Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

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• Quote for the Week •

"There is nothing so fatal to character as half-finished tasks."

– David Lloyd George

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Industry

Govt eyes Rs 10,000 crore: Two PSU insurers closer to listing; bankers selected – The Indian Express – 2nd May, 2017

Getting closer to listing their shares on the stock exchanges, two of India's leading public sector insurance companies have selected merchant bankers and initiated discussions with the concerned parties to launch their IPOs. With New India Assurance (NIA) and GIC Re expected to sell 10-25 per cent of the capital, the government is likely to mobilise around Rs 10,000 crore from the divestment. NIA, the largest general insurer in India, has chosen five merchant bankers to manage its proposed initial public offering (IPO). The merchant bankers selected by the NIA are Nomura Financial Advisory & Securities (India), Kotak Mahindra Capital Company, Yes Securities, IDFC Bank and Axis Capital.

There were seven merchant bankers which had bid for the NIA's IPO mandate and those who couldn't make it to the final list were SBI Capital Markets Ltd and Citigroup Global Markets India Private Ltd. GIC Re, the state-owned reinsurer, has also selected five merchant bankers — Citi Group Global Markets, Axis Capital, Kotak Mahindra Capital, Deusche Equities India and HSBC Securities and Capital Markets. However, other key factors of the listing like size, pricing and timing of the IPOs of both the companies are yet to be finalised. "NIA is still talking to the government to give the final shape to its IPO. It will be a fairly large issue where the proceeds will go to both government and NIA," sources said.

The likely timing of the issue will be either around October or November. However, sources in the Ministry of Finance have clarified that there will some gap in launching the IPOs of NIA and GIC Re. The government has set a steep disinvestment target of Rs 72,500 crore in 2017-18, of which Rs 11,000 crore is expected to come from listing of PSU general insurance companies. NIA has provided cover to petrochemical, oil & energy industries, power & steel plants, aviation fleet, satellites, large projects & infrastructures, SMEs and is present in all segments of the commercial sector. With operations in 28 countries, NIA's global business for in 2016-17 was Rs 22,000 crore. The networth of the company as on March 31, 2016 was Rs 28,895 crore (including fair value change account). For the year ended March 2016, profit before tax was Rs 906 crore and profit after tax was Rs 829 crore.

The other state owned general insurers like National Insurance, United Insurance and Oriental Insurance need to improve their financials before planning their IPOs. "GIC Re will be going for an initial public offer of equity shares with face value of Rs 5 each to the public in the domestic market," the DIPAM said while inviting merchant bankers to bid for managing the share sale. It has a premium income of Rs 24,000 crore, net worth of about Rs 40,000 crore and total assets of around Rs 85,000 crore as of December 2016.

The Department of Investment and Public Asset Management (DIPAM) in its request for proposal (RFP) said the size of the IPO and its structure will be decided by the government or the company in consultation with selected bankers and legal advisors. Besides underwriting the IPO, the merchant bankers would advise the insurers and the government on the timing and the modalities of the IPO. They would also undertake due diligence activities and prepare the draft prospectus, among other things.

The merchant bankers would also organise both domestic and international road shows and ensure best return from the IPO to the government and the company. DIPAM has come out with guidelines for mechanism and procedure for time-bound listing of public sector units on stock exchanges under which the government has mandated launch of IPO within five-and-a-half months of a nod from the ministry concerned. In mid-January, the cabinet had approved listing of five general insurance companies — New India Assurance Company, United India Insurance, Oriental Insurance Company, National Insurance Company and General Insurance Corporation of India (GIC Re). Going by the preparedness, only GIC Re and New India Assurance are ready with their plans to offer shares while the other three need to improve their financial performance before commencing the process for getting listed, said an insurance sector official.

Source

ICICI Prudential Life Insurance which came out with a Rs 6,000 crore IPO at a price of Rs 334 per share in September 2016 has a market capitalisation of over Rs 58,000 crore. Its share is now quoted at Rs 405.85 on the BSE. Max Financial services, the holding company of Max Life Insurance, is also listed on the exchanges.

Back

General Insurance

Crop Insurance Not as Promising as Thought – The Times of India – 1st May, 2017

Insurers who thought they could make farm insurance a lucrative business were in for a disappointment. In the latest development, the Karnataka government scrapped a tender as the offers were for higher premium, and has called for fresh bids.

Crop insurance, which is fast moving towards becoming a third of the Rs. 1.25 lakh crore general insurance industry, is facing issues such as high claims, inadequate premium and lower interest in buying cover when the monsoon is good.

"States like Maharashtra and Karnataka have come up with retendering because they did not find the price they want," a senior executive of a general insurance company said. "If it is a stress state, all farmers are insured. If they expect bountiful harvest, they do not buy cover."

The number of farmers insured in Maharashtra in a bad monsoon year was 25 lakh, which fell to 8-9 lakh last year, the executive added.

General insurance companies have seen bumper revenue growth in crop insurance, with the Pradhan Mantri Fasal Bima Yojna policy offering the boost. The scheme is one of the most comprehensive crop insurance policies that covers four stages of insurance cover: preventive sowing, failure of grain or yield loss, localised calamities and post-harvest losses. There is no uniformity in tenor or size of policy. States come up with one season to three-year tenders. For instance, Tamil Nadu bought three years for both seasons.

For 2017-18, the government has provided Rs. 9,000 crore towards the crop insurance scheme. This will be increased to Rs. 13,240 crore next fiscal year.

For insurers writing crop, fake claims is a major worry. Global reinsurance companies are squeezing capacity, because the bogus claims are hurting profitability. "The concern that reinsurers have is, if the profitability is low in a good year, what will happen in a bad year," said Bhargav Dasgupta, managing director, ICICI Lombard General Insurance. "The real issue is that the industry is willing to pay genuine claims. But if claims are not genuine, and is thrust upon the industry, industry loses confidence."

The Pradhan Mantri Fasal Bima Yojana has talked about use of technology to record crop cutting, etc. But a lot of it is not implemented in the first year. While for crop monitoring, insurance companies take help of external bodies, there are many operational issues involved in crop insurance. "It has to become more systembased, where insurance policy is bought and uploaded at the same time," said an executive from a public sector insurance company on the conditions of anonymity.

"We understand, in crop insurance, there is squeezing of capacity," said Dasgupta. "(Local reinsurer) GIC has provided lot of capacity, but availability of capacity is coming down. If you are consistently losing market, they will reduce capacity and commission." He expects total premium under crop insurance to go up to Rs. 29,000 crore. The insurance regulator has relaxed solvency requirement for crop to 0.50% from 0.75%.Insurers say while there are certain pockets of bad performances on an aggregate basis, monsoon is a major risk factor. Reinsurance

Source

companies are worried over the experience of the pool. Crop insurance is a high-exposure product where during bad monsoon, insurers lose money.

