fasal Bima Yojana, the showpiece scheme of the NDA government, launched in 2016, promised farmers a higher cover at much lower premiums.

Under the scheme, farmers pay only 1.5-2% of the sum assured for most crops, and state and central governments pitch in with the rest equally.

The government had expected that the low entry barrier and better cover would encourage more farmers to opt for crop insurance, and raise the coverage for the cropped area to 50% from 22% that time. However, it has risen to just 30%, which may fall after the government move.

Insurers hit

While optional crop insurance would leave many farmers without adequate risk cover, it would also affect credit flow to them as banks would be wary of extending loans.

The reduced pool would also hit the insurance players which are already reducing their exposure to crop insurance following rising claim ratios over the last two kharif seasons.

The total premium collection under crop insurance was Rs 284500 crore in fiscal 2018-19, while they paid claims of Rs 24,700 crore till January and may rise to 90% of the premium. During this kharif season, the claims may top 100% due to extended monsoon damaging crops.

Also, General Insurance Corp has withdrawn the re-insurance commission on crop insurance, further squeezing margins that were available to the insurers.

This may reduce the number of insurance players bidding for crop insurance clusters.

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Source

Why changes in crop insurance scheme could raise issues of sustainability - Business Standard - 5th March 2020

Ever since the National Democratic Alliance government launched the much-discussed Pradhan Mantri Fasal Bima Yojana (PMFBY) in kharif 2016, it has seen numerous twists and turns to make itself friendlier to the farmer. Last week, the Union Cabinet embarked on another such exercise by announcing a host of changes in PMFBY. There are two principal changes. The first is the decision to make the scheme voluntary for non-loanee farmers.

Second, it imposes a limit on the premium subsidy to 30 percent for unirrigated areas and crops and 25 percent for irrigated areas and crops. These two decisions together could have a big impact on the scheme and needs to be closely monitored in the coming seasons. Making PMFBY voluntary for non-loanee farmers (it is already voluntary for loanee farmers) will, according to experts from leading insurance companies, lead to a drop in the number of farmers opting for the scheme since only those who perceive their risk as significantly high will enroll for the scheme.

(The writer is Sanjeeb Mukherje.)

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Source

Agriculture: Punjab's concerns need to be addressed - The Tribune - 3rd March 2020

NATURAL calamities like droughts, floods and cyclones, besides erratic rainfall, cripple the farm sector, leading to huge losses in agricultural production. Crop insurance is a prerequisite to cover crop losses against such non-preventable causes.

The Union Cabinet recently approved the revamp of the PMFBY and the Restructured Weather-Based Crop Insurance Scheme (RWBCIS) to address challenges and loopholes in these programmes. Now, the government has come out with customised crop insurance (single peril insurance cover) for states by

factoring in a specific natural disaster. Such insurance will reportedly be offered first in Punjab, parts of Haryana and western Uttar Pradesh where farmers are not generally hit by droughts or floods but suffer due to hailstorms. The states/UTs can offer specific single peril risk/insurance cover with or without opting for base cover. The Centre has made enrolment under the schemes voluntary for loanee/non-loanee farmers (previously mandatory for loanee farmers).

It seems that the revamp of crop insurance schemes may reduce the burden of premium on the farmers as they have been given the choice of the type of insurance. Now, the farmers will not be forced to have insurance cover. In spite of these amendments, there are some important concerns of Punjab that need to be addressed at the earliest.

Stability of yield

Since almost the entire net sown area in Punjab is irrigated, the average yield of principal crops, especially paddy and wheat, remains high as well as stable. As a result, there is less risk and few claims for any yield loss of these crops. Agro-ecology-specific guidelines are not in favour of the state as higher indemnity level is required in irrigated regions. The new scheme provides an indemnity level of 90 per cent.

The analysis of time-series yield data for the past 28 years shows that the average loss of major crops (wheat and paddy) remained below 10 per cent in Punjab. Resultantly, farmers may not be eligible for claims and the payment of premium will be a waste of money. The indemnity level should be raised to 95 per cent. Punjab has sufficient irrigation facilities and there is assistance in the form of free power for crops. The state government has to bear financial burden on power subsidy to the farm sector. The premium rates to be paid under the Pradhan Mantri Fasal Bima Yojana (PMFBY) are 2 per cent for all kharif crops, 1.5 per cent for all rabi crops and 5 per cent in the case of annual commercial and horticultural crops. Keeping in view all these factors, the rates may be scaled down to one per cent.

The Threshold Yield (TY) for a crop in an insurance unit shall be based on the average yield of the past seven years, excluding two years of declared calamity, if any. Due to technological advancements, the average yield of crops in the state remains stable or even increases. So, the inclusion of a large number of years underestimates the TY. The latter should be based on recent three-four normal years.

No-claim bonus

Inadequate rain does not have a major effect on crop yield as farmers operate nearly 14 lakh tubewells to save their crops. During such times, the farmers have to incur additional cost on diesel to the tune of Rs 300-500 crore in the kharif season. Electricity consumption also shoots up by Rs 600-Rs 800 crore. During the outbreak of crop diseases or pest attacks, the cost of cultivation goes up due to plant protection measures. Farmers make every effort for yield stability, but as per norms of crop insurance, they will not be eligible for claims due to no reduction in the yield. This aspect should be factored in and the increased cost should be considered for compensation. The provision of no-claim bonus for the years when farmers do not suffer any crop loss also needs to be incorporated.

As of now, the 'village' is taken as the reference unit in the new policy (on the assumption of homogeneity) instead of the plot of the individual farmer's land. However, a village may have a heterogeneous pattern. The size of the reference unit should be kept small, keeping in view the inter-unit contiguity.

