भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

INSUNEWS

Weekly e-Newsletter

12th – 18th October 2019

Issue No. 2019/42

QUOTE OF THE WEEK

"Character cannot be developed in ease and quiet. Only through experience of trial and suffering can the soul is strengthened, ambition inspired, and success achieved."

Helen Keller

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Deferred Acquisition Cost

Definition: The practice of deferring the outlays incurred in the acquisition of new business over the term of the insurance contract is called deferred acquisition cost.

Description: Acquisition costs are the direct and indirect variable outlays incurred by an insurer at the time of selling or underwriting an insurance contract (both new and renewal). The costs may be in the form of brokerage, underwriting costs or medical expenses etc.

The accounting norms stipulate that the acquisition costs can be capitalized and deferred if they can be offset by the revenues or future investment margins earned during the duration of the insurance contract. Investment margin refers to the difference between the investment earnings and interest payments.

Source

INSURANCE INDUSTRY

You can consider taking a loan against insurance if you are in urgent need of cash - The Telegraph – 14th October 2019

When you need to urgently arrange for funds, what are your usual options? Some people like to apply for a personal loan, while others borrow money from close relatives or friends. Then there are others who go for a loan against their household gold, while some opt for a loan linked to their credit card. All these instruments come with their share of pros and cons. For example, some loan products may ensure quick disbursal, but may carry higher interest costs. The key lies in making an informed decision that is best suited to meet your credit requirement and knowing all your options.

It is in this context that this slightly overlooked and rather cost-effective loan option becomes significant. We are talking about getting a loan against your insurance policy. So, should you go for one? Read on as we discuss certain critical pointers that you must consider before going for such a loan.

What is a loan against insurance policy?

Loan against an insurance policy is a secured loan product in which the lender holds the qualified insurance policy provided by the borrower as a pledge against the lent amount. However, do note that such loans are provided only against traditional non-linked endowment plans and not against term policies or unit-linked plans (Ulip).

Also, lenders evaluate the policy's surrender value and offer a loan against it only if the premium has been paid for at least three years. Most banks provide loans against insurance policies under its loan against securities schemes.

How much loan can you get

The loan amount depends on the surrender value of the insurance plan at the time of applying for the loan. Usually, banks allow a loan in the range of 60-90 per cent of the surrender value of the policy.

The loan processing time is very quick in most cases as banks usually disburse the funds on the same day of application, provided the paperwork is complete. That said, banks keep the insurance policy as collateral. Therefore, you will have to transfer the title of the policy to the bank till you repay the entire loan amount.

Charges involved and documents required

The interest on loans against insurance policies may vary from bank to bank. Broadly the interest rate range is around 9.25-13 per cent per annum. Also, the processing charges are in the range of around 0.15 per cent to 2 per cent, or between Rs 250 and Rs 5,000, whichever is higher (excluding GST).

The usual documents that need to be submitted include address proof, PAN card copy, original insurance policy document, assignment deed, bank account details (if the loan is applied through an insurance company), etc. Also, while banks offer both term loans and overdraft facilities as loans against insurance plans, insurance providers only offer term loans.

The benefits

Loan against insurance policy comes under the category of a secured loan. Therefore, banks usually don't emphasise much on the borrower's Cibil score. So, if you have low credit score or no past credit history, a loan against your insurance plan can be useful to you.

Another benefit is the low interest rates in comparison to other unsecured loan options.

Usually, the tenure of the investment in life policies are very long, so you can create liquidity against it till its maturity by taking such a loan against it. The loan processing time is fast too; therefore, you can use such a loan when there is a financial emergency. These loan products usually don't charge anything for prepayment, so you can close the loan whenever you have liquidity.

If you are planning to apply for a loan against your insurance policy, it is important to understand that in case you fail to repay the loan amount and the total outstanding becomes equal or higher than the surrender value of the policy, the bank may liquidate the policy to recover its amount while terminating your insurance protection.

As such, you should try to use your insurance policy to get a loan only when you don't have other loan options available or when there is a financial emergency.

The writer is Adhil Shetty.

TOP

Source

Frauds in Insurance Sector – Outlook – 13th October 2019

India is a huge market for insurance but the industry is bleeding losses due to fraud. Insurance fraud leads to around Rs 40,000 crore every year and makes up for 8.5 per cent of the revenue that the industry generates.

And the huge losses have prompted the insurers to take steps. Many companies are starting up with separate departments just to access/ identify the risk and loss related to these frauds or scams.

"The detection of insurance fraud generally starts with identifying suspicious claims that have a higher possibility of being fraudulent," says Anik Jain, CEO and co-founder of Symbo Insurance. "This can be done by statistical analysis, referrals from claims adjusters or insurance agents. Also, the public can provide tips to insurance companies, law enforcement and other organizations regarding suspected or admitted insurance fraud perpetrated by other individuals."

Some of the most common methods implemented by insurers to tackle the menace are:

- Investigation and cross checks of documents to detect the fraud.
- knowing the potential of fraud: can help minimise the loss
- Use of data analytics to detect fraud
- running through special investigation of every doubtful claim
- using detailed statistical analysis
- Allocating private investigators

One of the biggest brunts of insurance fraud is being face by the insured and prospective customers. Frauds lead to delay in claim settlements, in fact claims could also get rejected in certain cases.

It is very hard to specify the time frame required to investigate the fraud because it completely depends upon the type of fraud, people involved and relative potential of the fraud.

"On an average its takes around 15-45 days to investigate a normal potential case. Unfortunately, there are cases which take far longer than this due to complexity of investigation process," said Jain.

Frauds also drive the cost of policies higher while also affecting the claim ratio for insurers.

Insurance Regulatory and Development Authority of India (IRDAI) few years back came up with the Insurance Fraud Monitoring Framework to help curb insurance frauds. Though it's still early days in the area of data sharing between the insurers, it's certainly a step which will help companies to prepare better for spotting fraud.

"Anti-fraud policies at insurance companies have improved knowledge dissemination and hence help early detection of fraud cases. Internal resource training has also helped reduce frauds involving internal," added Jain.

Talking about how claims gets affected in all this, Symbo Insurance's Jain also revealed that around 10-13% of the claims in general insurance are fraudulent while life Insurance segment has mostly seen the frauds taking place where the sum assured is between Rs 2-12 lakhs.

(The writer is Nirmala Konjengbam.)

TOP

Source

INSURANCE REGULATION

IRDAI issues circular on advertising rules for insurance companies – The Economic Times – 17th October 2019

The IRDAI has, in a master circular issued today, updated the restrictions placed on advertising of insurance policies and the advertising rules that insurers have to follow to safeguard consumer interests.

These rules include: Wherever guaranteed returns are offered the conditions attached must be clearly mentioned; Text spelling out the conditions related to guarantee returns must be at least 50% of the text describing the guarantee; Asset mix of ULIP funds must be disclosed half yearly; Insurers cannot claim to hold a particular rank in the market.

The aim of these restrictions is to ensure that customers should not get hoodwinked by aggressive advertising - whether done through television, telephone calls or through the internet - by insurers.

IRDAI (Insurance Regulatory and Development Authority of India) in the updated master circular on insurance advertisements states: "The insurers are expected to adopt fair, honest and transparent practices in the market-place and avoid practices that tend to impair the confidence of the public. As it may be difficult for the public to understand and evaluate the inherent details in the various insurance products, it is of paramount importance that the publicity material is relevant, fair and in simple language enabling informed decision making about whether or not to buy a specific insurance product."

The original master circular detailing the rules to be followed in insurance advertisements was issued on August 20, 2015. Insurance buyers need to be aware that insurance companies are required to follow certain norms in advertising their policies. Some of the important advertising rules that are required to be followed by insurance companies are:

1. Terms and conditions related to guarantee returns should be disclosed
Where any insurance advertisement highlights the benefit of Guarantees, clear disclosure of the underlying conditions under which the guarantee operates must be made, wherever applicable. In all such cases, all the conditions (including the cost of guarantee, charges) under which the guarantee operates need a prominent mention.

2. 'Conditions apply' text must be of specified size to ensure that buyers notice it
If the underlying conditions are very elaborate, the text/wording on Guarantee must be accompanied by the phrase "Conditions Apply" in a font that is at least 50% of the font used to highlight the guarantee. These conditions must be distinctly mentioned in a legible font beneath, not making it part of other applicable disclosures.

3. Benefit illustrations provided in insurance policies must be with both scenarios
Investment returns of 4% per annum and 8% per annum (or as specified by IRDAI from time to time) with equal prominence in font size, at the same place and in the same page.

4. Asset mix of ULIP fund's investments must be disclosed to the customer half yearly
In respect of Unit Linked Life Insurance Products (ULIPs) the actual asset mix of various underlying funds related to the asset composition of approved asset pattern shall be placed on the web portal of respective life insurance companies at least on a half-yearly basis. This information on investment updates is to ensure that clear, actual and timely information is made available to prospects to make an informed financial decision.

5. In ULIPs, premium invested vs mortality charges has to mentioned clearly
In a Unit Linked Insurance Plan (ULIP), the insurer must clearly mention the percentage of premium that will be invested for the buyer in the benefit illustration given at the time of buying the policy. The balance of the premium is used to pay various charges levied by the insurer such as mortality and administrative charges.

The Benefit Illustration (BI) should carry a declaration in the capital and bold letters. This declaration is "I ALSO UNDERSTAND THAT WHILST _ % OF MY FIRST YEAR PREMIUM WILL BE INVESTED IN UNIT LINKED INVESTMENT FUNDS THERE ARE CHARGES DURING THE FIRST POLICY YEAR AS GIVEN IN THE BENEFIT ILLUSTRATION".

Making the above declaration mandatory ensures that the person buying the policy is aware that all the premium he is paying will not be invested i.e. only a part of the premium will earn returns.