Back

Govt. quizzed on insurance for farmers – The Hindu – 3rd May, 2017

The Supreme Court on Tuesday questioned the government policy on the fate of insurance schemes provided to farmers, asking whether the entire claim money would be forfeited, with the farmers getting nothing, in case he is unable to pay an instalment.

"If the insurance claim is not paid, does the money get forfeited? Does it lapse? Who gets it? Does it go back to the farmer? What happens? We want to know," a Bench led by Chief Justice J.S. Khehar asked the Centre.

The query came after Additional Solicitor General P.S. Narasimha submitted that the insurance provided to farmers has seen a "sea change" at the ground level.

Source

The court was looking into farmers' suicides, the various reasons behind the tragedy, including bad debts and vagaries of nature.

Mr. Narasimha said the budgetary allocation devoted to protect the farmer is like "never before".

Back

Solar power: Even as PM Narendra Modi hard-sells make in India scheme, Gujarat PSU plays spoiler – The Financial Express – 3rd May, 2017

Even as the Modi government is hard-selling its "Make in India" mission, a PSU from the prime minister's home state has put a spoke in the wheels of domestic manufacturers of solar power modules. Inviting tenders for the development of an 80 mega watt (MW) plant at the Charanka solar park in Gujarat's Patan district, Gujarat Industries Power Company (GIPCL) has added a rider: The bidders must supply modules that have a 25-year insurance cover.

And none of the domestic or foreign insurance players has so far agreed to give such a wide cover to the domestic solar developers. According to industry sources, GIPCL's policy, if enforced and emulated by other utilities, would pave the way for Chinese module makers to entrench their already strong presence in the Indian market, leaving the domestic firms high and dry. With a substantial capacity base of more than 75 GW and a conducive rating system, it is relatively easier for Chinese firms to get the 25-year insurance cover.

Since the solar manufacturing industry is still struggling to grow in India, an insurance framework exclusively for domestic modules has not been formulated yet. Sasi Kumar Adidamu, chief technical officer at Bajaj Allianz, said even globally, there are very few insurance/reinsurance players who offer such a cover and have the required expertise to evaluate the risks specific to the solar modules. Even those firms who could provide such long-term cover to the solar industry would prefer to restrict the facility to established manufacturers with strong R&D foundations and track records, he added.

Tata Power Solar and Vikram Solar are the only two Indian solar equipment makers that are listed by Bloomberg BNEF as Tier-I PV module manufactures and could have met the GIPCL's tender criteria. The state government-owned power utility has already named one Canadian and five Chinese companies as "acceptable vendors". Industry sources told FE that insurance is usually not a must for solar modules.

Instead, the equipment manufacturers provide a warranty on their products, stating that the generation capacity of the products would not go below 90% of the initial level in 10 years and 80% in 25 years. Indian solar modules usually carry product warranties for 25-27 years.

"The policy shall be on the name of the owner (GIPCL). The premium, charges, recurring charges, any expenditure for the insurance policy shall be in the scope of bidder," the GIPCL tender document said. Even after being told about such insurance schemes being not available in the country, the company was insisting on the insurance requirement, which has no precedent in India, according to source privy to the development. The person added that Indian module manufacturers had approached some domestic insurance companies and even a clutch of global players for the 25-year cover but to no avail.

GIPCL had won the bids for the 80 MW solar projects and signed power purchase agreements (PPAs) last year with the Solar Energy Corporation of India (SECI). According to analyst firm Mercom, the PPAs were signed at a fixed tariff of Rs 4.43/kWh. The projects are a part of the 590 MW Charanka solar park, spread across 5,384 acres. Domestic solar module manufacturers have been facing tough times, especially after the World Trade Organization (WTO) ruling last year that went against India for favouring local manufacturers in its solar power programme.

Joy Saxena, executive director-finance at Vikram Solar, told FE the recent exemption of customs duty for equipment required for solar rooftop installations was also a dampener for the domestic players. The tax waiver would make imported modules, which are anyway 8-10% cheaper than its domestic counterparts, more attractive for developers. Solar panels worth $42 billion are expected to be imported by 2022. The situation could become more difficult for local manufacturers with government tenders shutting doors on them.

Source

Back

Modi's Fasal Bima premium mop up to rise 400%, touch Rs 23,000 cr in FY18 – Business Standard – 4th May, 2017

With the Narendra Modi government vigourously pushing its flagship Pradhan Mantri Fasal Bima Yojana (PMFBY), the general insurance industry is expecting total premium income from the space to touch Rs 23,000 crore during the current 2017-18 financial year.

This would be a 400 per cent hike in the mop of premium from crop insurance from Rs 5,700 crore during 2015-16, when the scope of the scheme was limited. The premium income had risen to Rs 21,500 crore last year (2016-17) with the Modi dispensation expanding the purview and reach of PMFBY.

The premium payment towards Fasal Bima scheme is shared by the farmers and the central and state governments. The farmers contribute a miniscule amount of the premium and the rest is shared equally by the central and the state governments.

Last year, UP had accounted for roughly Rs 1,100 crore of the Fasal Bima premium collection of Rs 21,500 crore. While Fasal Bima has been made mandatory for loanee farmers (farmers taking crop loan from banks), even non-loanee farmers, including share-croppers, are included under the PMFBY. The Centre has projected agriculture to grow by 4.1 per cent.

"Our estimates show the premium collected on all India basis would go up to Rs 23,000 crore during 2017-18 and the Fasal Bima would become a major part of the Indian general insurance industry," ICICI Lombard, Executive Director, Alok Agarwal told Business Standard here.

The Centre is targeting to cover 50 per cent farmers to be covered under PMFBY by 2019.

He said ICICI Lombard was employing both physical reach and digital technology to reach non-loanee farmers across 9 districts in Uttar Pradesh for maximum coverage of both loanee and non-loanee farmers in the districts allotted to the company.

For the Fasal Bima (crop insurance) under PMFBY, the general insurance companies bid for the clusters (comprising districts) in a bidding process. There are 12 such clusters in UP, which has total of 75 districts, of which ICICI Lombard had been allotted one cluster, while the rest 11 clusters are being provided insurance cover by Agriculture Insurance Company of India Limited (AIC). The bidding for the current financial year are to be held later this month.

The company was providing Fasal Bima in Andhra Pradesh, Madhya Pradesh, Meghalaya, Odisha, Tamil Nadu, Jharkhand, West Bengal, Meghalaya and Haryana as well.