Yield estimates are prone to manipulation. Accuracy, reliability and timeliness of yield estimates through Crop Cutting Experiments (CCEs) may remain inaccurate due to the lack of proper manpower allocation/outsourcing, capacity building/ training of field staff, supervision and monitoring of the process. The state governments have to carry out at least four CCEs in every village for every notified crop. This data has to be submitted to insurance companies within a month from the date of harvest. The yield assessment of multi-picking crops (horticultural and commercial) is difficult and its inaccuracy may affect the compensation.

The produce lying in the market is often affected by adverse weather conditions. In Punjab, due to mechanical harvesting and efficient transport facilities, the harvest reaches the market within a few hours. The produce waiting to be bought by agencies in the market yards should also be covered in the scheme. Post-harvest losses should be estimated at the earliest by the agencies concerned and compensation be provided to the affected farmers by insurance companies.

Lack of financial literacy as well as consumer awareness may lead to farmers' exploitation. They also may remain unaware about the crop loss estimation in their village as they are not kept in the loop. The insurance procedure should be simplified for easier understanding.

Major insurance schemes

Pilot Crop Insurance Scheme: Introduced in 1979, based on homogenous area yield index. In 1985, it was converted into the Comprehensive Crop Insurance Scheme (CCIS).

Comprehensive Crop Insurance Scheme: It was introduced in the country with effect from kharif-1985. It was yield index-based crop insurance covering cereals, millets, pulses and oilseeds and remained under implementation till kharif-1999.

National Agricultural Insurance Scheme (NAIS): To widen the coverage in terms of farmers, more crops and more risks, the NAIS (Rashtriya Krishi Bima Yojana) was implemented from rabi-1999-2000. The scheme was compulsory for loanee farmers. Punjab rejected this scheme as the state has stable crop productivity due to assured irrigation facilities.

Farm Income Insurance Scheme (FIIS): The government introduced FIIS during rabi-2003-04 with the objective of protecting the income of the farmer due to price fluctuations, to encourage crop diversification and to reduce the government expenditure on procurement at MSP. Many states, including Punjab, did not accept it because it could lead to suspension of MSP-based procurement. FIIS remained in operation only for two seasons.

Modified National Agricultural Insurance Scheme (MNAIS): NAIS was converted to MNAIS with some improvements and implemented from rabi-2010-11. Private sector insurance companies were also allowed to implement the scheme. The premium rates were 11, 9 and 13 per cent of the sum insured for kharif, rabi and annual commercial/horticultural crops, respectively. Punjab did not opt for it.

Weather-Based Crop Insurance Scheme (WBCIS): In operation since kharif-2007. Weather parameters used as a 'proxy' for crop yield to compensate the cultivators for deemed crop losses.

Coconut Palm Insurance Scheme (CPIS): Implemented from 2009-10 in coconut-growing areas of the country.

National Crop Insurance Programme: Formulated by merging MNAIS, WBCIS and CPIS; implemented from rabi-2013-14.

Pradhan Mantri Fasal Bima Yojana: Operational from kharif-2016. It is the most comprehensive crop insurance scheme so far. Farmers have to pay the lowest-ever premium rate.

(The writer is Raj Kumar.)

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Source

In high-premium policies, Centre's share in crop insurance scheme to be capped - The Hindu Business Line - 28th February 2020

The Centre wants the States to shoulder higher burden of PM Fasal Bima Yojana (PMFBY) if the premium rates exceed a reasonable level, said a senior Agriculture Ministry official on Friday.

If the premium rates go beyond 30 per cent for unirrigated and 25 per cent for irrigated farms, the States may have to cough up more to pay for the crop insurance scheme, said Ashish Bhutani, PMFBY CEO and

Joint Secretary (who looks after agricultural credits at the Ministry), at the BusinessLine Agri Summit here.

Earlier, farmer's contribution to crop insurance premium was capped at 2 per cent for kharif crops, 1.5 per cent for rabi crops and 5 per cent horticultural crops. But now, the Centre has decided to restrict the premium subsidy that it would pay. "For instance, if the premium rate is 30 per cent, farmer would pay 2 per cent for kharif crops, the rest 28 per cent will be shared equally between the Centre and the State. Even if it goes beyond 30 per cent, the Centre's contribution will be capped at 14 per cent and the State has to pay the rest," Bhutani said.

These were some of the modifications made to the PMFBY by the Cabinet last week, which also decided to make the scheme voluntary and mandatory for all farmers who were availing themselves of crop loans.

Burden on States

From the coming kharif season, the States may have to shell out more for providing PMFBY cover. "If the premium rate goes beyond 30 per cent (for unirrigated farms), the amount to be paid by farmers (2 per cent of the premium rate) and by the Centre are fixed. So, up to a premium rate of 30 per cent, farmer pays 2 per cent and both the Centre and the State would pay 14 per cent each at 50:50 basis. If the premium goes beyond 30 per cent, the State has to bear the additional amount, as both the farmer's contribution and the Central share in premium subsidy are capped," said Bhutani. Bhutani also said that higher burden on the States may prompt them to take steps to bring down the premium rates. Delays in providing crop cutting experiment data, gaps in data availability and other shortcomings for which the States are mainly responsible are among the reasons why premium rates generally go up.

During the first three years of the PMFBY, weather had been more or less fine. But the claim ratio for these three years combined was around 85 per cent. Considering the insurance firms would have paid 10-12 per cent for re-insurance, their profits would have been less than 5 per cent. And this was the case for normal years, he said.