6. Insurers cannot claim to hold any particular rank in the market
No claim of ranking by an insurer regarding its position in the insurance market, based on any criteria (like premium income or a number of policies or branches or claims settlements etc.,) is permissible in any of the advertisements, as per the circular.

(The writer is Navneet Dubey.)

TOP

Source

Irdai pulls up life insurers for under-reporting operating expenses - Business Standard – 11th October 2019

The Insurance Regulatory and Development Authority of India (Irdai) has pulled up life insurers for under-reporting operating expenses and asked them to adhere to the specified format for presentation of financial statements. The insurance regulator has asked life insurers to disclose operating expenses incurred during a period in entirety in their revenue account.

The regulator, in 2016, had set a limit for managing expenses of life insurers and the excess expenses incurred by the insurers beyond the permissible limit is supposed to be charged to shareholder account (the profit or loss account). However, the regulator has observed that some insurers were under-reporting operating expenses which do not reflect the true picture of their expense over-run position.

Hence, Irdai has asked the insurers to report the gross amount of operating expense actually incurred during a period in the revenue account, without deducting "excess of expense over the allowable limit."Also, the insurers have to report the contribution from shareholders account towards the excess management expense as income under revenue account in a separate line item.

Similarly, contribution to policyholders' account towards excess management expense beyond the set limit has to be reported under profit and loss account as "expenses other than those directly related to insurance business."

Moreover, remuneration to managing directors, chief executive officers (CEOs) and whole-time directors over and above the set limit has to be shown separately in the profit and loss account or the shareholder account. "The problem of under-reporting operating expenses is mainly with smaller companies and problem with CEO salary is with bigger companies. This circular has been issued to bring everyone on an equal platform," said a former Irdai official.

(The writer is Subrata Panda.)

TOP

Source

LIFE INSURANCE

Embedded value: Know the risks inherent in unit-linked insurance plans - Financial Express – 18th October 2019

When buying life insurance, people are generally not concerned with the movement of the stock market and do not look for earning very good returns on the premium. They think they should get reasonable return and the return must be certain. Traditionally, endowment policies have been fulfilling such expectations.

As awareness of the stock market grew, some people started demanding stock market-like returns on life insurance. In order to meet this demand, insurers introduced Unit Linked Insurance Plan (Ulip) in which the risk premium amount is maintained in the life fund, while the remaining amount is invested in the stock market as per the options exercised after deducting expenses as per Irdai norms. The fund is invested in the stock market as the mutual funds do and the NAV is declared daily for each fund. The risk in respect of each fund is borne by the policyholders.

Policyholders need to be alert

The policyholder has to be very alert while exercising options for different types of funds and he also needs to know when to switch funds for best return and highest safety. But the ground reality is that policyholders do not have enough expertise to get maximum benefit from their investments. There are all the chances of a good return but at the same time they stand to lose if their investments are eroded by declining market return.

When an agent talks to a prospective customer, he presents Ulip as an attractive product which can give him more return on maturity than the endowment plan. Both endowment and Ulip policies are meant for payment of maturity amount with reasonable growth. Ulip is affected by volatility in the market and the income depends largely on the skill of the fund manager. There are options such as debt, equity, or balanced fund but these issues are quite complex for an ordinary policyholder. If the intermediary tries to sell Ulip and shows only high returns to the prospective buyer, he does not respect the trust reposed in him by the client.

Agents must explain

The intermediary has to explain the nature of the funds and investment and tell the policyholder to track the NAV of his fund and take timely action. There have been several instances when Ulips have been sold to senior citizens on the basis of past record of return and they have lost their entire wealth due to falling markets.

Policyholders need to be alert

The policyholder has to be very alert while exercising options for different types of funds and he also needs to know when to switch funds for best return and highest safety. But the ground reality is that policyholders do not have enough expertise to get maximum benefit from their investments. There are all the chances of a good return but at the same time they stand to lose if their investments are eroded by declining market return.

When an agent talks to a prospective customer, he presents Ulip as an attractive product which can give him more return on maturity than the endowment plan. Both endowment and Ulip policies are meant for payment of maturity amount with reasonable growth. Ulip is affected by volatility in the market and the income depends largely on the skill of the fund manager. There are options such as debt, equity, or balanced fund but these issues are quite complex for an ordinary policyholder. If the intermediary tries to sell Ulip and shows only high returns to the prospective buyer, he does not respect the trust reposed in him by the client.

Agents must explain

The intermediary has to explain the nature of the funds and investment and tell the policyholder to track the NAV of his fund and take timely action. There have been several instances when Ulips have been sold to senior citizens on the basis of past record of return and they have lost their entire wealth due to falling markets.

In the first 10 years since introduction of Ulip, a lot of mis-selling, mostly by private sector insurers, took place. Policyholders lost their savings in most of the cases. Heavy initial expenses deducted by insurers sometimes resulted in negative return to the policyholders. It is advisable to buy insurance plans according to one's needs after fully understanding the terms and conditions. It is not necessary to combine insurance with investment.

(The writer is Kamalji Sahay, former MD & CEO, Star Union Dai-ichi Life Insurance.)

TOP

Source

Life Insurance vs FD: which is better for investment – Businessinsider – 17th October 2019

If you wish to explore investment options, you will find an array of financial products in the market. Fixed deposit and Life insurance plans are among the investment vehicles that provide high returns on your investment. They are also highly popular investments products that most people are aware of.

Though life insurance is an insurance product, quite a many people use it as an investment option. On the other hand, fixed deposit is an insurance product that can let you invest for varying tenures. When you want to decide which among them is a better investment option, read on to throw more light on the topic.

Why invest in fixed deposits?

Banks and other financial firms offer fixed deposit schemes and you can reap a wide range of benefits by investing in them. FD schemes give you higher returns compared to what you get on your savings account. The returns are assured and you can make premature withdrawal in case of arising needs and emergencies. The interest accumulated can be claimed either monthly or annually or on maturity of the investment. You can choose the investment tenure from 7 days to 10 years.

Why invest in life insurance schemes?

Similar to FDs, life insurance plans also come with a set of attractive benefits. On your fixed deposits, you can get tax benefits under Section 80C and 80D of the Income Tax Act of India 1961. In the event of the policy holder's death, the life insurance plan provides a risk coverage to the dependents in the family. The coverage provided by the life insurance plan stretches far beyond the period for which the premium is paid. The different types of life insurance plans available are term insurance plans, whole life plan, retirement plan, senior citizen plan and others.

Comparing between FD and Life Insurance Plan

Fixed deposit is considered as a better investment option as it is exclusively designed for your investment as well as saving needs. If you wish to save and also invest for future, it is always advised to invest in FDs. On the other hand, life insurance plans are meant to offer risk protection as well as protect the financial interests of your family in your absence.

Thinking of short and long term investments, FDs are better. Life insurance plan are suitable only as long term investment options. The minimum period of investment in a life insurance plan is about 10 years. The minimum amount that you can deposit in a FD plan is Rs. 1,000. The minimum period differs between plans in a life insurance plan.

You will know the returns in case of a fixed deposit scheme in the beginning of the investment whereas in some unit linked life insurance plans, the returns are subject to market conditions.

Fixed deposits are made for saving needs and life insurance plans are bought in order to relieve your near and dear ones from the financial risks in case of your unexpected absence.

Final word Life Insurance Vs FD

If fixed returns is your expectation, FD is a good investment option though you might not get any tax benefits. Even if you look forward to regular earnings from your invested amount, FD is a better option. It is also the best choice for senior citizens. Life insurance plan is a good one only when viewed as a risk coverage measure.

TOP

Source

Should you opt for ULIP with minimum sum assured? – The Economic Times – 17th October 2019

The IRDAI has allowed people less than 45 years of age to buy ULIPs with smaller sum assured than 10 times of premium paid which was the minimum earlier. However, if one keeps premium same but takes a smaller sum assured it means insurance cover decreases and the amount invested increases which means potentially higher returns on the premium paid. Effectively, you are trading insurance cover size to invest more to get more return.

One big negative associated with going for a sum assured of less than 10 times of the premium paid is that you will not be eligible for tax benefits which would be available on sum assured of 10 times of premium or more. So, should you buy ULIPs with minimum sum assured of 7 times of premium paid? Only in certain cases is this beneficial. Read on to find out what these cases are.

According to the notification issued by the Insurance Regulatory and Development Authority of India (IRDAI), the minimum sum assured for buying Ulips for people below 45 years of age has been reduced from 10 times to 7 times the annual premium paid. Now, even if you are below the age of 45, you can buy a Ulip with a minimum sum assured of seven times the annual premium as against an earlier minimum sum assured of ten times. Earlier, only people over 45 years of age were eligible to buy Ulips with sum assured less than 10 times of annual premium. In effect, this notification has made Ulips uniform across all age groups.

		Earlier Regulations	Earlier Regulations	Current Regulations
S. No.	**Type of Ulip Product**	**Buyer/Insured less than 45 Years**	**Buyer/Insured more than 45 Years**	**Same across all ages**
1	Single-Premium	Highest of 125% of the single premium or minimum guaranteed sum assured on maturity or any absolute amount assured to be paid on death	Highest of 110% of the single premium or minimum guaranteed sum assured on maturity or any absolute amount assured to be paid on death	Highest of 125% of the single premium or any absolute amount assured to be paid on death
2	Other than Single Premium	Highest of, 10 times the annualised premium or 105% of all the premiums paid as on date of death or minimum guaranteed sum assured on maturity or any absolute amount assured to be paid on death	Highest of, 7 times the annualised premium or 105% of all the premiums paid as on date of death or minimum sum assured on maturity or any absolute amount assured to be paid on death	Highest of 7 times the annualised premium or 105% of all the premiums paid as on date of death or any absolute amount assured to be paid on death.