Besides, ICICI Lombard has partnered with North East Centre for Technology Application and Research (NECTAR), which uses drones and remote sensing technology for village wise and crop wise yield estimation. The project, undertaken during the 2015-16 rabi season, is being implemented in kharif as well.

Drones are also being used for capturing different images for crop classification and monitoring crop health using vegetation indices. Besides, drones can capture a bigger area for observing the crop which is a tedious task in case of manual ground sampling, thus aiding quicker yield estimation.

Source

Back

Health Insurance

Insurance a mirage for poor HIV positives – The Times of India – 2nd May, 2017

For 45-year-old Siriyapushpam, a daily wage labourer who earns `100 a day, falling ill costs her dear. The Kodambakkam resident is HIV positive and has to forgo a day's wage to travel to a government hospital in Tambaram. At times when the prescribed medicine is unavailable at the hospital, she has to buy the same from outside at a steeper price. While a weak immune system and lack of a nutritious diet make Siriyapushpam susceptible to frequent bouts of illnesses, she says meeting the increasing medical expense gets harder for her each time.

Siriyapushpam's case is not isolated. A complete absence of insurance cover against opportunistic infections (infections caused due to a weak immune system), affects more than 21 lakh people living with HIV (PLHIV) across the country, including 1.42 lakh in TN.

It has been more than a month since the HIV and AIDS (Prevention and Control) Act 2014 came into place, but insurers say, they are yet to get guidelines on including such patients in health, life and critical illness segments. The Act protects PLHIV against denial, termination, discontinuation and unfair treatment with regard to employment, educational establishments, healthcare services, residing or renting property, standing for public or private office, and provision of insurance. But without specific instructions, PLHIV in the country remain without cover.

According to 'India HIV Estimation 2015' report of National AIDS Control Organisation, there were 21.17 lakh PLHIV, including 86,000 newly infected people in 2015. With the highest prevalence being recorded in Nagaland (1.29%), TN's prevalence rate (0.27%) was higher than the national average of 0.26%.

"I have seen cases where hospitals have refused to conduct surgeries to remove uterine fibroids on HIV positive persons. Others charge two to three times the actual cost to operate. If an insurance scheme is introduced for PLHIV, there would be some regulation," Kousalya Periasamy, founder of NGO Positive Women's Network.

According to a 2006 UNDP study on the socio-economic impact of HIV and AIDS in India, a person with HIV bears expenses between `25,000 - `30,000 a year. The situation is worse if the earning member in a family is frequently hospitalised.

HIV/AIDS and related complications are excluded from critical insurance covers and insurers say they haven't received instructions to include it in their policies. Health insurance for groups, however, exists. "In the group health segment, Cigna TTK offers AIDS/HIV cover up to full sum insured under the global health group policy," says Sandeep Patel, CEO and MD, Cigna TTK Health Insurance.

Star Health & Allied Insurance provides group cover under the NetPlus policy where the proposal has to come from NGOs or government agencies. However, expenses for HIV treatment are excluded as are people with low CD4 count.

"Only if companies take the initiative and insure PLHIV for frequent hospitalisations and opportunistic infections can insurance create an impact and gain public trust," says Dr S Prakash, executive director, Star Health and Allied Insurance.

Others say the new law is a step in the right direction. "With more such steps and availability of more data to enable pricing of products, we can look towards greater inclusion," says Ashish Mehrotra, MD and CEO, Max Bupa Health Insurance.

But for rural households, 72% of who, according to a 2014 NSSO study, rely on private hospitals for treatment, retail insurance continues to be a dream. Dr Sathish Kumar, country doctor for Solidarity and Action Against HIV Infection in India said cover for PLHIV from lower income groups particularly need attention. Presently, the collective gets such PLHIV enrolled in the Rashtriya Swasthya Bima Yojana (RSBY). Under the scheme, PLHIV from BPL families can get free hospitalisation up to 30,000 per family per year.

Source

Back

How to port a health insurance policy – Mint – 2nd May, 2017

You can change your car insurer and port the no-claim bonus from the old insurer to the new. But did you know you can port your health insurance policy too? You can change your insurer at the time of renewing your policy and port credits on waiting period and no-claim bonus.

"You should port a health insurance policy if it is very expensive or is laced with caveats such as caps on room rent," said Abhishek Bondia, principal officer and managing director, SecureNow Insurance Broker Pvt. Ltd. Use the Mint SecureNow Mediclaim Ratings to analyse your policy (bit.ly/2b2GyQW) and read this to understand the basic features of a good health insurance policy (bit.ly/2aHY9yI).
And if you wish to port your policy, read on to know the process.

What can be ported?

You can port similar health insurance policy from one insurer to another. "All health insurance policies, including floater policies issued by general and health insurers, allow portability. However, only similar health policies can be ported," said Rajiv Kumar, managing director and chief executive officer, Universal Sompo General Insurance Co. Ltd. "Those covered under group health insurance can migrate from their group policy to an individual policy

with the same insurer first and subsequently to another insurer," he added. You can port credits on time-bound exclusions and no-claim bonuses. "A customer has the right to port his existing policy from the existing insurer to a similar policy with any other insurer of his choice with continuity of benefits in terms of waiting period and no claim bonus,"said Upendra Namburi, chief innovation and marketing officer, Bharti AXA General Insurance Co. Ltd.

There are three kinds of waiting periods in a health policy. The first is typically a 30-day waiting period and it applies immediately after purchase. During this period, other than hospitalization due to an accident, insurers typically don't accept claims on account of an ailment. Second is the waiting period on pre-existing ailments, which can extend up to 4 years. And third is the waiting period on specified ailments. For instance, if hernia is excluded for the first 2 years, then even if a policyholder develops it after buying the policy, it will not be covered for 2 years.

Such time-bound exclusions can be ported. For example, if you bought a health insurance policy and decide to port it after 3 years, and the new policy has a waiting period of 2 years on pre-existing ailments, since you have already covered 3 years in the previous policy, the 3-year credit gets ported to the new policy, and the new policy will have no waiting period.

You can also port the no-claim bonus. "Suppose you have a sum insured of Rs3 lakh and a no-claim bonus in 4 years bumps up the sum insured to Rs3.2 lakh. Portability will be applicable on the entire sum insured of Rs3.2 lakh,"explained Reshma Goregaonkar, senior manager, product development-health, SBI General Insurance Co. Ltd. However, the new insurer will charge you for a sum insured of Rs3.2 lakh and not Rs3 lakh. Also, you can port only to the extent of the sum insured (including any no-claim bonus) with the previous insurer. So, if the sum insured is Rs3 lakh, then you can port the benefits only for Rs3 lakh, and if you buy a cover of Rs5 lakh, then on the remaining Rs2 lakh no portability benefits will apply.