Bhutani said around eight States have had claim ratios which were far beyond 100 per cent in these years. "Tamil Nadu, for instance, had an average claim ratio of 189 per cent; Chhattisgarh 163 per cent, and Jharkhand too had a claim ratio above 100 per cent," he said.

He said the government is coming up with a new crop insurance scheme for 151 waterstarved districts in the country. It is currently being worked on and may take a little while before it is announced.

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Source

Farm insurance made voluntary after requests from farmers: PMFBY CEO - The Hindu Business Line - 28th February 2020

The Government has asserted that the decision to make its flagship farm insurance scheme Pradhan Mantri Fasal Bima Yojana (PMFBY) voluntary was based on requests by farmers' associations.

Contrary to views, the decision to tweak the scheme was taken to give farmers the freedom.

Ashish Kumar Bhutani, Chief Executive Officer of PMFBY, also dismissed reports that the government subsidy in the premium payout was being reduced.

"There is no change in the premium paid by the farmers. Their share will continue to be 1.5 per cent for rabi and 2 per cent for kharif seasons. The remaining part will continued to be paid by the State and Central Governments," he said.

Bhutani made these comments while addressin a panel discussion on "How to risk-proof agriculture?" at the two-day *BusinessLine* Agri Summit being held here.

The recent decision by the Union Cabinet to tweak the agri insurance scheme by making it voluntary for the insurance-seeking farmers attracted sharp criticism.

States to provide data

On the delays in payout of insurance claims, the PMFBY CEO said the Centre had no role as it was the States in question that were required to provide data (on crop losses during natural calamities and drought) and pay their premium contribution to the insurance companies to settle the claims.

The States were supposed to provide the data in time to help the insurance firms assess and settle the claims. "Sometimes they take up to 12 months," Bhutani said.

Unlike in motor vehicle insurance, where third-party assessment is made to estimate the losses, the States furnish the data after collecting the same from the villages.

Referring to recent changes mooted to address the delays in settlements, he said if the States failed to send the data before the cut-off date, the publicly available data would be considered for the estimates of the losses and extent of claims.

Butani said the claim settlement rates were very high at 85 per cent in the last three years. In Tamil Nadu, it was at 189 per cent and 163 per cent in Chhattisgarh. It was more than 100 per cent in seven to eight States.

(The writer is K. V. Kurmanath.)

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Source

MOTOR INSURANCE

IRDAI proposes to hike third-party insurance premium for cars, two-wheelers for FY 2020-21 - The Economic Times - 6th March 2020



Third-party insurance premium for cars, two-wheelers and transport vehicles is likely to go up with the regulator Insurance Regulatory and Development Authority (IRDAI) proposing a substantial increase in these premium rates for the financial year 2020-21.

However, as per the release issued on March 5, 2020, a discount of 15 percent is proposed for electric private cars, electric two-wheelers, electric Goods carrying Commercial Vehicles and electric passenger carrying vehicles. Apart from this, a discount of 7.5 percent on motor third party premium rates for hybrid electric vehicles is also proposed.

Take a look at the new proposed third-party insurance premium for private cars and two-wheelers.

Proposed private car third-party premium rates

The IRDAI has proposed to increase the Motor Third Party (TP) premium rates for cars with engines below 1000 cc to Rs 2,182 from the existing Rs 2,072 for fiscal 2020-21.

Similarly, for cars between 1,000 cc and 1,500 cc the third-party premium is proposed to be increased to Rs 3,383 from the existing Rs 3,221. However, for luxury cars (with engine capacity of over 1,500 cc) no change in third party premium has been proposed from the existing Rs 7,890.

Proposed two-wheeler third-party premium rates

The IRDAI has proposed to increase the TP premium rates for two-wheelers with engines below 75 cc to Rs 506 from the existing Rs 482 for fiscal 2020-21.

The details of the proposed motor third party premium rates for private car wheelers are given below:

Description of vehicle	Existing Rates (FY 2019-20) Rs.	Proposed Rates (FY 2020-21) Rs.
Private cars with engine capacity		
Not exceeding 1000 cc	2,072	2,182
Exceeding 1000 cc but not exceeding 1500 cc	3,221	3,383
Exceeding 1500 cc	7,890	7,890
Two Wheelers with engine capacity		
Not exceeding 75 cc	482	506
Exceeding 75 cc but not exceeding 150 cc	752	769
Exceeding 150 cc but not exceeding 350 cc	1,193	1,301
Exceeding 350 cc	2,323	2,571

Source: IRDAI

Similarly, for two-wheelers between 75 cc and 150 cc, the premium is proposed to be increased to Rs 769 from the existing Rs 752.

For two-wheelers between 150 cc and 350 cc the premium is being proposed to be increased to Rs 1,301 from the existing Rs 1,193. For two-wheelers with engines above 350 cc, the premium is proposed to be increased to Rs 2,571 from the existing Rs 2,323 for fiscal 2020-21.

The motor third party premium rates proposed by IRDAI for the year 2020-21 (ending March 31, 2021) for various categories of vehicles shall come into force from a date to be notified.

(The writer is Navneet Dubey.)

Source

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SURVEY

Big dreams, lack of financial planning: Plight of Indian women in life goals preparedness - Financial Express - 5th March 2020



A majority of Indian women dream big about life goals, but they do very little financial planning to realise the goals, reveals Bajaj Allianz Life Goals Preparedness Survey. In fact, more than 50 per cent of women dream of life goals that are so big that such goals are difficult to achieve even through financial planning.

Most Indian women don't get involved in decision making that have an impact on their financial future, even as they actively participate in conversations around financial planning and investments at home.