Source: Max Life Insurance Co. Ltd

The sum assured is the amount the policyholder is insured for in case of the policyholder's death (or disability in certain cases) during the policy term. The higher the sum assured, the higher the mortality charges that get deducted from the premium amount. So, if you buy Ulips with a sum assured of 7 times the annual premium paid, the part of the premium which gets invested will be higher and therefore, yield more returns over a period of time as smaller amount of mortality charges are deducted.

Kapil Mehta, Co-Founder, Secure Now, a Delhi-based Insurance Broker, said, "The changes in sum assured is a simplification of product that is easier for insurance buyers to understand. The lower sum assured should result in better returns because a lesser amount of mortality charges will get deducted."

However, you must remember that because maturity value of the policy in case of sum assured less than 10 times of the premium paid is taxable therefore post tax return on maturity will be reduced to the extent of tax paid.

The payout in case of death during the policy term is tax-exempt even in cases where the sum assured is less than 10 times of the premium paid. Consequently, post tax return of policy on death of insured is the same as pre-tax return.

So, should you opt for Ulip now that the minimum sum assured has been lowered? Before that, let us first understand what has changed in the current regulations.

Can existing policyholder reduce sum assured to maximise investible corpus?
It is not possible for you to change or reduce the sum assured after you have bought the policy. Naval Goel, CEO of PolicyX.com, an online insurance web aggregator, said, "Once you have purchased the policy on agreed terms, it is not possible to reduce the sum assured during the policy tenure. You must stick with the sum assured that you had chosen earlier. Insurers don't allow you to make such changes during the policy tenure and premium paying term (PPT). However, if you are an existing policyholder and want to get better returns, you can possibly make switches between the funds in which your money (investable part of premium) is invested."

According to IRDAI's linked-insurance product regulations, "Insurers may extend an option to the policyholder to alter the PPT or policy term provided that such alteration is in accordance with their board approved underwriting policy, subject to the PPT for all other individual policies shall not be less than five years."

Has Ulip become a more attractive investment option now?
The sum assured is a minimum guaranteed amount that your unit-linked investment plan gives your nominee in case of your death. However, when it's a death case, the insurer will have to pay the policyholder or the nominee the highest value of the following:

- The minimum sum assured, or
- The fund value as on that day, or
- 105 percent of the premiums paid.

So, it is not necessary that the insurer will only have to pay the nominee the minimum sum assured at the time of death. There can be situations where the insurer may have to pay the fund value as on that day or 105 percent of the premiums paid as these may be higher than minimum sum assured at that point in time.

Therefore, buying aUlip with minimum sum assured could be considered in some cases.

1. When you buy a minimum sum assured policy with annual premium payment option
Here are two conditions when an insurer will pay higher than sum assured to the nominee.
a) If the investment corpus (that is part of the premium which is invested, and yields return) exceeds the minimum sum assured and total premium paid, the insurer will pay the fund value as on that day.

b) If the total premium paid for the number of years exceeds the sum assured in that period of time and the fund value as on that day, the insurer will pay 105 percent of the premiums paid.

In case of scenarios a or b above, it is likely that the lower sum assured results in better returns because a lower amount of mortality charges gets deducted.

2) When you buy a minimum sum assured policy with a single premium payment option
If you buy a single premium policy, the insurer will either pay the minimum sum assured or fund value, whichever is higher at the time of death claim.

Note: The 105 percent of the premiums paid condition will never be applied if you buy a policy with single premium payment option. This is because the amount of single premium will always be lesser than the sum assured since the sum assured is a multiple of the single premium paid for the policy.

Let us understand the following three scenarios: Assuming that the policyholder dies at a time when the equity market is going through a bear phase, where the invested corpus has not surpassed the sum assured in all the three situations as mentioned below:

Situation 1
Let us assume, a policyholder bought a policy with a minimum sum assured of 7 times the annual premium instead of 10 times the annual premium and dies, say, in the 4th policy year. Assuming further that the policy term is 15 years. So, after paying premium of Rs 10,000 for a sum assured of Rs 70,000 (S.A. equals to 7 times of annual premium), the insurer will pay Rs 70,000 to the nominee (as 105 percent of the premiums paid condition will not apply because 105% of 40,000 (premium paid so far) will equal to Rs 42,000 only, which is less than Rs 70,000).

Note: If the sum assured is less than 10 times the annualised premium, the investible corpus received at the time of maturity will become taxable. However, if it's a death case, as mentioned in situation 1, no tax will be deducted.

Situation 2
Suppose, a policyholder paid a premium of Rs 10,000 for a sum assured of Rs 70,000 and dies, say, in the 12th policy year. Assume the policy term is 15 years. So, the insurer will now pay Rs 1.26 lakh and not Rs 70,000 (The 105 percent of the total premiums paid condition will apply as 105% of Rs 1.2 lakh (premium paid so far) has exceeded the minimum sum assured).

Note: The total annual premium collected during the policy term can exceed the sum assured of the plan, especially if the Ulip insurance plan is taken for the long term, that is, more than 10 years.

Thus, if the policyholder falls under situation 2, the fact that the minimum sum assured has been chosen will not be relevant as the policyholder has already paid total annual premium amount more than the sum assured, and hence, the insurer will pay the 105 percent of the premiums paid so far to
the family member (nominee).

Now, here is the situation when an insurer will pay the minimum sum assured
If your investment corpus has not grown to surpass the sum assured AND;
b) If the time period for which you have paid the premium is short where the total premiums paid for the number of years does not exceed the sum assured. Hence, the 105 percent condition will not get applied. The insurer will pay the minimum sum assured. Hence, the 105 percent condition will not get applied. The insurer will pay the minimum sum assured.

Here also in the case of death claim the payout will be tax exempt.

Should you go for a ULIPs with a minimum sum assured?
Experts say that seven times cover means lower mortality charges, which would result in higher investable corpus leading to higher absolute returns. However, opting for only a minimum sum assured of seven times the annualised premium may not be tax-efficient. Hence, you could have a lower post tax return despite a higher investible corpus. According to income tax laws, if you have bought aUlip policy with a sum assured of less than 10 times the annual premium, you are not eligible to claim tax benefits.

AalokBhan, Director, CMO, Max Life Insurance said, "The minimum sum assured now being seven times the annualised premium, will have income tax implications. For availing income tax saving benefits of Rs 1.5 lakh and maturity benefit under section 80C and section 10 (10D) of Income Tax Act respectively, the minimum sum assured needs to be 10 times the annualised premium for the policyholders to take advantage of tax deductions and exemptions respectively."

(The writer is Navneet Dubey.)

TOP

Source

Looking for a worry-free retired life? Choose this insurance plan - Financial Express- 16th October 2019

Gone are those good old days when the thought of retiring at age 60 seemed like fulfilling life achievement. The trend now is towards a much more active retirement. People today retire far differently than they did in the past and have a very exciting and compelling vision of retiring – a highly personalized.

In the past, people could almost live on their social security benefits and pensions. But this doesn't apply anymore as people nowadays don't fully rely on their social security benefits to fund their retirement lifestyle. As now, even after retirement a person's need for stable income stays the same and may even increase owing to the added medical bills. Whether you want to accomplish new objectives or you want a relaxed and comfortable life, the critical factor is having adequate financial support that offers a regular income which takes care of your health care costs, daily expenses and ensures that you are able to maintain your standard of living.

However, to achieve this the most important thing that is lagging behind is the need to plan ahead in advance. To ensure a stress-free retirement period, the due planning has to be done much earlier. Planning for retirement early in your career allows you to build up a corpus large enough to give you a regular income post-retirement. Choosing a pension plan with the required features allows you to enjoy retirement coverage with the benefits involved. This is where the new age Whole life ULIPs can help you. Let us see how they work.

Whole-life ULIPs are investment linked insurance plans that offer protection and investment benefit, till the age of 99 to 100 years. These are the plans which not only take care of providing your beneficiaries with the death benefit, but also take cares of your living needs during your retirement. You have the flexibility to enter into Whole Life ULIPs at any age between 18 and 100 years and can exit at any age. You can also choose till what age you want to save money, or accumulate money. This could be till your retirement. But the 5-year lock-in period remains the same after which you can choose to take the corpus through a systematic withdrawal plan which will act as your income in the retirement age. Some of the companies that offer Whole Life ULIPs with various benefits to their policyholders are Bajaj Allianz- Long life Goal, HDFC Life – Click2Wealth, Canara HSBC Oriental – Invest 4G – Whole Life.

Benefits in Detail: Whole Life ULIP

 # Death Benefit

The primary benefit to have Whole Life ULIPs in your investment portfolio is the life cover till the age of 99 years ensuring a greater scope for the family of insured. In the unfortunate event of death of the life assured, family gets the financial compensation against the loss of income arising from the potential loss of your life. This means that it offers risk coverage for the entire life and there is no date of expiry of your policy. Regardless of when you die, your beneficiaries are sure to receive the total sum assured.

 # Partial/Fully Withdrawal Benefit (Tax Free)

This facility is specially designed to help you provide liquidity so that any immediate financial needs can be met. The financial needs can be higher education of your child or his/her marriage. However, you are eligible to avail this feature any time after the completion of 5 policy years. You can make unlimited number of partial withdrawals or even 100% withdrawal at a time depending on your need. Also, you can withdraw 100% of the funds tax free which means tax free income upon retirement of life.

 # Maturity Benefit

The maturity benefit you will receive at your retirement totally depends at what age you start. For instance, if at age of 60 years if you expect your corpus to be around Rs 5 crore, then you need start

investing in Whole Life ULIP at least by the age of 35 years. And the amount that you would be needed to invest per month till 60 years is Rs 28,000 p.m. On maturity of the policy, you will receive the Fund Value including the Top-up Fund Value, if any. You have the option to receive the Maturity Benefit either as a lump sum or as a structured pay-out using Settlement Option.