What if the new policy has extra bells and whistles? "If there are additional features and the insurer accepts portability, the extra features will be available from day one. However, if there is a waiting period (such as for maternity), then it will apply,"added Goregaonkar.

Process of portability

Portability applies at the time of renewal. The policyholder needs to apply for it at least 45 days before expiry of the existing policy (but not before 60 days of its expiry).

The policyholder needs to fill the portability form, which asks for details of the existing policy along with others. "We get the details of the customer from the portability form and feed it into Irdai's (Insurance Regulatory and Development Authority of India) portal. Through the portal the existing insurer provides the coverage and claims related details of the customers," said Goregaonkar. "The insurer needs to get back to us in 7 days with this information and we need to decide within 15 days," she added. If an insurer fails to meet this deadline, it will have to compulsorily accept your application.

Problems in portability

Portability is good news if you are stuck in a bad policy but it is not availed by many. "At an industry level, less than 5% of the policyholders port their policies. Customers normally realize the need to port after a claim is made. As most claims are made due to lifestyle ailments, a new insurer may refuse portability as its underwriting criteria may kick in," said M. Ravichandran, president, insurance, Tata AIG General Insurance Co. Ltd. "Besides agents not getting remuneration for portability cases is also another reason," Ravichandran added.

Given that insurers have full discretion to accept or reject a portability request, portability faces many challenges. "Typically, if customers have made a claim, the new insurer will not accept porting. It may give a counter-offer excluding the ailment on which the claim was made, in which case porting the policy doesn't make sense," added Bondia.

Source

In practice too, such portability requests are seldom accepted. This is why, you need to proactively port a policy while you are healthy. After a claim is made, or if you are diagnosed with an illness, portability become difficult.

Back

India: New law pushes insurance cover for mental health treatment – AIR – Asia – 5th May, 2017

Insurers are looking to launch products or add clauses to their health policies to cover medical expenses incurred by those with mental illness, in the wake of the passing last month of the Mental Healthcare Bill by the Parliament.

The new Mental Healthcare Act 2017 contains the following clause: "Every insurer shall make provision for medical insurance for treatment of mental illness on the same basis as is available for treatment of physical illness." The new law also decriminalises suicide.

India currently does not have any insurance coverage for mental health disorders.

Currently, only one in 20 persons with anxiety, mood disorders and addictions get treated in India, shows a pan-India study of close to 25,000 people published in the Indian Journal of Psychiatry. The enormous treatment gap in mental illness cases is about 95%, with only five out of 100 people with common mental disorders receiving treatment.

The National Mental Health Survey in 2015-16 showed that of the nearly 150 million Indians needing mental health care services, less than 30 million are seeking care.

In the corporate sector, employers are becoming receptive to the needs of their employees with respect to mental health. This also includes insurance coverage for therapy and medication for depression. However, such covers are at a nascent stage.

Source

Accessibility to quality mental health treatment at affordable prices is an issue. It is hoped that more mental health treatment facilities will be set up when there is wider insurance coverage of mental health disorders.

Back

Circulars

Source

Insurance Regulatory and Development Authority of India (Insurance Web Aggregators) Regulations, 2017 – Circular Ref: F. No. IRDAI/Reg/4/141/2017 Dated – 2nd May, 2017

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Source

INVESTMENTS - MASTER CIRCULAR -IRDAI (INVESTMENT) REGULATIONS, 2016 – Circular dated 3rd May, 2017

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Source

Classification of Products – Circular Ref:IRDA/NL/GDL/F&U/109/05/2017 dated 3rd May, 2017

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Inclusion of Farmer Producer Company (FPC) in the list of Micro Insurance Agent – Circular Ref:IRDA/LIFE/CIR/MIN/ 095/04/2017 dated 27th April, 2017

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Pension

NPS investors should be able to gradually withdraw corpus: Hemant Contractor, PFRDA – The Economic Times – 1st May, 2017

The Pension Fund Regulatory and Development Authority Chairman Hemant Contractor tells ET Wealth how the NPS Tier II option is better than mutual funds, the changes that have made NPS more attractive and why corporate houses should consider rolling it out for employees.

Do you think that given their ultra low costs, the NPS Tier II can be an effective alternative to mutual funds?

Yes, the low costs of the NPS give it a distinct advantage over other investment options. The fund management charges of 0.01% is the lowest for any financial instrument. Mutual fund houses downplay the impact of costs.

They know it is their weak point. Over the long term, even a small difference in the costs can balloon into a big difference in the corpus.

But investors keep away from NPS tier II because there is ambiguity over how these investments will be taxed.

There is no ambiguity. The NPS Tier II investments do not enjoy any of the tax advantages available to equity and debt mutual funds. If you invest in equity funds, short-term capital gains are taxed at 15% and long-term capital gains are tax free. Investments in debt mutual funds get indexation benefits after three years and long-term capital gains are taxed at 20%. None of these advantages are available to NPS Tier II investments. Even so, we have seen a significant jump in the number of NPS Tier II accounts in the past one year. We have requested the government to remove this anomaly in tax rules so that more investors can benefit from the tremendous potential of the NPS Tier II as a lowcost investment option.

While costs are important, millennial investors are not so much concerned about charges as they are about ease of investment.

Investing in the NPS has become very easy with the launch of the eNPS facility. If your bank account is linked to your Aadhar card, it takes barely 20-25 minutes to open an NPS account and start investing. The eSign facility makes the whole process completely online. You save both time and money.

Previous budgets offered a lot of tax benefits to NPS, but this year's budget didn't do much. How disappointed are you?

On the contrary, this year's budget has also given tax benefits to the NPS. Earlier, partial withdrawals from the NPS, which are allowed for contingencies and special circumstances, were taxed. Now, withdrawal of up to 25%

of the corpus will be exempt from tax. Secondly, the tax deduction for non-salaried subscribers was capped at 10% of gross income. The budget has raised this to 20% of income.

We had requested the government for some more tax benefits for the NPS. The scheme needs to be treated on par with other retirement saving options (such as PPF and EPF) which enjoy exempt-exempt-exempt (EEE) status.

What other changes can make the NPS more investor friendly?

The systematic withdrawal option is another good option that can be allowed as an alternative to annuitisation of the corpus. We must acknowledge that currently the annuity rates are not very high in India. Instead of being forced to buy an annuity, an investor should have the choice to remain invested in the NPS after retirement and systematically withdraw from the corpus as and when he needs the money.