Not only married women, but most single, divorced and widowed women also pass the responsibility to their male relatives, even as financial planning and investment should be on top of the list of things that women need to get involved with.

According to the Bajaj Allianz Life Goals Preparedness Survey, 53 per cent of women have not done sufficient financial planning to realise their life goals, although more women aspire for goals related to health, fitness and travel to new and exotic locations, than men.

While 25 per cent more females, compared to male, aspire towards health and fitness related goals, in case of traveling to new and exotic locations, 26 per cent more women, compared to men, aspire for it.

Interestingly, physical and mental fitness is amongst the top 5 life goals for women, as 1 in 4 females want to be physically and mentally fit, compared to 14 per cent males.

With more than 1 in 2 life goals are influenced by them, friends, family members and elders influence women most to take up life goals, reveals the survey. Apart from friends and family members, social media, books and movies also play a crucial role in influencing financial decisions of women.

According to the survey, one in every four life goals of women are influenced by books, while movies influence life goals of one in every 5 females, which are 42 per cent and 67 per cent higher respectively in comparison to men. Similarly, social media also has relatively higher influence in women compared to men, with 20 per cent of the life goals of women are influenced by social media, compared to 17 per cent influence effect in men.

(The writer is Amitava Chakrabarty.)

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Source

Why urban India continues to feel financially insecure - The Hindu Business Line - 5th March 2020

Awareness of term insurance and ownership has improved in India over the last one year, albeit marginally, going by the latest edition of Max Life Insurance's survey.

The survey — Max Life India Protection Quotient 2.0 — was conducted by the private life insurer in association with KANTAR.

The protection quotient scale has improved from 35 to 37, which indicates that urban India continues to feel financially insecure.

Unveiling the findings of the second edition of the survey, Prashant Tripathy, Managing Director and CEO, said this edition had a total of 7,014 respondents across 25 cities comprising 6 metros, 9 Tier I and 10 Tier II cities (added in IPQ 2.0) against the earlier survey (done last year), which interviewed 4,566 respondents across 15 cities.

"We have included Tier II cities. The outcome shows that there is some improvement in both awareness and ownership when compared to the findings of last year.

"There is also increased anxiety among respondents over the need for financial protection. This is expected to translate into increased buying of term insurance at the industry level in the coming days," he said.

Millennials

Tripathy said that term-plan ownership was up 700 bps to 28 per cent, and seven in 10 people are interested in term plans with return on premium option. As regards millennials, the survey's findings showed that they have caught up with non-millennials on IPQ and term-insurance awareness but lag when it comes to term ownership, he said.

He said that Tier II cities feel less financially protected and have debuted at a Protection Quotient of 32. South India outperforms

While South India continued to outperform other regions with a Protection Quotient of 40 and life insurance ownership of 77 per cent, Western India saw significant growth of 7 points in life insurance ownership at 64 per cent.

Delhi and Hyderabad are in the lead with Protection Quotient of 47 and 46, while Ludhiana, despite witnessing the maximum growth, continued to have the lowest Protection Quotient of 27 this year. Chennai is the only city to witness a decline from last year on the protection quotient.

(The writer is KR Srivats.)

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Source

INSURANCE CASES

Can't deny insurance claim over driver's fake licence: SC – The Times of India – 5th March 2020

The Supreme Court on Wednesday ruled that an insurance company cannot deny claim to the owner of a vehicle involved in a road accident if his driver had falsely claimed to be holding a valid driving licence by producing a fake document.

A bench of Justices Navin Sinha and Krishna Murari said it would not be possible for any owner to make inquiries with regional transport offices all over the country to ascertain the veracity of the driving licence, particularly when he has no reason to doubt its veracity. The SC said wilful breach of the conditions of the insurance policy should be established to deny claim to the insured.

“While hiring a driver, the employer is expected to verify if the driver has a driving licence. If the driver produces a licence which on the face of it looks genuine, the employer is not expected to further investigate into the authenticity of the licence unless there is cause to believe otherwise. If the employer finds the driver to be competent to drive the vehicle and has satisfied himself that the driver has a driving licence there would be no breach of Section 149(2)(a)(ii) and the insurance company would be liable under the policy,” it said.

Breach of conditions under Section 149(2)(a) of the Motor Vehicles Act absolves the insurer of its liability to the insured. The section deals with the conditions regarding driving licence. In case the vehicle at the time of accident is driven by a person who is not duly licensed or by a person who has been disqualified from holding or obtaining a driving licence during the period of disqualification, the insurer is not liable for compensation.

The bench said it would not amount to breach of the section when the owner was himself deceived by his driver. “It would be unreasonable to place such a high onus on the insured to make inquiries with RTOs all over the country to ascertain the veracity of the driving licence. However, if the insurance company is able to prove that the owner/insured was aware or had noticed that the licence was fake or invalid and still permitted the person to drive, the insurance company would no longer continue to be liable,” it said.

The apex court set aside order of National Consumer Disputes Redressal Commission which had absolved an insurance company of its liability since no record of the licence of the driver was found with the licensing authority. In this case, the insured vehicle met with an accident with a tractor as a result of which the owner of the vehicle and his daughter died. United India Insurance Company, however, turned down the claim filed by his wife on the ground that the driver did not have a proper driving licence at the time of the accident.

(The writer is Amit Anand Choudhary.)

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Source

Trust, insurance firm told to pay ₹4 lakh to patient for medical negligence - Hindustan Times – 4th March 2020

District consumer dispute redressal forum, Shaheed Bhagat Singh Nagar, has directed Guru Nanak Mission Medical and Educational Trust, Banga, of Guru Nanak Mission hospital and United India Insurance Company to jointly pay ₹2 lakh as compensation for medical negligence and ₹1.89 lakh for expenses to a patient. They were also directed to pay ₹5,000 as litigation expenses and ₹5,000 in legal aid account of the forum.