 # New Age ULIPs have Minimal Charges

That said, before you invest in Whole Life ULIP here are certain charges you need to keep in mind which you can pay over the entire tenure to get the most suitable ULIP insurance for yourself. ULIPs have four broad categories of charges, that is premium allocation charge, fund management charge, policy administration charge and mortality charge. After the new regulations by IRDAI, there has been certain changes in how these charges are applied now. With the launch of ULIPs in the online market, there are charges for premium allocation and policy administration charges as there is no mediator involved. Also, at maturity date, the amount equal to total of mortality charges and policy administration charges deducted in the policy will be added to the fund value, provided all due premiums have been received. The amount will be allocated among the funds in the same proportion as the value of total units held in each fund at the time of allocation. This shall exclude any extra mortality charges and taxes levied on the charges deducted as per prevailing tax laws. Also with time, FMS charges got capped at 1.35% per annum.

 # Flexibility to increase/decrease pension anytime

Depending on your needs or in case of any financial emergency, you can anytime increase or decrease your pension. This is a specialized benefit designed for people looking for flexibility in later stages of their life. However, if you opt for pension products life immediate annuity for your retirement purpose, then you won't have a choice to decrease or increase your pension like you have in a whole life ULIP.

(The writer is Santosh Agarwal, Chief Business Officer-Life Insurance, Policybazaar.com)

TOP

Source

Life insurance: Private sector individual APE growth slows down in Sept - Financial Express – 15th October 2019

Individual Annualised Premium Equivalent (APE) declined 3% year-on-year (y-o-y) in September as compared to 11-27% y-o-y growth in April-August 2019. Overall APE was up 3% y-o-y on the back of stronger group business. ICICI Prudential Life's APE declined for the third month, albeit at a lower pace.

Even the high-growing HDFC Life declined after five months of consistent high growth. SBI Life and Max Life continued to moderate for the second consecutive month. Net inflows to equity mutual funds dropped sharply month on month (m-o-m) as well.

Private sector individual APE

Private sector players reported 3% y-o-y growth in overall APE in September 2019, with 3% growth in individual APE. Overall individual industry dropped 3% y-o-y as LIC reported sharp 11% y-o-y decline.

ICICI Life reported 7% y-o-y decline in individual APE, despite a low base of flat y-o-y growth in September 2018; though this was lower than the 10% decline in August 2019. Average ticket size in individual non-single segment was flat y-o-y (up 2% m-o-m), while most other players have reported higher y-o-y growth. On considering overall (individual and group) adjusted APE including accrued but not received premium, its APE, was down 6% y-o-y as compared to 8% decline in August 2019. With second consecutive month of decline, it is getting challenging to ascertain the near-term growth trajectory for the company.

HDFC Life reported 20% y-o-y decline in individual business post recording strong growth of 30-90% during April-August 2019. This led to 17% decline in overall APE, its group business was up 3% y-o-y. Market sources suggest that the company reduced incentive structure in its fast selling non-par savings products.

SBI Life's individual APE growth was up 11% y-o-y in September 2019 and a bit lower than moderation in August 2019 (up 14% y-o-y). The company had reported strong >20% y-o-y growth over February-July 2019. It has guided for about 20-22% growth for FY2020E (reported 24% in 1HFY20). As such, overall growth momentum will likely remain moderate hereon. The company will continue its focus on protection though y-o-y growth in protection will be lower in FY2020E (individual protection APE was up 2.5X in 1QFY20; 5X in FY2019).

Max Life moderates

Max Life's growth in individual APE was muted at 2% y-o-y, down from 28% growth in August and 48% growth in July. This is despite the fact that its ticket size in individual non-single segment was up by 23% y-o-y/2% m-o-m. The company has increased focus on ULIPs in the last two years, though non-par savings business increased significantly in 1QFY20. Individual agent addition (gross) was strong at 10% yoy in 1HFY20 compared to 5% for the industry.

Birla SL slows down; TATA **maintains momentum**

Strong growth momentum for Birla Sun Life and Tata AIA observed in 2HFY19 has slowed down in 1HFY20. HDFC Life which was going strong till August, slowed down in September as well. Individual business for Birla Sun Life dropped 9% y-o-y in September; group business showed a steep decline at 16% y-o-y. Tata AIA, however, reported 28% y-o-y growth in individual APE, likely gaining share in HDFC Bank's franchise, though a bit lower than 40-125% growth in April-July 2019 and higher than 13% y-o-y growth in August 2019.

Net inflows in equities drop

Net mutual fund inflows to equities dropped to Rs 46 billion (bn) in September 2019 from Rs 58-86 bn observed in the preceding three months.

TOP

Source

Will 'Sabse Pehle Life Insurance' make a mark? – Mint – 14th October 2019

In March 2017, the Association of Mutual Funds of India (Amfi) launched a campaign with the tagline Mutual Funds Sahi Hai, which is seen as hugely successful, with more and more people buying funds.

The insurance industry has now come up with a similar campaign, Sabse Pehle Life Insurance, with an eye on boosting penetration. Industry body Life Insurance Council announced the campaign last week to increase awareness and help people understand the true purpose of taking life insurance.

Insurance penetration in India continues to be one of the lowest globally at 3.69%, according to the FY18 annual report of Insurance Regulatory and Development Authority of India (Irdai). Between FY15 and FY17, life insurance penetration in the country was a flat 2.7%. The complex nature of the product with a host of terms and conditions is one of the biggest reasons why the product is not bought in large numbers.

In a press release announcing the launch of this campaign, V. Manickam, secretary, Life Insurance Council, said the slogan Sabse Pehle Life Insurance comes from the cultural nuance in India where the elders have always stressed on giving what's most essential the top-most priority. "When launched, the campaign will use a combination of advertising, media coverage, on-ground activation, and digital and social media initiatives to ensure extensive outreach. The slogan is being presented in all major Indian languages such as Tamil, Telugu, Kannada, Malayalam, and Bengali which will help increase its visibility and bring recall value," Manickam told Mint.

The task ahead

The council will have to take up various measures to increase awareness about the product. "The main challenge is in making people aware why it is a must to have life insurance policy. It needs to be highlighted that life insurance is the only way to ensure your family is financially secure and protected in case of any eventuality," said Rakesh Goyal, director, Probus Insurance, an insurance broker. We need products with more clarity in policy wordings and a simple purchase process, he added.

Goyal said the need for taking term plans need to be brought to the forefront the same way motor insurance is. With the implementation of the amendments to the Motor Vehicles Act, not having a motor insurance can attract a hefty penalty. A term plan is a pure life cover which provides coverage for a defined period of time. It is the cheapest form of life insurance as it doesn't double up as an investment product. In case the policyholder dies before the plan expires, the nominee gets the death benefit.

People are becoming aware about health insurance too because of rising healthcare costs. "Life insurance still hasn't got the attention it deserves," said Goyal. One of the biggest problems is the fact that people look at life insurance only as a tax-saving tool rather than a protection plan. Vishal Dhawan certified financial planner and founder of Plan Ahead Wealth Advisors, said another reason why life insurance penetration is low is due to the lack of willingness to buy or invest in something with a long-term perspective.

With this campaign, the council has an opportunity to segregate life insurance products based on protection and protection-cum-investment products. "The council should encourage simple documents explaining benefits and risks in significantly legible font size similar to the ones that come with credit cards where all terms and conditions are stated clearly. A significant push towards using life insurance as a pure protection plan is a good first step," said Dhawan.

Goyal said the fact that a similar campaign (Mutual Funds Sahi Hai) has gained massive popularity for another financial product is a sign that such campaigns are a great initiative and a sure way to reach out to people.

Amol Joshi, founder, Plan Rupee Investment Services agreed, saying the Amfi campaign over the last couple of years has helped deepen the acceptance of mutual funds as investment products; so a similar campaign for life insurance could help increase life insurance penetration. "Mutual funds have now become synonymous with SIP (systematic investment plan). I've heard people saying they don't want to invest in mutual funds but want to invest in SIPs without realizing that SIPs is only a medium of investing in mutual funds. But still, it's pushing people to invest. Insurance industry needs a similar template and they can achieve this by starting with term plans," said Joshi.

With life insurance products easily available from 24 insurance companies, it is not the availability but the lack of awareness that is a problem. "Through this campaign slogan, we hope that Indians understand the essentiality of life insurance in their lives and opt to first build this shield of protection by securing their financial future and then build a robust financial plan," said Manickam.

There's low financial literacy about the benefits of protection-focused insurance plans, said Dhawan. The lengthy paperwork is also a huge deterrent, he added. Term insurance is a must-have cover for anyone who has financial dependants. It secures your family at minimal cost.

(The writer is Disha Sanghvi.)

TOP

Source

Insurance policy launched by PM Modi offers ₹2 lakh cover at less than Re 1/day – Mint – 14th October 2019

Launched by Narendra Modi government, Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) is a one-year term life insurance policy. This scheme offers coverage of ₹2 lakh with a yearly premium of ₹330. Term insurance coverage is a type of insurance policy which provides huge financial protection to the nominee if the policyholder dies during the policy term. Pradhan Mantri Jeevan Jyoti BimaYojana is offering a life cover ₹2 lakh for a yearly premium of ₹330 per member. This is a pure term insurance policy which covers death.

Eligibility

Pradhan Mantri Jeevan Jyoti Bima Yojana is available for the people in the age group of 18 to 50 years. A bank account with Aadhaar card as a primary KYC is mandatory to avail the benefits under this insurance scheme. If one avail this policy before 50 years old, he/she can get the risk coverage till the age of 55 years provided they pay the yearly premium.