Have corporate houses started showing interest in the NPS?

There has been a big rise in the number of corporate sector subscribers. Last year, more than 1,000 corporates joined the NPS. We have tied up with FICCI to spread awareness about the benefits of NPS among its members. Rolling out the NPS is a smart move because a corporate house can lower the tax of its employees without spending a penny. All the back-end work and recordkeeping is done by the NPS.

Despite the low costs, some NPS plans are not beating the mutual fund schemes of the same fund house. Are these plans charging more than they should?

Source

The PFRDA keep a stringent check on the workings of the pension fund managers. We don't permit them to charge more than what has been laid down. There can be no additional charges levied on the subscriber.

Back

May Day gift: EPFO to centralise online payments from this month – The Hindu – 1st May, 2017

Retirement fund body, EPFO, will centralise its online payments system from this month and also reduce the claim settlement time to 10 days from 20 days at present, said VP Joy, Central Provident Fund Commissioner.

"We will be centralising online payments this month from Delhi, which right now is being done through the State Bank of India. Six other banks are on the platform and more banks will be enrolled soon," said Joy, while listing out the achievements of the Employees Provident Fund Organisation (EPFO) during an event organised by the Ministry of Labour to mark International Labour Day.

He also said that that the claim settlement deadline will be reduced to 10 days from this month.

Making his presentation, the Chief Labour Commissioner (CLC) said in 2016-17, a total of 1,224 industrial settlements were reached with the Centre's efforts.

Disputes settled

"Most of these were under the Industrial Disputes Act and pertained to the unorganised sector as well as to contract workers hired by public sector units, such as ONGC, Indian Oil, MTNL etc," adding that "₹3,000 crore wages were cleared in the process." On labour law compliance, the CLC said so far, 5,438 annual returns were filed by employers under eight labour laws, of which 3,689 were filed in 2016 alone.

On verification of trade unions, he said the process was going on but the job was "tough" this time as union membership had crossed 10 crore against 2.4 crore in 2008.

Earlier, Labour Minister Bandaru Dattatreya launched "One IP-Two Dispensaries" under the ESIC scheme and "Aadhaar Based Online Claim Submission" under EPFO's schemes to mark May Day, and reiterated the government's commitment to "job security, wage security and social security of the workers."

TU boycott

The Ministry's event was boycotted by 10 central trade unions (barring RSS affiliate Bharatiya Mazdoor Sangh) who termed it as a "joke" on the part of the government for "moving to dismantle time-tested ESIC/EPFO schemes" and making "unilateral declarations in the name of social security code.'

"We believe that this government, which tries to bring law to increase the working hours from eight hours to 12 hours, organising a meeting 'to celebrate" the International Labour Day, which is the day of martyrdom of the Haymarket heroes for eight hours work day, is nothing but deceit to the working class of the country," said a joint release issued by INTUC, CITU, AITUC, HMS, SEWA among others.

Source

Back

Now, withdraw PF savings with a self-declared form to pay medical bills – The Hindu – 28th April, 2017

Notification does away with the requirement of getting the employer's approval or submit a doctor's certificate to withdraw EPF savings for medical purposes.

Now, you can withdraw your provident fund savings to pay hospital bills in case of serious illness by submitting a self-declared form to the Employees' Provident Fund Organisation (EPFO).

The Labour Ministry has issued a notification on April 25 doing away with the requirement of EPF subscribers to get their employer's approval or submit doctor certificates to withdraw provident fund savings for medical purposes.

"The move is in line with the government's policy of moving towards a self-declaration regime. Employees will no longer be required to produce any certificate for taking all kinds of advance from their provident fund accounts," EPFO central provident fund commissioner V.P. Joy told The Hindu.

He said the EPFO had introduced a composite claim form, which needed to be submitted by employees to avail provident fund advance.

Employees with EPF accounts are allowed to withdraw provident fund savings up to six months' salary in cases of hospitalisation for at least a month, major surgical operation or in case they are suffering from tuberculosis, leprosy, paralysis, cancer and heart ailments.

Earlier, employees were required to produce a certificate from the employer stating that the Employees' State Insurance Scheme facility is not provided to them along with a doctor's certificate of serious illness.

Moreover, physically challenged employees will also not be required to produce a certificate from a medical practitioner to withdraw their EPF savings for purchasing equipment or aids.

In February, the EPFO made withdrawing provident fund savings simpler by introducing a composite single page form. EPF subscribers are no longer required to submit evidential documents for withdrawing PF for grant of advances in case of factory closure, marriage, higher education of children, among other things.

Source

Previously, employees were required to fill and submit three different forms to the EPFO for withdrawing provident fund for such purposes.

Back

Govt ratifies 8.65 pc rate of interest on EPF for FY17 – The Financial Express – 27th April, 2017

The government has ratified 8.65 per cent rate of interest on EPF deposits for 2016-17 which would now be credited into the accounts of members of the retirement fund body EPFO. The Employees Provident Fund Organisation (EPF) has asked its field formation to credit 8.65 per cent rate of interest into the accounts of subscribers after the Labour Ministry informed the body about approval in this regard by the central government, a senior official said.

Earlier this month Labour Minister Bandaru Dattatreya had said that the Finance Ministry had approved 8.65 per cent rate of interest on EPF deposits for 2016-17.There were apprehensions among formal sector workers that they would get a lower rate of interest than the 8.65 per cent approved by the EPFO trustees in December last year.

"Finance Ministry has agreed to 8.65 per cent rate of interest. Now, the communication will come. The formal discussions are over. We will immediately issue the notification and credit the rate of interest to over four crore subscribers," the minister had said. The Employees' Provident Fund Organisation trustees had approved 8.65 per cent rate on EPF in December last year. The Finance Ministry has been nudging the Labour Ministry to lower the EPF rate for aligning it with the rates of small savings schemes like PPF. Dattatreya has been maintaining that EPFO subscribers be provided 8.65 per cent rate of interest for 2016-17.

As per the practice, the board's decision is concurred by the Finance Ministry after evaluating whether the EPFO would be able to provide the rate approved by trustees through its own income or not. Once the Finance Ministry ratifies the rate of interest approved by the CBT, it is credited to the account of EPFO members for that particular financial year. The Finance Ministry had last year decided to lower the EPF interest rate to 8.7 per cent from 8.8 per cent approved by the CBT for 2015-16. The decision drew flak from all quarters forcing the government to uphold 8.8 per cent rate.