Kaushalya Devi, 65, of village Ladhana Jhikka in SBS Nagar district, who had filed a complaint with forum on July 26, 2019, said that she had consulted Dr Pritampal Singh of the trust for abdomen pain. The

doctor advised her to go for a minor operation costing ₹10,000. During the surgery her uterus was to be removed, however, the doctor negligently cut the urine bladder and later referred her to to IVY Hospital in the district. The hospital told her that it will take more than six months to recover the damaged urine bladder and one more operation will be required after six months.

The opposite parties pleaded that the complaint is not maintainable and there was no deficiency in service on their part. The hospital pleaded that they were covered under the insurance policy bearing issued by United India Insurance and prayed that in case any amount is payable to the complainant, the same is covered by Insurance firm.

The forum observed that the operation was conducted on July 17, 2019, while the ultrasound report was generated in October 2018, which is 8 months earlier from the operation date. "It appears from documentary record that Dr Pritampal is not serious about human life as he did not conduct the concerned tests up to date before the operation in question." "It is the duty of this forum to provide justice to a deserving person. Further, no one allowed to play florid with the human body like happened with the complainant before the eyes of the law," read the order.

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PENSION

Your provident fund balance to earn less: EPFO declares PF interest rate for 2019-20 - Financial Express - 5th March 2020



The provident fund (PF) balance is going to earn less for the salaried employees. According to PTI, EPFO has lowered interest rate on employee provident fund to 8.50 per cent for 2019-20 from 8.65 per cent in 2018-19. The decision has been made by the central board of trustees and the new PF interest rate 2020 will now have to be notified by the government.

There has been a cut of 15 basis points or 0.15 per cent on the existing PF rate of interest. Employees Provident Fund Organization (EPFO) has declared the interest rate on provident fund balance. The interest rate on EPF for the

financial year 2019-20 will be 8.50 per cent. For 2018-19, the interest rate was 8.65 per cent on the Provident Fund (PF) balance.

With the interest rate coming down in the economy, the EPF interest rate was also expected to come down. Earlier, the interest rate on EPF was hiked to 8.65 per cent from 8.55 per cent declared in 2017-18. It is also expected that the rate of interest on post office small savings schemes will also be lowered from April 1, 2020.

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Bad News! Employer's contributions to EPF, NPS would no longer be entirely tax free - Financial Express - 3rd March 2020

One of the advantages of salaried persons is retirement benefits through schemes like Employees' Provident Fund (EPF), Superannuation Fund, National Pension System (NPS) etc. Contributions to such schemes not only help in building a retirement corpus, but are also tax-free till now.

While employees contribute 12 per cent of their basic salary and daily allowance (DA) per month to EPF, employers also make matching contributions. While the entire contribution of an employee goes to Provident Fund (PF), most of the employer's contribution goes to Employees' Pension Scheme (EPS) and



Employees' Deposit Linked Insurance (EDLI), while a small part of the contribution goes to PF.

So far, the entire amount of an employee's contribution to a recognised EPF is eligible for tax deduction u/s 80C of the Income Tax Act even if the employee contributes more than 12 per cent of his/her basic salary + DA. On the other hand, employer's matching contribution up to 12 per cent is tax free and any amount contributed by the employer in excess of 12 per cent becomes taxable.

Under a Superannuation Fund, only employers contribute 15 per cent of basic salary of respective employees to the fund. Contributions by employees are not mandatory, but an employee may make voluntary contribution and avail tax deductions u/s 80C on such contributions. Employers' contributions up to Rs 1.5 lakh is tax free.

Originally launched to provide pension to government employees, who joined their services after December 31, 2003, employees contribute 10 per cent of basic salary and DA in NPS, while government contributes 14 per cent. Employee's contribution up to Rs 1.5 lakh is eligible for tax deductions in a financial year, while the contributions made by government is tax free.

Apart from government, other employers were also allowed to adopt NPS as retirement benefit scheme from 2009. Both employees and employers in private sector contribute 10 per cent of basic salary + DA to NPS. Employees' contributions up to Rs 1.5 lakh are eligible for tax deductions in a financial year, while employers' contributions up to 10 per cent of employees' salary (basic + DA) is tax free.

So, there is no upper monetary limit on contributions made by employers in EPS and NPS, while for Superannuation Funds, the limit is Rs 1.5 lakh in a financial year. In the Union Budget 2020, a proposal has been made to put a cap of Rs 7.5 lakh in a financial year on combined contributions made to the three schemes (EPS, NPS and Superannuation Fund) by employer(s).

So, while an employee having Superannuation Fund as sole retirement benefit scheme would gain, highly paid employees having EPS and/or NPS as retirement benefit scheme(s) would suffer, as any contributions made by employer(s) over Rs 7.5 lakh in a financial year would now become taxable.

Moreover, any annual accretion by way of interest, dividend or any other amount of similar nature during the financial year will also be part of the Rs 7.5 lakh limit. So, any contributions by employer(s) and return on pension scheme(s)/fund(s) in excess of Rs 7.5 lakh in a financial year will now become taxable for the highly-paid employees.

(The writer is Amitava Chakrabarty.)

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Source

NPS pension payouts to become flexible - Mint - 1st March 2020

The Pension Fund Regulatory and Development Authority (PFRDA) is working on alternatives to the mandatory annuity product that National Pension System (NPS) subscribers have to buy on exit. When exiting on maturity, NPS subscribers can withdraw up to 60% of the corpus but compulsorily need to buy an annuity plan with the remaining 40%. For premature exit after 10 years, 80% of the corpus needs to be annuitized.