How it works

Pradhan Mantri Jeevan Jyoti Bima Yojana provides a life cover of ₹2 lakh. A yearly premium of ₹330 needs to be paid to avail the benefits under PMJJBY scheme. The premium will be auto-debited in a single installment from the policy holder's bank account on or before May 31 of each year. The scheme is renewable every year which means one needs to pay entire yearly premium on or before June 1. Those who are joining after May 31, need to pay the entire premium in one installment. The policy holder can get out of the scheme and join it back again at any time.

The scheme is being offered by the Life Insurance Corporation and several other private life insurers. Out of the premium of ₹330, ₹289 will go to the insurer and ₹30 will go to agent or bank as reimbursement of expenses. An amount of ₹11 goes to reimbursement of administrative expenses to the participating bank. Under PMJJBY, the risk cover is applicable after the first 45 days of enrollment.

As on 31st March, 2019, cumulative gross enrollment reported by banks subject to verification of eligibility, etc. is over 5.91 crore under PMJJBY. Out of total 145763 registered claims under Pradhan Mantri Jeevan Jyoti BimaYojana, 135212 have been disbursed, said the government.

(The writer is Anulekha Ray.)

TOP

Source

In first half of FY20, life insurers clock 35% growth in new premium - Business Standard – 12th October 2019

In the first half of the financial year 2019-20 (April-September 2019, or H1FY20), life insurance companies saw a growth of 35 per cent in new business premium collections. While the collections grew 41 per cent for state-owned insurance behemoth Life Insurance Corporation of India (LIC), private insurers clocked a 20.88 per cent growth.

In absolute terms, the life insurance industry earned new business premiums to the tune of Rs 1.25 trillion in H1FY20, compared to Rs 93,078 crore in the same period a year ago. Of this, LIC alone amassed Rs 89,980 crore while private insurers accumulated new business premiums of Rs 35,777 crore.

New business premium is the premium acquired from new policies in a particular time period. However, the growth for September was not as impressive as it is for the combined numbers of the first two quarters.

In September, the segment saw a 14 per cent growth with LIC premiums growing at 18 per cent and private insurers premiums growing at 8 per cent.

In Annualised Premium Equivalent (APE) terms, which is estimated by taking the value of regular premiums and adding 10 per cent of single premiums underwritten during that period, the private players grew 3.8 per cent year-on-year (yoy) in September indicating that the slowdown in the economy might have impacted the performance of private players, said a research report by Emkay Global Financial Services.

"Growth of private players was very tepid in September 2019 due to the impact of the current economic slowdown finally hurting the insurance sector with a lag," the research report read.

"Retail APE for private players grew 2.5 per cent yoy, while it contracted by 2.8 per cent yoy for the industry as LIC's retail APE growth contracted by 10.6 per cent yoy," the report said.

(The writer is Subrata Panda.)

Source

TOP

GENERAL INSURANCE

Deposit insurance cover likely to see a gradual hike to Rs 3 lakh – Money control – 17th October 2019

The deposit insurance cover offered by the Deposit Insurance and Credit Guarantee Corporation (DICGC) may be gradually hiked to Rs 3 lakh from Rs 1 lakh. Sources have told Money control that the proposal is currently under discussion at the finance ministry.

"The hike will not be immediate but will happen after taking a consensus from all the stakeholders involved," said an official.

The person quoted above have clarified that this is the initial discussion stage, and it will be hiked only after getting the views of banks, DICGC and the Reserve Bank of India (RBI).

The deposit insurance cover was last hiked in May 1993 to Rs 1 lakh from Rs 30,000 in July 1980. At the end of FY19, the number of registered insured banks stood at 2,098, comprising 157 commercial banks and 1,941 cooperative banks.

DICGC which is the wholly-owned subsidiary of the RBI, provides this insurance cover for deposits. Banks are required to pay premium to DICGC. In FY19, DICGC collected Rs 12,043 crore as premium and settled Rs 37 crore worth claims.

A State Bank of India (SBI) research report says that the recent Punjab and Maharashtra Co-operative (PMC) Bank crisis has again raised the question of deposit insurance in India. It says that, since 1993, there has been a paradigm shift in the profile of customers and the conduct of business by banks.

Cross Country Deposit Insurance Coverage & Per capita Income (in USD)			
Country	Deposit Insurance Coverage	Percapita Income (PCI)	Coverage as times of PCI
Australia	182,650	49,928	3.7
Brazil	64,025	8,650	7.4
Canada	72,254	42,158	1.7
France	108,870	36,855	3.0
Germany	108,870	41,936	2.6
India	**1,508**	**1,709**	**0.9**
Italy	108,870	30,527	3.6
Japan	88,746	38,894	2.3
Russia	19,210	8,748	2.2
UK	111,143	39,899	2.8
US	250,000	57,467	4.4
Source: IADI, World Bank, SBI Research			

SoumyaKanti Ghosh, Group Chief Economic Adviser - State Bank of India, says in the report that, over the years, the level of insured deposits as a percentage of assessable deposits has declined from a high of 75 percent in FY82 to 28 percent in FY18.

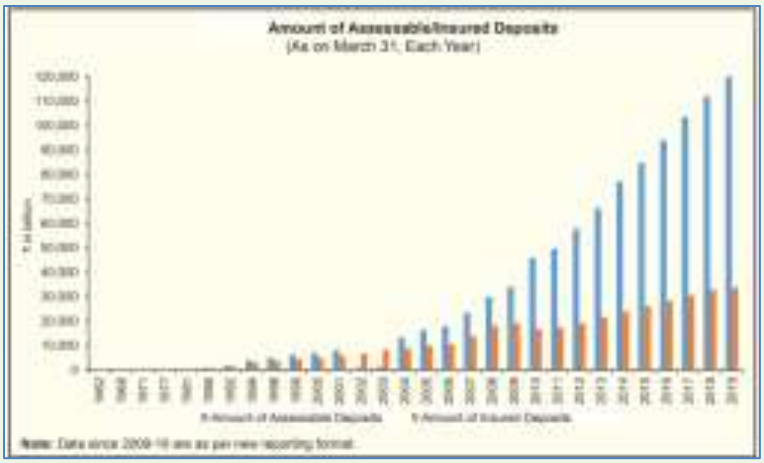
Given this backdrop, he says that there is a dire need to revisit the insurance coverage of the bank deposits.

The RBI, which is the parent institution of DICGC, did not respond to a query sent by Moneycontrol.

History of deposit insurance

The concept of insuring deposits kept with banks received attention for the first time in 1948 after the banking crisis in Bengal. The issue came up for reconsideration in the year 1949 but was held in abeyance till the RBI set up adequate arrangements for inspection of banks.

A serious thought to insuring deposits was, however, given by RBI and the central government after the failure of the Palai Central Bank and the Laxmi Bank in 1960. The Deposit Insurance Act, 1961 came into force on January 1, 1962. Deposit Insurance Scheme was initially extended to all functioning commercial banks.



This included SBI and its subsidiaries, other commercial banks and the branches of the foreign banks operating in India. Later, cooperative banks were also included in this list.

However, expert committees formed later called for an increase in the level of deposit insurance. For instance, the M Damodaran-led Committee on Customer Services in Banks set up by the RBI recommended in 2011 that the deposit insurance be increased to Rs 5 lakh, which was set up by the RBI, recommended in its report in 2011 a five-time increase in the cap to Rs 5 lakh.

Why increase now?

The finance ministry has been discussing the proposal to increase deposit insurance for the past several quarters. However, the PMC Bank crisis led to a heightened demand for the limits to be increased.

The RBI capped withdrawals from the PMC Bank beginning in September, placing certain operational restrictions on it. The withdrawal was capped at Rs 1,000 in the beginning. This went up to Rs 10,000, Rs 25,000 and finally was increased to Rs 40,000 on October 14. PMC Bank came under fire for fraud and misreporting of bad loans.

The lender was also found to have violated the RBI's group exposure norms. Its exposure to the realty firm Housing Development & Infrastructure (HDIL) is being investigated by the authorities including the Economic Offences Wing (EOW).

Who benefits if deposit insurance is increased?
If deposit insurance is hiked, the direct beneficiary is the customer. In the rare event of a bank failure when the deposit amount is forfeited, an account holder will be guaranteed upto the Rs 3 lakh limit if it is finalised.

However, this will mean that the premium paid by the banks for the insurance cover will also go up. Currently, DICGC charges up to 10 paise for every Rs 100 on an annual basis.

(The writer is M Saraswathy.)

TOP

Source

Govt to bring back FRDI Bill, may hike insurance cover of customers - Business Standard – 17th October 2019

The finance ministry has started work on reviving the contentious Financial Resolution and Deposit Insurance (FRDI) Bill, a year after the proposed law for ushering insolvency of financial institutions was withdrawn by the Union government.

"The Department of Economic Affairs is redrafting the FRDI Bill and will soon circulate it for inter-ministerial consultation," said a top finance ministry official.

Another finance ministry official said the government would be ironing out issues related to the controversial 'bail-in' clause in the earlier Bill, would explore hiking the deposit insurance cover of customers, and would decide whether the resolution framework should apply to public sector banks.

The government intends to hike the insurance cover of customers of a failed financial institution from Rs 1 lakh per depositor at present, the official added.

The move comes at a time when financial institutions, especially non-banking financial companies (NBFCs) and co-operative banks, are showing signs of distress. The Insolvency and Bankruptcy Code, 2016, takes care of the resolution process for ailing non-financial firms, but does not cover deposit-taking financial companies.

"Financial firms need a special resolution regime because the main purpose here is to safeguard the interests of financial consumers and prevent prudential risks from spilling over into a systematic concern," said Pratik Datta, senior research fellow at Shardul Amar chand Mangal das& Co.