Source

The Finance Ministry has been asking the Labour Ministry to rationalise the EPF interest rate in view of lowering of returns on various administered savings schemes like PPF. The government generally ratifies the rate of return approved by the CBT because the EPFO is an autonomous body and provides interest on EPF deposits from its own income.

Back

PFRDA mulls measures to expand NPS, Atal Pension Yojna outreach – The Economic Times – 27th April, 2017

The pension regulator PFRDA is in the process of starting an auto enrolment programme under the National Pension System (NPS) to increase penetration of the social security scheme in the country.

Speaking at the 'Third Pension Conference on Implementation of NPS' here, PFRDA Chairman Hemant Contractor also said the regulator will take all steps to increase the outreach of NPS and APY (Atal Pension Yojna).

At present, the NPS has more than 1.57 crore subscribers with total assets under management of over Rs 1.72 lakh crore.

After inaugurating the conference, Minister of State for Finance Santosh Gangwar stressed on the need for creating awareness on pension at the grassroots level.

On the occasion, the top three performing Points of Presence (POPs) under the NPS and the APY were awarded for their contribution in bringing subscribers.

Source

The NPS, the government's flagship scheme, has been designed in a manner to cater to both the organised and heterogenous unorganised sector.

Back

Market-linked assured returns pension plan runs into hurdles – Mint – 28th April, 2017

The Pension Fund Regulatory and Development Authority's (PFRDA) proposal to offer minimum assured returns on market-linked pension plans is facing resistance from other financial regulators and fund managers, said three people with direct knowledge of the matter, including a PFRDA official.

The matter was discussed in the Financial Stability and Development Council (FSDC) meeting held on 17 April.

As a way out, the pension regulator has suggested an inter-regulatory committee to work out the modalities.

In 2016, based on a provision in the PFRDA Act 2013, the pension fund regulator had floated a proposal to have a market-linked pension product with a minimum assured return.

The Act says users of national pension scheme (NPS) seeking minimum assured returns, shall have an option to invest in minimum assured returns schemes and these schemes will need to be notified by PFRDA.

"The provision is to assuage the uncertainties of what a subscriber will get as pension in market-based nstruments such as NPS. But PFRDA is facing resistance from fund managers and from other regulators," said the first of the three persons cited above.

The regulators opposing the proposal are the banking regulator, the markets regulator and the insurance regulator.

The Reserve Bank of India (RBI) is against the proposal as it views any assured returns as debt security disguised as equity. Securities and Exchange Board of India (Sebi) is against the proposal as the liability of an assured return may fall on asset management companies (AMCs) that sponsor the pension funds.

Mint had reported that Sebi and PFRDA were at odds over the minimum assured returns pension plans. (bit.ly/2caWvmi)

While the PFRDA Act allows assured returns, there are restrictions in Sebi regulations.

"One of the modalities being considered for this product is to offer it as an annuity product but Irdai is not in favour," said the second person.

Annuity is a form of insurance or investment entitling the investor to a series of annual sums. In India, annuity products are offered by insurance companies and regulated by the Insurance Regulatory and Development Authority of India (Irdai).

While pension fund managers have agreed to launch such schemes, they have told the pension regulator that such a product would offer lower returns.

"The pension fund managers have communicated that a guarantee in such a market-linked instrument will compromise on returns, and they will need to pass on the cost to consumers," said the second person.

There are eight fund managers currently managing pension assets. One is sponsored by a bank (State Bank of India), three by mutual fund houses (UTI Asset Management Co. Ltd, Kotak Mahindra Asset Management Ltd and Reliance Capital Asset Management Ltd) and four by insurance companies (Life Insurance Corp. of India, HDFC Standard Life Insurance Co. Ltd, ICICI Prudential Life Insurance Co. Ltd and Birla Sun Life Insurance Co Ltd).

"Any assured returns is step backwards for a sophisticated new age financial product such as NPS. A minimum guaranteed return product which has been spoken about in the PFRDA Act already exists as the Atal Pension

Yojana, which is backed by the sovereign," said Dhirendra Kumar, chief executive of mutual fund analytics firm Value Research Ltd.

"It is a tricky product. Minimum assured return will increase the acceptability and reach of NPS but passing on the costs of guarantee to customers may compromise returns," said a PFRDA official who did not wish to be named.

One of the products being considered is one that will protect the capital.

"A major portion of capital (investment by the subscriber) may be put in a seed fund, having a lock-in or major investment in debt securities," said the PFRDA official.

Earlier the G.N. Bajpai committee had examined this minimum assured return plans. In its report in 2013, the panel had suggested the cost of the guarantee should be passed onto the consumers and that the regulator adopt a cautious approach as previous experiences in India with assured return products have failed.

Source

"It is feasible to have a capital protection product but would not be in the spirit of NPS. It would need to be a complete debt product. The returns are a function of interest rates and inflation which remain unpredictable so there could be a potential liability, a huge one, at a later stage," said Kumar.

Back

Good news for buyers! EPFO to provide 10 lakh homes in next two years – The Financial Express – 29th April, 2017

The Empoyees' Provident Fund Organisation (EPFO) will join hands with the Urban Development Ministry to build 10 lakh homes in next two years, said Union Labour Minister Bandaru Dattatreya on Saturday. He said this decision has been taken in order to give a fillip to the Prime Minister Narendra Modi's vision of home for all in 2022.

Talking to ANI here, Dattatreya said, "We have started Group Insurance Housing Scheme to give EPFO subscribers homes in phased manner. The EPFO will build 10 lakh homes in next two years with the help of Urban Development Ministry." He urged the state governments to provide land for this purpose wherever it is needed. He also said that discussion will be held with Ministry of Urban Development for providing Rs 2.2 lakh as interest subsidy to the beneficiaries of Economic Weaker Section (EWS) scheme.

Source

"Similarly in EPFO, the middle income group and lower income group subscribers will get 3 percent interest subsidy on loan amount from Rs 6 lakh to 12 lakh, and 4 percent interest subsidy on loan amount up to Rs 18 lakh," said the Union Minister.

Back

NPS Funds are Hot with Double-Digit Returns – The Economic Times – 1st May, 2017

Aggressive investors, who put the maximum 50% in equity funds, have earned the highest returns riding the market rally

The euphoria on Dalal Street has given a boost to the retirement savings of millions of Indians. All NPS funds have earned double-digit returns in the past few years. Aggressive investors, who put the maximum 50% in equity funds, have earned over 15% in the past one year and annualised returns of over 12% in the past 3-5 years. Even the NPS funds for Central Government and State Government employees, which are allowed to put up to 15% in equities but rarely allocate more than 10%, have given average returns of over 11%.