There are two proposals in the works at PFRDA's table. "Subscribers told us that they have been getting over 9 percent returns during the accumulation phase. But on retirement, the returns in an annuity plan work out to be much lower—in the range of 6-6.5 percent. We, therefore, decided to offer more options in addition to the existing annuity plan," said Supratim Bandyopadhyay, chairperson, PFRDA.



Currently, NPS Trust has seven empanelled insurance companies offering annuity products. A subscriber can opt for an annuity for life, or annuity for a limited period like 10-15 years, or annuity for life where the annual payout increases every year by a fixed percentage. Annuity products have been unpopular as the rates they offer are usually low and fixed upfront for life. Also, the payouts are taxed in the hands of investors.

Annuity options

Option 1: The first is introducing a systematic withdrawal plan (SWP). Instead of buying an annuity, subscribers can opt for SWP. Typically, in an SWP, an investor gets to withdraw a fixed amount every month from an accumulated corpus. The rest remains invested.

As of now, SWP is a facility that mutual funds provide and is more tax-efficient for those in the highest tax bracket. The long-term capital gains (LTCG) tax for equities is charged at 10% if investments are redeemed after a year. But if the total gains are less than ₹1 lakh in a financial year; there is no tax. In case of a debt fund, LTCG tax is charged at 20% with indexation benefit if an investor withdraws after three years. If SWP in NPS is indeed announced, the taxation rules will be notified by the Central Board of Direct Taxes later.

PFRDA is working on the details on the structure. "The money will remain in the system and subscribers could get better returns than what annuities offer at present," said Bandyopadhyay.

In the past five years, central and state government NPS have given annualized returns of above 8.7% (the minimum among all pension fund managers), according to data from Value Research. The corporate CG (central government) scheme gave above 8.8%. Private NPS has three funds where the returns from government bond funds is over 9% for five years, corporate debt funds have returns over 9% and the equity funds over 5.2%.

Option 2: Under this, PFRDA may announce its own annuity plan. According to Bandyopadhyay, it could be a variable annuity plan where the payout could be linked to a benchmark and would vary as per the benchmark interest rate. This means, the payout would depend on the performance of the investments. "Annuity as a product comes under IrDAI. But if PFRDA is set to become the regulator for all pension products, we need to see how the regulations would work because of the prevalence of multiple regulators," said Amit Gopal, principal, Mercer Consulting India, a human resource consulting firm. Gopal also pointed out that insurers find it difficult to price an annuity product. Pricing variable annuity could be more difficult if the subscriber wants a minimum payout, he added.

At present, both the proposals are in the development stage. "The government has agreed to look at our proposals. But we need to put a structure to it and then seek approval from the government," said Bandyopadhyay.

What this means for you

More options will help subscribers plan their retirement better and will encourage more individuals to enrol in NPS. According to financial planners, if multiple options are introduced, PFRDA should allow subscribers more flexibility in choosing how much to buy an annuity for.

Typically, buying an annuity product takes away two risks—reinvestment and longevity. It's difficult to predict the interest rates. This product locks the interest rate at the beginning, protecting the investor from any reinvestment risk. Also, it provides lifelong pension, so longevity is not a challenge. "The new

options that PFRDA wants to introduce would not cover reinvestment risk. Returns in both the options are market-linked," said Deepesh Raghaw, a Sebi-registered investment adviser based in Mumbai. Some financial planners prefer to keep only a small amount of the retirement corpus in annuity. "Usually, if an individual manages an adequate corpus for retirement, we keep 10-20% in annuity," said Vishal Dhawan, founder, Mumbai-based Plan Ahead Wealth Advisor, a financial planning firm.

There is still no clarity on how these two options will be structured, the kind of restrictions they will have, and the choices subscribers would have. However, NPS remains one of the recommended products for retirement planning.

(The writer is Tinesh Bhasin.)



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IRDAI CIRCULARS

IRDAI issued circular regarding guidance on insurance claims arising in North East Delhi caused by riots.



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IRDAI issued exposure draft on revision in premium rates for motor third party insurance cover for the financial year 2020-21.



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Gross direct premium underwritten (non-life) for and up to the month of February 2020.



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IRDAI Journal Quarterly, December-2019 is available on IRDAI website.



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IRDAI issued guidelines on handling of claims reported under corona virus.



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IRDAI issued modifications guidelines on standard individual health insurance product.



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GLOBAL NEWS

Malaysia: Life market to grow at CAGR of 4.4% to exceed US\$13bn in 3 years - Asia Insurance Review

Regulatory initiatives are expected to help Malaysian life insurance business surpass US\$13bn in 2023, says data and analytics company GlobalData.

The Malaysian life insurance market, in terms of gross written premiums, is projected to grow at a compound annual growth rate (CAGR) of 4.4% to MYR55.4bn (\$13.7bn) in 2023 from MYR46.7bn

(\$11.6bn) in 2019, says GlobalData in its report, “Malaysia Life Insurance: Key Trends and Opportunities to 2023”.



Term insurance, endowment and whole life products account for almost 90% of Malaysia’s life insurance business. Rising working-age population and government and regulatory initiatives towards affordable insurance products are the key factors driving the growth.

Sangharsan Biswas, insurance analyst at GlobalData, said, “As of end-2018, the share of working-age population stood at 66.2%. This offers huge growth potential as 46% of the population still does not own any life insurance product.”