Late finance minister Arun Jaitley had in August 2017 introduced the FRDI Bill in the Lok Sabha, which proposed a comprehensive resolution framework for revival or closure of financial institutions, including commercial banks, insurance companies, NBFCs, and co-operative banks. The government had proposed setting up of an independent resolution corporation for carrying out 'speedy and efficient resolution of financial firms in distresses. The Bill was referred to a joint committee of Parliament.

However, in August 2018, the then finance minister Piyush Goyal withdrew the FRDI Bill, following concerns raised by public related to the 'bail-in' clause of the Bill and due to conflict of opinions with various regulators, including the Reserve Bank of India (RBI).

According to the 'bail-in' clause, proposed for the first time in the country's law, customers of a failing financial institution would bear a part of the cost of resolution by reduction in their claims and was one of many resolution tools in the FRDI Bill, including acquisition and merger.

Though the government, in a series of clarifications, said the bail-in clause would be sparingly used for resolution, concerns persisted among the general public, and the finance ministry believed it was one reason behind a spurt in cash withdrawal seen across the country that led to cash crunch in automated teller machines last year.

Recently, a series of default among NBFCs, including the Infrastructure Leasing & Financial Services and Dewan Housing Finance Corporation (DHFL) have impacted the financial sector in India. Lenders to DHFL have signed an inter-creditor agreement, according to the RBI norms, to restructure the company's debt.

Recently, the RBI appointed an administrator and an advisory committee to oversee the operations of Punjab and Maharashtra Co-operative (PMC) Bank, superseding its board. It also restricted certain banking services such as cash withdrawals after PMC reported violation of regulatory exposure norms to real estate developer Housing Development & Infrastructure, among other issues.

(The writer is Somesh Jha.)

TOP

Source

What happens to your FDs, deposits if bank fails? Deposit insurance explained – Mint – 16th October 2019

The government could consider raising deposit guarantee limit from existing ₹1 lakh, news agency IANS reported, citing Finance Minister Nirmala Sitharaman. Her comments come in the wake of crisis at Mumbai-based urban cooperative bank, PMC Bank. Customers of the crisis-ridden bank can now withdraw up to ₹40,000 according to the latest enhanced limit. It is to be noted that under the current bank deposit insurance scheme in case of an unlikely bank failure deposits up to ₹1 lakh is insured and paid back to the depositor.

This scheme insures all types of bank deposits including savings, fixed and recurring with an insured bank. The bank deposits are insured by Deposit Insurance and Credit Guarantee Corporation (DICGC), a subsidiary of the Reserve Bank of India. The agency does not directly charge any premium from bank depositors but banks pay a nominal premium for the cover.

This deposit guarantee can be released only if the bank gets closed. It cannot be released if the bank is a going concern. The Finance Minister also said that if the deposit guarantee limit from existing ₹1 lakh is raised, it will be through Parliament. A report from SBI also highlighted the need to revisit the current upper limit of deposit insurance.

Here are a few highlights of the current deposit insurance scheme on bank deposits:
The ₹1 lakh limit covers both principal and interest amount.

All deposits maintained by the depositor across all branches of the failed bank are clubbed. Or in other words, if a person keeps deposits in different branches of a bank, they are paid a maximum of up to Rs. 1 lakh only on the aggregate amount.

However, deposits maintained with different banks are not clubbed.

The deposit insurance scheme covers all banks operating in India including private sector, co-operative and even branches of foreign banks in India. There are some exemptions like deposits of foreign governments, deposits of central/state governments and inter-bank deposits.

(The writer is Surajit Dasgupta.)

TOP

Source

Deposit Insurance: In 11 years, insured deposits' share of total value falls from 60% to 28% - The Indian Express- 15th October 2019

While depositors holding less than Rs 1 lakh of deposits in a bank are covered by the deposit insurance, depositors holding more than Rs 1 lakh in an account have no legal remedy in case of the collapse of a bank.

The failure of Punjab and Maharashtra Co-operative (PMC) Bank has reignited the debate on the low level of insurance coverage for deposits held by public in banks. In an event of a bank going bust in India, depositors get a maximum of Rs 1 lakh per account as insurance cover, even if their deposits far exceed Rs 1 lakh.

Advertising

While depositors holding less than Rs 1 lakh of deposits in a bank are covered by the deposit insurance, depositors holding more than Rs 1 lakh in an account have no legal remedy in case of the collapse of a bank.

Currently, the Deposit Insurance and Credit Guarantee Corporation (DICGC) — a fully owned subsidiary of the Reserve Bank of India — provides for cover of Rs 1 lakh per depositor for deposits in commercial banks, regional rural banks, local area banks (LABs) and cooperative banks, and rest of the deposit amount is forfeited in the rare event of a bank failure.

Over the years, the level of insured deposits as a percentage of assessable deposits has declined from a high of 60.5 per cent in 2007-08 to 28.1 per cent in 2018-19, as per DICGC data. "Given this backdrop, there is a dire need to revisit the insurance coverage of bank deposits. In particular, the current upper limit of Rs 1 lakh per depositor has outlived its shelf life and there is a need to revisit it," State Bank of India's group chief economist Soumya Kanti Ghosh said in a recent note.

At the end of March 2019, the number of registered insured banks with DICGC stood at 2,098 — comprising 103 commercial banks, 1,941 cooperative banks, 51 regional rural banks and three LABs. DICGC last revised the deposit insurance cover to Rs 1 lakh on May 1, 1993, up from Rs 30,000 cover from 1980 onward. DICGC charges 10 paise per Rs 100 of deposits held by a bank. The premium paid by the insured banks to the Corporation is required to be borne by the banks and not to be passed on to the depositors.

However, the Centre seems to be exploring the possibility of raising the deposit insurance limit in the wake of the PMC Bank scam. "Our team is going through such a proposal. There's a committee which is looking into it," Finance Minister Nirmala Sitharaman said last Thursday.

PROPORTION OF INSURED DEPOSITS AND ACCOUNTS

SUBJECT	March 31, 2019	March 31, 2018
Total No. of Accounts (million)	2,174	1,940.9
Fully Protected No. of Accounts	2,000	1,775
Percentage of Protected Accounts	92%	91.4%
Aggregate Deposits (Rs billion)	1,20,051	1,12,020
Insured Deposits	33,700	32,753
Percentage of Insured Deposits	28.1%	29.2%

Source: DICGC

Any rise in insurance cover is protested by scheduled commercial banks, which typically cross subsidise failures of cooperative banks and other small banks.

"As of now there is no differential premium pricing in India. Premium is collected on the amount of deposits held by banks at the beginning of the fiscal year. Since schedule commercial banks have large deposits and almost no instance of bank failure in recent years, they end up paying much more on insuring deposits than the cooperative and local banks. Ultimately, they end up covering default risks of cooperative banks," a senior banker told The Indian Express, adding that the regulator should look at risk-based differential premium pricing.

As per DICGC data, commercial banks paid total premium of Rs 11,190 crore in 2018-19, while cooperative banks paid premium of Rs 850 crore to cover deposits against default risk.

As for cooperative banks, only 44.5 per cent of their assessable deposits were covered in 2018-19, while for commercial banks this ratio was 25.7 per cent. Cooperative banks collectively account for Rs 8,49,200 crore worth of assessable deposits — of which only Rs 3,77,500 crore worth of deposits were insured.

As of March 31, 2019, DICGC has paid a cumulative amount of Rs 295.90 crore towards claims in respect of 27 commercial banks since the inception of deposit insurance in 1962. The cumulative amount of claims paid in respect of 351 cooperative banks (which failed/amalgamated or liquidated) since the start of the deposit insurance scheme in 1962 amounted to Rs 4,822.30 crore. This includes Rs 37 crore of claims paid in FY19 for 15 failed cooperative banks.

(The writer is Sunny Verma.)

TOP

Source

Why Does India Have One Of The Lowest Deposit Insurance Covers? – Outlook – 15th October 2019

The Punjab and Maharashtra Cooperative Bank crisis that unfolded a few weeks ago has stirred up discussion about deposit insurance in India. But it also brought back focus on meagre deposit insurance cover, big and emerging economy like India provides to its citizens in comparison to its counterparts all across the world.

Deposit insurance in India is just like any other insurance policy. Currently, the limit is capped at Rs 1 lakh for both principal and interest held in a bank even if it has several deposits in different branches.

A recent report by India's largest lender State Bank of India (SBI) said that the deposit insurance coverage in India is one of the lowest in the world. In India, deposits are insured up to Rs 1 lakh, while the comparable number for BRICS countries like Brazil and Russia stand at Rs 42 lakh and Rs 12 lakh, respectively.

"Data on Cross Country Deposit insurance Coverage limit shows that deposit insurance coverage in India is one of the lowest at Rs 1 lakh / $1508 / 0.9 times India's per capital income, " an SBI Ecowrap report said.

However, International Association of Deposit Insurers (IADI), annual survey 2018, highlights the issue of low deposit cover in India in comparison to other countries.

In developed countries such as Canada, Switzerland, and France the insurance cover is about $75,000 to $1, 11,000 per depositor. In the US, the Federal Deposit Insurance Corporation offers insurance coverage of $250,000. Most of these countries cover 60-70 per cent of total deposits but in India, only about 30 per cent of deposits in value terms are covered.

Why Deposit Insurance Cover Is Not Increased?
The problem is not in increasing the cover but the resultant increase in premium is acting as a major roadblock.

The Deposit Insurance and Credit Guarantee Corporation (DICGC) currently charge a maximum premium of up to 10 paisa per Rs 100, per annum. So when the quantum of the deposit insurance cover will be increased, the increase in the premium will be followed.

But we have to understand here that larger banks with higher deposit base would end up bearing the burden of a higher premium. So increase in cover will increase in premium, which would directly increase the burden on larger banks.