The returns of individual NPS schemes do not reflect the actual returns for the investor because the portfolio is usually a mix of 2-3 different classes of funds.

Therefore, ET studied the blended returns of four different combinations of the equity , corporate debt and gilt funds. Ultra-safe investors are assumed to have put 60% in gilt funds, 40% in corporate bond funds and nothing in equity funds. A conservative investor would put 20% in stocks, 30% in corporate bonds and 50% in gilts. A balanced allocation would put 33.3% in each of the three classes of funds while an aggressive investor would invest the maximum 50% in the equity fund, 30% in corporate bonds and 20% in gilts.

Ultra-safe investors who stayed away from equities have not done too well in the short term. They missed the stocks rally and suffered heavily when the change in the RBI stance on interest rates pushed up bond yields in

February . Even so, the long-term returns of these investors are still higher than what the Provident Fund or small savings schemes churned out in the past 3-5 years.

Conservative investors, who put a sliver of their corpus in equity funds, have done slightly better.These funds have beaten the 100% debt-based Provident Fund by almost 200-225 basis points in the past five years. Unsurprisingly, LIC Pension Fund is the best performing pension fund for the ultra-safe and conservative allocations. "Team LIC has rich experience in the bond market and is perhaps the best suited to handle bond funds," says a finan cial planner.

Balanced investors who divided the corpus equally across all three fund classes have earned more. Debt funds slipped in the short term, but the spectacular performance of equity funds pulled up overall returns.

Kotak Pension Fund has delivered the most impressive numbers over the long term, generating SIP returns of 10.39% in the past three years and 11.22% in the past five years. Aggressive investors, who put the maximum 50% in equity funds, have earned the highest returns. The best performing UTI Retirement Solutions has given SIP returns of 11.78% in the past five years. Though equity exposure in NPS has been capped at 50%, young investors can put in up to 75% in equities if they opt for the Aggressive Lifecycle Fund (LC-75). This option ear ned an avera g e 10.8% returns in the past six months compared to 4.9% earned by other investors who put the maximum 50% in stocks.

The high returns from NPS come at a time when the government is ready with a plan that allows Provident Fund subscribers to shift to the pension scheme. But the move faces legal and taxation hurdles."The EPF Act has to be amended to allow this migration," points out Manoj Nagpal, CEO of Outlook Asia Capital.Secondly, only 40% of the NPS corpus is tax free compared to the fully tax-free status of the EPF corpus.

There are other problems too.At least 40% of the NPS corpus has to be put in an annuity to ear n a monthly pension.Annuity rates in India are very low compared to what other options can offer. The Pension Fund Re gulatory and D e v e l o p m e n t Au t h o r i t y (PFRDA) wants that investors should be allowed to deploy their corpus in other instruments to earn better returns.

Source

"S y s t e m a t i c w i t h d r aw a l plans are a good option that can be an alternative to annuitisation of the corpus. An investor should have the choice to remain invested in the NPS after retirement and systematically withdraw from the corpus as and when he needs the money," PFRDA chairman Hemant Contractor told ET.

Back

You can shift back to EPF after porting to NPS – Business Standard – 29th April, 2017

Budget 2016 had provided one-time portability option for the salaried to move from the Employees' Provident Fund (EPF) to the National Pension Scheme (NPS). This movement is tax free. Under the provision, if a person has been contributing to EPF, then he has the option of transferring his corpus to NPS.

The better option

Deciding whether to stay put in EPF or transfer to NPS is not an easy choice. NPS gives you more choices. You can choose the investment option (auto or active), asset allocation, and fund manager. With EPF you don't have any say in where and how your money is invested. But EPF's rate of return is attractive at 8.65 per cent last year. In NPS, the returns are linked to the performance of the funds.

In NPS tracking your investments is easier. Returns of NPS funds are published regularly. EPF's rate of return for the current financial year is known in November-December, or sometimes even later (as was the case this year). Till then you are not aware how much return your corpus will earn.

Key challenges

Exiting EPF and opting for NPS would also mean that the individual exits from Employees Deposit Linked Insurance as well as the Employees' Pension Scheme (EPS), which means losing out on the benefits of insurance and pension.

But once he shifts to NPS, the employee will have a one-time chance to return to the EPF fold. However, on re-joining EPF, the subscriber will be treated as a new entrant and will not be eligible for the benefits he might have accumulated in his previous tenure in the EPF, like count of number of years already served for the purpose of the exemption.

If an employee terminates employment and does not take up another employment within two months with an employer who is registered under EPF, the entire fund balance in EPF can be withdrawn in lump sum. This enables the employee to have easier liquidity in EPF funds. He can also get up to 90 per cent as advance in some situations: for medical treatment, housing, child's education and marriage. On the other hand, an employee who has attained 60 years of age can only withdraw 60 per cent of the funds parked in the NPS account as lump sum. The rest has to be annuitised, which gives monthly pension pay outs. Further, partial withdrawal from NPS up to 25 per cent of own contribution only is allowed after 10 years.

NPS vs EPF taxation

Currently NPS is under exempt exempt tax (EET) structure wherein withdrawal from NPS on maturity is tax free up to 40 per cent of the corpus. On the contrary, EPF is under exempt exempt exempt (EEE) tax structure. Here, EEE refers to deduction at the time of investment, exemption from taxation of return on investment, and exemption of gains at the time of maturity of fund. EET means that income is taxable at the time of withdrawal.

For employees, EPF has been the most favoured retirement savings scheme. NPS is less popular at present among employees due to less flexibility and partial taxability at the time of withdrawal.

How to transfer

The Pension Fund Regulatory and Development Authority (PFRDA) has issued a circular outlining the process to enable portability. The subscriber should have an active NPS tier 1 account which can be opened either through the employer by filling up the prescribed subscriber registration form, through a point of presence or PoP (these include banks and other registered institutions), or online through eNPS on the NPS trust website.

The first step is to approach the recognised provident fund (PF) trust through the employer and file a request for transfer of funds to NPS account. The recognised PF trust will have to initiate the transfer of the funds as per the provision of the Trust Deed/Income Tax Act.

The employer should request the PF to issue a letter to the present employer/POP mentioning the amount being transferred from the fund, which is to be credited to the NPS Tier-1 account of the employee. In case of a private sector employee, the following have to be provided: cheque or draft made in the name of the POP, collection account—NPS Trust, subscriber name, and Permanent Retirement Account Number (PRAN).

Within 30 days of applying, the entire balance in the EPF account will be transferred to the NPS.