In 2017, the Malaysian government launched the life insurance scheme, Perlindungan Tenang, aimed at the economically weaker section of the population. Since then, leading insurers such as Allianz have introduced microinsurance products to tap into this segment. Sun Life Malaysia partnered with U Mobile to offer affordable mobile-based life micro-insurance, to cater to U Mobile’s customer base. Similarly, Gibraltar BSN partnered with mobile wallet provider Boost Malaysia to promote mobile-based insurance premium payments. These steps are expected to increase life insurance penetration in the country.

Efforts are also being made by the regulatory authority and industry association to promote insurance awareness. In 2019, a national strategy plan for financial literacy was launched to implement large-scale awareness campaign.

The regulatory authority has also been taking other steps to improve product accessibility. It is now mandatory for life insurers in Malaysia to offer standalone term insurance through their direct distribution channel – either own office or online platform. Due to their more affordable pricing, such plans are expected to help insurance adoption.

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Taiwan: Cabinet passes draft agricultural insurance Bill again - Asia Insurance Review



The Executive Yuan yesterday passed the draft Agricultural Insurance Law and will forward it to the Legislative Yuan for deliberation.

This was the second time the Cabinet has passed the draft Bill. The first time the Executive Yuan did so was on 18 July 2019. It then sent the Bill to the Legislative Yuan for review, but because the term of the Legislative Yuan ended before the Bill could be passed, the Executive Yuan passed the draft again yesterday.

Mr Chen Tian-Shou, deputy minister of the Council of Agriculture, said that since a pilot agricultural insurance programme was launched in 2017, more than 10 insurance companies had taken part in the scheme.

At present, the pilot scheme covers around 20 types of crops and livestock, such as rice, bananas and aquaculture. There are 27 types of insurance policies available. The sum insured stands at about NT\$8.4bn (\$281m) for which the premium is NT\$360m. In the future, coverage will be provided for tea, oranges and grapes.

Mr Chen said that the draft agricultural insurance law, when enacted, will expand the scope of protection. Insured events will not be limited to natural disasters but will also include losses suffered from diseases and pests, etc.

He added that if the operations were to reach a certain scale in future, an agricultural insurance fund would be set up with an initial NT\$5bn. In addition, an agricultural insurance database would be established, personnel trained to assess loss, and farmers given help with risk management.

Under the proposed law, the government would be required to provide a subsidy of up to 50% of the premium.

The experience gained from the pilot programme would serve as the basis for the new insurance system.

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Global: COVID-19 testing in US to be fully covered by insurance - Asia Insurance Review



US vice president Mike Pence has addressed the concerns of many Americans over the potential costs of getting a coronavirus test. He said that the cost of the tests will be covered by all private insurance plans, and by Medicare and Medicaid.

Americans with health insurance will not have to worry about paying out of pocket to be tested for coronavirus as the Department of Health and Human Services (HHS) has designated the coronavirus test as an “essential health benefit”, he said.

He added that around 1.5m test kits are currently making their way to state and university labs across the country that are authorised to carry out the coronavirus test.

The assurances by Mr Pence come amid concerns that many Americans who display COVID-19 symptoms may choose not to come forward and get tested for fear of the potential costs, potentially fuelling the spread of the disease.

Concerns were high after reports emerged of an American who tested positive for the coronavirus, and received an insurance claim of \$3,270.

Emergency aid package

The US Congress has also approved \$8.3bn in emergency aid to help counter the spread of the coronavirus.

The bipartisan package includes nearly \$7.8bn for agencies dealing with the virus, like state and local health departments that have said that their resources are strained, even as they deal with early-stage outbreaks.

It also authorises \$500m to encourage Medicare providers for telehealth services for the elderly at home.

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Global: UK declares COVID-19 a notifiable disease for insurance compensation - Asia Insurance Review

Following public pressure, the British government has changed its stance to enable organisations to trigger insurance coverage for coronavirus-related losses in England. It said it would declare coronavirus as a 'notifiable disease' - a formal classification required by several insurance policies.

"To mitigate the impact on businesses, we will register COVID-19 as a notifiable disease. This will help companies seek compensation through their insurance policies in the event of any cancellations they may have to make as a result of the spread of the virus," said the Department of Health and Social Care on 3 March as cited in a BBC report.

The other parts of the UK –Scotland, Northern Ireland, Republic of Ireland – have already included coronavirus in their notification process which confers important powers to local authorities and acts as an important trigger for business interruption cover.



According to an Association of British Insurers (ABI) spokesperson, commercial insurance policies provide cover against a wide range of risks that can be tailored to the needs of individual businesses, including extensions to cover.

The association also noted that it may be possible to buy consequential business interruption cover for notifiable diseases as an extension to a business insurance policy,

subject to any policy terms and conditions.

“Standard business insurance policies are designed and priced to cover standard risks, not those that are very unlikely such as the effects of COVID-19. More generally, all UK insurers are capitalised under Solvency II to withstand a wide range of severe events, including pandemics,” said ABI.

Local businesses had earlier been warned that expected coronavirus losses risked not being covered under existing rules. They were also unclear whether their insurance policies would offer financial protection.

ABI advised businesses who are concerned about this to check the scope of their cover and speak to their insurance adviser or broker – implying that the government's decision was unlikely to apply retrospectively.

Protecting citizens

UK Prime Minister Boris Johnson also announced statutory sick pay would be available to workers staying at home with possible coronavirus infections from the first day of illness. He said payments would be moved forward from the fourth day of sickness under current rules - under emergency legislation to stem the spread of the disease.

"Nobody should be penalised for doing the right thing," he said.