However, the important thing to note here is that so far the beneficiaries of the deposit insurance system have mainly been urban cooperative banks. During 2017-18, DICGC settled claims for Rs 43 crore in respect of 18 co-operative banks. There was no claim from commercial banks. The last claim settled in respect of a commercial bank was way back in 2002.

Hence raising deposit cover would mean that the stronger banks will have to spend more on premiums, mostly for the benefit of weaker banks, which is a cause for worry.

In order to overcome shortcomings and overhaul this system of deposit insurance in India, a committee was constituted under the stewardship of Jasbir Singh in 2015, the committee made recommendations for the introduction of risk-based premium for banks (higher the risk, the higher the premium).

But even after four years there has been very little progress on this matter. The PMC bank saga has shaken the depositors' trust and sentiment across India. It's high time the recommendation made by Jasbir Committee is implemented.

The Committee recommendation emphasises on having risk-based premium and also talks about assigning reward points to banks based on five parameters (CAMELS approach) -- capital adequacy, asset quality, profitability, liquidity and others. Higher the reward point, lower the risk. And the effective premium rate will be determined by multiplying the base rate by a multiple representing rating.

(The writer is Rajat Mishra.)

TOP

Source

Natural Calamity Insurance: Don't let a natural disaster dampen your spirits; get your home covered today - Financial Express – 15th October 2019

Global warming and environmental deterioration have made natural disasters a reality in modern times. Terms such as floods, fires, earthquakes and cyclones, that were seldom heard till a few years ago, have become a recurrent part of community discussions. In the past two years alone, the Indian subcontinent has been introduced to terms like Fani and Gaja that have caused great loss to life and property and uprooted the livelihood of millions.

According to reports, India is a country where a whopping 58.6% landmass is prone to earthquakes of moderate to very high-intensity, over 12% of land is prone to floods and river erosion, and over 50% of its 7516 kilometer-long coastline is prone to cyclones and tsunamis. Further, recently, an article in a

leading publication stated that out of over 7500 insurance claims in flood-stricken districts of Karnataka, only 120 were home insurance claims, thus making safeguarding property and real estate from natural disasters a pertinent issue.

What is natural calamity insurance and why do you need it?

It is not a surprising fact that India is a country plagued with natural disasters. In fact, just in 2019 there have been at least 9 states that have suffered flooding due to excessive rainfall. While it is a known fact that awareness of insurance in India is low, awareness for natural calamity insurance is even lower. Natural calamity insurance compared to home insurance is very cheap in India. Despite this fact, insurance companies report that less than 1% of people who can afford home insurance actually buy a cover for natural calamities. Considering the statistics above, this is an alarming trend. Natural calamity insurance covers a person from all kinds of natural disasters like inter alia earthquakes, floods, tornadoes, cyclones, lightening and any other catastrophe created by force majeure (act of god). Most financial institutions in India do not offer standalone natural calamity insurance policies. They are often bundled with home insurance policies.

What does natural calamity insurance cover?

Often an important question that comes to the mind of a homeowner while buying insurance is about what exactly does the policy cover. While a general home insurance policy covers standard situations like loss from theft or fire – not all policies may cover natural disasters caused due to act of god. Thus, natural calamity insurance goes beyond home insurance to cover all kinds of natural disasters that may affect or have the effect of damaging your dream haven. A home insurance policy is generally of two types – cover for content and cover for structure. Apart from these two, policies also have add-ons that cover other potential losses like third party liabilities or other incidental losses.

How much should my cover be?

The value of a home insurance is dependent on 3 factors – land, building and locality costs. The insured amount covers only the building cost. Hence, how much insurance should be taken should be dependent on this amount, so as to cover the total value of loss. If you are living in an apartment, the society should get insurance for the entire premises and an individual can get insurance for the content of a house.

The value of insurance cover that you need to protect your house can be easily ascertained by the market value method (where the cost of the valuables is ascertained after considering depreciation) or the reinstatement value method (where no depreciation of assets or valuables is accounted for). To calculate the approximate sum insured one can easily enter the relevant details about the house like square area, value of the house and value of the contents of the house in an online home insurance calculator and get an estimated amount.

You can add on extra protection from natural calamities to these home insurance policies. This extra protection will protect you from all kinds of natural calamities except wars, loss of earning, and any other conditions. The terms and conditions of these policies should be read carefully before opting in. Other add-ons include protection from terrorist activities, loss in stocks, leakage and water contamination, alternative accommodation etc.

Considering the current climatic situation, one must always be protected against all losses. Before buying a policy, a homeowner must list down his priorities and accordingly select a policy that fulfills his expectations and provides a more than enough risk coverage.

Being stranded in a natural calamity is a horrifying experience altogether. It creates not only physical but mental trauma. Additionally, seeing your priced possession get destroyed in front of your eyes can often

drop you into an irrecoverable financial stress. Gone are the times when we used to believe that 'nothing can happen to us', since now anything can happen to anybody. Just having a life or health insurance policy is not adequate. A person needs to protect his assets and property as well and thus it is important to invest in a good insurance policy before any disaster strikes.

(The writer is Saurav Basu)

TOP

Source

Non-life insurers register 28% rise in September premium at Rs 24,563 crore - Financial Express – 15th October 2019

Non-life insurance companies witnessed 28.3 per cent rise in their collective new premium at Rs 24,563.24 crore in September, according to Irdai data. All the 34 non-life insurers had collected business premium of Rs 19,141.65 crore in the same month a year ago. Among these, 25 general insurers reported a rise of 39.3 per cent in their combined premium during the month at Rs 20,145.46 crore as against Rs 14,463.60 crore in September 2018, as per the Insurance Regulatory and Development Authority of India (Irdai) data.

The seven stand-alone private sector health insurance companies clocked Rs 1,115.75 crore premiums in September this year, up 21.6 per cent from Rs 917.38 crore in the year-ago period. The rest two specialized PSU insurers — Agricultural Insurance Company of India and ECGC — saw a decline of 12.2 per cent in their premium income at Rs 3,302.02 crore compared to Rs 3,760.67 crore.

Non-life insurance companies witnessed 28.3 per cent rise in their collective new premium at Rs 24,563.24 crore in September, according to Irdai data. All the 34 non-life insurers had collected business premium of Rs 19,141.65 crore in the same month a year ago. Among these, 25 general insurers reported a rise of 39.3 per cent in their combined premium during the month at Rs 20,145.46 crore as against Rs 14,463.60 crore in September 2018, as per the Insurance Regulatory and Development Authority of India (Irdai) data.

The seven stand-alone private sector health insurance companies clocked Rs 1,115.75 crore premiums in September this year, up 21.6 per cent from Rs 917.38 crore in the year-ago period. The rest two specialised PSU insurers — Agricultural Insurance Company of India and ECGC — saw a decline of 12.2 per cent in their premium income at Rs 3,302.02 crore compared to Rs 3,760.67 crore.

TOP

Source

Dubai Indian consulate: Indians visiting or travelling to UAE must buy insurance - Gulf News – 14th October 2019

In a tweet on Monday, the Indian consulate in Dubai advised citizens to buy insurance before heading to the UAE.

The consulate reiterated the often-repeated message to travellers from India owing to repeated requests for medical assistance or repatriation by Indian visitors to the country, the advisory added. While the consulate usually helps Indians in distress, these expenses, the consulate added, "do not fall under our scope."

Why get travel insurance?

Many travellers ignore the benefits of having a low-cost insurance policy to cover unexpected expenses during travel. From medical costs to lost baggage cover, a policy ensures fast and cost-effective coverage for anything that might happen during a trip.

In the UAE many cases have come to light where people travel into the country with no insurance. It doesn't matter until the person falls ill, is a victim of an accident or, worse, dies while in the host country. Medical costs can quickly rack up against the traveler and his/her family, not to mention repatriation costs.

Repatriation costs alone to India can range around Dh30, 000, this in addition to medical expenses in case of an illness or accident can rise to hundreds of thousands - leaving family members, friends and even well-meaning social workers in a lurch.

Insurance from Dh55

A policy can cover, to certain limits and based on the policy purchased, medical expenses, repatriation costs, cancelled visas etc.

You could get a travel insurance policy online for as low as Dh55 for a short trip, around Rs 1,000. For a higher amount, for example Rs 3599 or Dh185, you can get covered for three months (standard UAE visit visa term) for an insured sum of US$50,000 - around Dh183,660. This policy covers medical expenses (up to insured limit) and also covers interruptions or cancellation of flights or baggage loss (except those caused by policy-holder).

(The writer is Dona Cherian.)

TOP

Source

It's important to be prepared for natural disasters – Mint – 13th October 2019

Every time there's a large-scale disaster in India, it is proclaimed to be once-in-a-100-years event, and post facto relief measures are carried out. Lives and properties are lost, mostly due to the disaster and because of the lack of adequate pre- and post-disaster preparedness measures in place. Public awareness to carry out rescue operations in the wake of an emergency is close to zero. It won't affect us, or probably it is not going to repeat itself is the common pre-supposition, and life goes on until the next event strikes. With the changing climatic conditions, India is turning more perilous in terms of getting affected by flash floods, droughts, cyclones, earthquakes, storms and other natural disasters. Instead of depending on post-disaster relief mechanisms, which is turning out to be a costly affair, the country now needs to build resilience through a new framework which maps vulnerable regions and carries considerable disaster preparedness and mitigation drives there.

As an insurer, we have been in the business of aiding disaster loss recovery since ages. But with the capricious climatic conditions that the world is experiencing, soon, insurance as a financial protection tool might not remain affordable for everyone. This is because global warming is not just causing damage, but also giving rise to several vector-borne diseases.