In EPF, if you withdraw your corpus before completing five years of continuous service, then the proceeds are taxable. With the introduction of the new provision, transfer of funds of an employee from his existing EPF to NPS is not liable to be treated as income of such employee for that said year, and accordingly, not taxable.

If an individual deposits money in his account under NPS, he is eligible to claim deduction under Section 80CCD. However, if such a deposit is on account of transfer from the EPF account to the NPS account, then it will not be eligible for a deduction.

Taking the plunge

- *EPF's rate of return is attractive*
- *EPF offers more flexibility in case of premature withdrawal*
- *NPS offers more choices*
- *Tracking performance is easier in NPS*
- *NPS tax treatment at withdrawal is less favourable*

Source

Back

Global

Australia: Low-cost health cover may be required on product menu – AIR – Asia - 2nd May, 2017

A ministerial advisory committee is recommending that health insurance funds be required to offer a standard low-cost insurance policy.

With Health Minister Greg Hunt under increasing pressure to address affordability in the health insurance sector, the reform proposal could present an opportunity to intervene at the lower end of the market and help stabilise the sector, reported the newspaper, The Australian.

The Private Health Ministerial Advisory Committee has been working to categorise tens of thousands of policies into Gold, Silver and Bronze. The committee, with insurance, hospital, clinician and consumer representatives, is also seeking to better understand members' choices and perceptions.

Earlier this month, after health insurance premiums rose by an average of 4.84%, the committee discussed modelling by Deloitte actuaries on likely categories of health insurance and the impact on membership and premiums. Deloitte has been asked undertake further modelling and analysis on the services that could be covered by a basic health insurance product.

Unnecessary extras

Meanwhile, a survey of more than 2,000 consumers has found that unnecessary health insurance extras are costing Australians millions each year, according to finder.com.au.

The survey of found around 15% of those with extras cover as part of their health insurance have not claimed anything in the last 12 months.

Source

Separately, Australian Prudential Regulation Authority statistics reveals that 1.8 million of the 12.2 million Australians with extras cover are not putting it to use.

Speech therapy, naturopathy and lifestyle products like gym membership rebates were the least used extras with just 2% making claims.

Back

Myanmar: Private insurers eye full slate of insurance services – AIR – Asia – 2nd May, 2017

Myanmar financial authorities have submitted a proposal to the government to allow private sector insurers to carry out all classes of insurance.

All 40 classess of insurance plus additional farmers' insurance and overseas employment life insurance are likely to be granted by the government, reported the Xinhua News Agency. Its report cited U Kyaw Win, the Minister for Planning and Finance as saying.

Of the 40 classes of insurance, state-run Myanmar Insurance has granted licences for only 12 of them to private insurers.

Source

Of the 12, travel insurance, comprehensive vehicle insurance, fire insurance and life insurance are the best selling categories.

Myanmar Insurance has granted licences to 11 private insurance companies since May 2013.

Back

New Zealand: Climate change impact to shape insurance patterns – AIR – Asia – 1st May, 2017

Thousands of coastal homes in New Zealand might soon not be eligible for insurance due to the increasing risk posed on them by the effects of climate change, suggests a report by Motu Economic and Public Policy Research that discusses how insurance will adapt to a changing climate.

Under the most optimistic emissions scenario studied by the Intergovernmental Panel on Climate Change, global average sea levels will likely rise by between 44cm and 55cm by 2100, and around 1m with continued high emissions. Across New Zealand, there are 43,683 homes within 1.5m of the present average spring high tide and 8,806 homes within 50cm.

Evidence from international markets suggests that when a risk becomes uneconomic, insurers can decide that an area is 'uninsurable' and withdraw insurance altogether.

Earthquake Commission

The New Zealand government plays a major role in the provision of natural disaster insurance through the Earthquake Commission (EQC).

EQC protects private residential property and contents from damage by earthquake, volcanic eruption, hydrothermal activity, landslip, tsunami, or fire caused by natural disaster. EQC land cover extends the range of perils to include storm and flood hazards but excludes coastal erosion. EQC does not cover damage to residential structures or contents from storm or floods (or coastal erosion).

Consequently, if private insurers withdraw from certain markets, homeowners would need to apply directly to EQC for cover. Retreat by private insurers from particular locations could increase the unfunded fiscal risk to the

Crown associated with private property in natural disasters, should the Crown elect to provide a backstop insurance.

In addition, EQC does not protect against erosion caused by slow onset events or rising seas, but the courts may hold EQC liable for land loss caused by a storm – and that storm surge may be attributable to climate change. Given the rising value of coastal and riparian land, and the sea-level rise, EQC's exposure could be orders of magnitude greater than historical averages, says the report.

Gradual withdrawal

Mr Tim Grafton, Chief Executive of the Insurance Council of New Zealand, told Radio NZ that insurers would eventually stop offering cover to coastal homes, but it would be gradual and well signalled.

"Insurance will signal in a gradual way areas and localities around the country where the risks are becoming increasingly higher.

"That will happen over time," he said.

Mr Grafton said the point of the research was to look at what could be done to reduce the risks.

"Whether that's in terms of people's behaviour or whether that's in terms of quantifying the costs and working out what the potential impacts and policy options are, all of that's really quite critical.

Source

"For insurance it is a slow, but steady signalling that the risks are getting higher.

"Obviously when they get too high, then insurance does not insure certainty. It insures accidental and unexpected risks."

Back

China: Pilot zones to test disaster insurance in agriculture – AIR – China – 3rd May, 2017

The Chinese Cabinet, the State Council, has decided to push forward the launch of pilot zones to improve the overall disaster insurance in agriculture.

The decision was made at the State Council's executive meeting on 26 April, reported China Daily.

The goal is to expand insurance in the agricultural sector to boost supply-side reform in agriculture and increase farmers' incomes.

According to a statement after the meeting, disaster insurance will be provided in 13 major grain-producing provinces, with insurance covering material costs and land rental impacted by disaster. Meanwhile, the government will also increase the subsidy for insurance premium payments in the pilot counties.

Zheng Fengtian, professor of agriculture and rural development at Renmin University of China, said: "Previously, when a region's farming land was hit by natural disasters, farmers largely depended on government subsidies to compensate their loss."

"Now, as 13 pilot regions will be covered by the government-backed insurance, this means financial subsidies for farmers in case of disasters will be more systematic, and the amount of insurance payouts will be evaluated in a more professional way."

Source

Major grain producing areas, such as Anhui and Hubei provinces, have been vulnerable to flooding, storms, drought and other extreme weather events. Heavy rains triggered floods in central and southern China in 2016, washing away homes, causing landslides and flooding farmland, and caused losses estimated to be US$20 billion.

Back