The same day, 36 new people tested positive for the virus, bringing the total up to 87. The Department of Health said three of the new cases in England contracted the virus in the UK, raising fears that community transmission may now be taking hold.

The government and health officials are currently attempting to contain the spread of coronavirus and hope to push the worst of an outbreak into the summer months, when there is less pressure on NHS services.

Ministers are considering bringing retired doctors back to work in the event of an epidemic. Several medical staff have in recent weeks tested positive for the virus.

England's chief medical officer Professor Chris Whitty told Sky News that a serious coronavirus outbreak was 'almost certain', with 'some deaths' expected. He said that Britons may be required to take "more extreme action" in the longer term, but he does not believe people need to change what they are doing in terms of their normal behaviour.

Prof Whitty highlighted a six-week window before the spread of coronavirus could accelerate.

"If we get established transmission in the UK, which I think at this time is more likely than not, then there will be a number of weeks - about six weeks - until we start to see a significant amount of transmission in the UK," he said.

"The key thing is we will need to do a variety of interventions, but we do not want to do them too early because we'll then need to sustain them through the epidemic.

"So, what we're trying to do is plan to do them at exactly the right point to minimise social disruption but still manage to reduce the impact of this epidemic."

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Indonesia: Regulator & insurers discuss plans for policyholder protection - Asia Insurance Review

The Indonesian General Insurance Association (AAUI) has proposed that insurance policy guarantees be provided by the Indonesian Deposit Insurance Corporation (LPS).

The reason for the proposal is so that the government would not need to form a new institution to provide policyholder protection. Thus, the insurance industry would not have to face the additional burden of supporting a new body.

"Our proposal is to join an existing institution, namely LPS, so that no new institution need be established," AAUI chairperson Dadang Sukresna, to *CNN Indonesia.com*. He pointed out that insurers already pay fees to the Financial Services Authority (OJK).

If it is not possible for the LPS to provide policyholder protection, Mr Dadang expressed the hope that the government would not collect contributions from insurance businesses to support the policyholder protection fund. He said that the insurance industry's operational burden is already heavy.

Separately, the chairman of the Indonesian Life Insurance Association (AAJI) Budi Tambupolon said that even if insurers had to make contributions to the policyholder protection fund, the contributions should not be uniform for all insurers.

"The issue is, the fees could be the same for all members, but some members feel that they manage their company better than others. These things are being discussed," he added. The head of OJK 2A IKNB Supervision Department Ahmad Nasrullah said that inevitably insurance players would have to pay contributions to the policy guarantee agency after and if it was created. He pointed out that banks pay fees to the OJK and to LPS.

Mr Ahmad said that there are two options being considered. The first is for the LPS to undertake the function, but this means that the LPS law needs to be amended, which would mean a delay in implementing policyholder protection. The second option is to create a new agency.

OJK said the plan to provide policyholder protection is part of industry reform along with regulatory and supervisory reforms. Deliberations on the issue were started due to ongoing financial problems faced by state owned life insurer Jiwasraya.


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Pakistan: Insurers eye social health insurance contract - Asia Insurance Review

Around a dozen insurance companies have shown interest in securing a contract to provide cover under the Sehat Sahulat Programme in Khyber Pakhtunkhwa, one of the four administrative provinces of Pakistan. The programme is scheduled to start in the province on 1 July this year,

Unlike the past when only a few insurance firms participated in the bidding process in the free healthcare initiative, the representatives of around a dozen companies attended the pre-bidding conference on 28 February, reported the newspaper *Dawn*.

Health secretary Mohammad Yahya Akhunzada promised the companies a clean and transparent process in awarding the contract. He said the government wanted to complete the bidding process in line with the legal framework and extend the programme across the province from the next fiscal year which starts on 1 July.

The last date to apply to bid has been extended from 10 March to 20 March to ensure the participation of more insurers. Sehat Sahulat, launched in 2016 and rolled out in phases across the country, is a social welfare programme which aims to provide medical care to the underprivileged in a “swift and dignified manner” without any financial obligations on their part, through micro health insurance. Those who earn less than \$2 a day qualify for the programme.

To date, 230,000 patients have received free treatment under the programme at a cost of PKR5.5 bn (\$36m). The government has pledged PKR15bn per year for the programme and pays a premium of PKR2,000 per year for a family of eight to insurers. A family can use up to PKR250,000 for priority health care services covering serious illnesses and PKR50,000 for secondary health care services.

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Source

Thailand: Life insurers seek to postpone implementation of IFRS 17 till 2023 - Asia Insurance Review

The Thai Life Assurance Association (TLAA) has written to the Federation of Accounting Professions to seek a postponement of the implementation of the new accounting standard IFRS 17 related to insurance contracts. The life insurance body would like the new standard to take effect from 1 January 2023, according to a report on the news site *Prachachat*.

At present, globally, the proposed effective date of IFRS 17 is 1 January 2022, but there are some suggestions that there might be a further one-year delay. The International Accounting Standards Board (IASB) has said that it will re-deliberate the effective date of IFRS 17 at its meeting this month. Mrs Nusara Assakul Banyatpiyaphod, TLAA president, said that the association has formed a working group with several stakeholders, such as the Office of Insurance Commission (OIC), to deliberate the implementation of IFRS 17.

She said, “This year, the association will join as a working group with OIC to prepare a manual to interpret the IFRS17 and study/collect its impact.” The association will place importance on work processes and systems in insurance entities, including data collection, IT systems, work procedures and the actuarial calculation system.

The TLAA is awaiting a reply from the accounting body to its proposal to defer the implementation of IFRS 17. Sources with the Federation of Accounting Professions said that it has received the request and is currently considering the broader impact of a postponement.

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