Also, infrastructure losses and health-related issues are on the rise, and farm incomes are being threatened, resulting in an overall economic crisis. It is said that globally, the insured loss total stood at $219 billion, for the years 2017 and 2018, representing the highest level of associated insurance payouts over two periods ever. The total combined economic loss from natural disasters was a huge $497 billion, bringing the protection gap for the two years at an unprecedented $280 billion, which could be put to better use. Closer to home, a recent example can be taken of Kerala floods of 2018, where, as per UN reports the cost of recovery and reconstruction was an estimated ₹310 billion, while the state received only around ₹29.04 billion as additional assistance from the National Disaster Relief Fund. Insurance claims, on the other hand, only amounted to about ₹10 billion, as per industry records.

The gap is staggering, and it shows the dismal state of insurance in India, with general insurance penetration at a mere 0.9% of the GDP. Though mass-scale schemes are gaining momentum in terms of health insurance and crop insurance, a lot more needs to be done. Parametric-based insurance solutions need to be implemented for homes and farm lands, where on crossing a certain threshold of rains/or the lack of it, automatic payouts should be made to the insured population. While these will again enhance relief in the wake of a calamity, facilitating instant payouts and plugging the gap of infra reconstruction financing, they still do not serve as a viable solution.

Insurance, which remains a post loss risk mitigation tool, needs to position itself as a pre-loss risk preparedness entity, albeit collaborating actively with governments and communities. After all, repeated exposure to disasters would lead to a vulnerable and frustrated community, and have huge gross economic impact. This would result into a disaster, and the issue needs to be addressed by governments, businesses and communities alike.

Hence, innovations centered around tech- and data-based predictive models need to be devised. Satellite-based weather mapping and predictions need to be implemented to enhance risk preparedness. For this, insurers and re-insurers need to team up with governments and other tech and community entities, offering a win-win solution to everyone. For governments, money will be directed to building more resilient cities, instead of providing post loss relief and rehabilitation. For people, it will mean instant payouts, rather than depending on relief funds. For communities, it will bring more awareness, more collaboration and hence more preparedness both in ecological and psychological terms. Last but not the least, sustainable organizations need to build awareness on climate change and how it impacts each of us, steps we need to take to reverse the situation before a time comes when we would just be able to minimize the damages.

(The writer is Tapan Singhel.)

TOP

Source

Hike insurance cover on deposit - Deccan Herald – 12th October 2019

While assuring the depositors of the troubled Punjab and Maharashtra Cooperative Bank (PMC Bank), Finance Minister Nirmala Sitharaman said recently that the government may consider increasing the deposit insurance cover from the existing limit of Rs 1 lakh. The crisis at PMC Bank has revived the debate on the adequacy of insurance coverage of people's bank deposits. Many are of the opinion that the government cannot let banks and NBFCs go belly-up routinely and ignore the interests of depositors.

In India, Deposit Insurance and Credit Guarantee Corporation (DICGC), which is a wholly-owned subsidiary of the RBI, has been providing deposit insurance since 1962. It has been "contributing to financial stability by securing public confidence in the

banking system through the provision of deposit insurance, particularly for the benefit of small depositors." A robust deposit insurance system helps instill confidence in the banking system and helps attract deposits.

Barring primary cooperative societies, all commercial banks, including the branches of foreign banks functioning in India, Local Area Banks, Regional Rural Banks, Co-operative Banks, Small Finance Banks and Payment Banks are covered under the Deposit Insurance Scheme. As on 31 March 2019, 2,098 banks were insured under the scheme. In terms of Section 11 of the DICGC Act, 1961, all new commercial banks have to register with DICGC soon after they are granted licence by the Reserve Bank. The corporation collects insurance premiums from the insured banks for the administration of the deposit insurance system. To get the cover, a bank has to pay the corporation a premium of 10 paise per Rs 100 or 0.001% of its assessable deposits. The premium paid is borne by the banks and not passed on to depositors. However, if the bank delays the payment of premium, it is liable to pay interest at the rate of 8% above the Bank Rate on the default amount.

Under the provisions of Section 16(1) of the DICGC Act, when a bank is liquidated, every depositor will get from the DICGC a maximum insurance amount of Rs 1 lakh on the deposits held by him in "the same capacity and in the same right" on the date of liquidation. That said, in FY2019, the DICGC took an average of 1,425 days to settle the first claims on a de-registered bank. The amount of Rs 1 lakh includes the combined amount of all the deposits kept in different branches of a bank. Also, it includes both the principal and interest accrued held across savings bank account, current account, fixed deposit and recurring deposit accounts of a depositor. So, if a depositor had Rs 90,000 in his savings account and Rs 2 lakh in his FD with the same bank, he will get a maximum amount of Rs 1 lakh and will lose the remaining Rs 1.9 lakh. However, if a depositor has Rs 1.25 lakh in his savings account and Rs 2 lakh in FD as the guardian of a minor, then he will get Rs 1 lakh from each of the said accounts as they are treated as different accounts.

Inadequate cover

The insurance cover was last increased to Rs 1 lakh in 1993 from Rs 30,000 earlier and has remained unchanged for the last 26 years! This limit is grossly low when compared with the cover available in developed as also many developing countries. An increase in this cover is long overdue. The moot point is, this limit should be Rs 5.44 lakh today, assuming an inflation rate of 7% from 1993.

What is alarming is that out of the assessable deposits of Rs 1.2 lakh crore, only Rs 33,700 crore – only 28% of deposits -- are insured. What is comforting is that RBI has not been allowing commercial banks to fail in the last few decades. It is mainly the cooperative banks that have been failing the depositors regularly.

The argument for not increasing the cover is that the insurance premium paid by banks is too low. However, a cursory look at the balance sheet of DICGC for the financial year ended 2019 reveals that DICGC settled claims amounting to only Rs 37 crore but received an insurance premium of Rs 12,040 crore during FY19. DICGC has so far settled claims of Rs 5,117 crore since inception, out of which the substantial portion of Rs 4,822 crore, were claims relating to 351 cooperative banks that were liquidated.

Since the claims settled is a miniscule portion of the premium received, DICGC has been able to build a healthy Rs 93,750 crore in its Deposit Insurance Fund through the transfer of excess of income (premium) over expenditure (claims paid). There is also an inflow of small amounts out of the recoveries made from the liquidators/administrators/transferee banks. The corporation invests this amount in government securities and because of the cut in repo rate and the corresponding fall in yields of G-Secs should make windfall gains for FY2020. All this makes a strong case for a hike in the insurance cover on deposits.

(The write is Vasant G Hegde.)

TOP

Source

Do public sector banks really need deposit insurance? - The Hindu Business Line – 11th October 2019

A study conducted by State Bank of India's economic research department reportedly states that there is a dire need to revisit the insurance coverage of the bank deposits, as over the years, the percentage of assessable deposits has declined from a high 75 per cent in FY12 to 28 per cent in FY18.

The current upper limit of ₹1 lakh per depositor has outlived its shelf life, and there is a need to revisit it, says the report.

The details are nothing new, and are already available in the public domain through the Annual report of the Deposit Insurance and Credit Guarantee Corporation (DICGC).

Though the DICGC used to provide credit guarantee as well, at present, it offers only insurance for bank deposits.

The need to provide deposit insurance was felt when banks were predominantly under private ownership. The concept of insuring deposits kept with banks received attention for the first time in the 1948, after the banking crisis in Bengal. The issue came up for reconsideration in 1949, but was held in abeyance till the Reserve Bank of India set up adequate arrangements for the inspection of banks. Subsequently, in 1950, the Rural Banking Enquiry Committee supported the concept.

However, the Deposit Insurance Act, 1961 came into force only on January 1, 1962, after the failure of Palai Central Bank Ltd and the Laxmi Bank Ltd in 1960.

The Deposit Insurance Scheme was initially extended to all functioning commercial banks, including SBI and its subsidiaries as well as the branches of the foreign banks operating in India. From 1968, it was also extended to co-operative banks.

Recent performance

Before suggesting any changes in the coverage of the deposit insurance, it is essential to analyse how the scheme has performed over the years.

Since 1963, the DICGC has settled claims of 27 commercial banks and 351 cooperative banks with claim amounts of ₹295.85 crore and ₹4822.33 crore respectively. No amount has ever been settled for any public sector bank.

For FY19, the deposit insurance coverage for 19 public sector banks (PSBs) was ₹2,22,44 billion, for 87 private institutions (foreign banks, private banks, payments banks, small finance banks, local area banks) ₹5,430 billion, for 51 RRBs ₹2251 billion and for 1941 cooperative banks ₹3,775 billion.

For the year ended 2018-19, the DICGC has collected premium amounting ₹111.9 billion from commercial banks and ₹8.5 billion from cooperative banks.

Footing the bill

The following facts emerge from these figures:

Ninety-three per cent of the premium collection is from commercial banks. Only 7 per cent of the premium collection is from cooperative banks.

If the amount of coverage is taken into account, then the premium collected from PSBs will be 75 per cent (or even more, if RRBs are grouped under the public sector) and that from private sector (other than cooperative banks) will be 18 per cent.

The share in claims settled, is 5.78 per cent for commercial banks, 94.22 per cent for the cooperative banks and zero per cent for PSBs.

It is evident that the premium collected from the public sector entities is continuously used to bail out the cooperative banks.

Disproportionate coverage

	Public sector banks	Private sector banks	Cooperative banks
Premium amount collected % (2018-19)	75	18	7
Claim amount settled % (since inception)	0	5.78	94.22

Hence, what is required is not simply enhanced coverage for the deposit amount. Insurance is a risk coverage mechanism and this should be based on the risk perception. Deposit insurance was mooted when private sector banks failed and PSBs, except State Bank of India, were not in the picture.

This is no longer applicable, as the government now has the wherewithal to come to the rescue of the depositors in case any public sector bank fails. No sovereign government can afford to declare any of its own banks as bankrupt. PSBs should not be unnecessarily allowed to foot the bill for the failure of cooperative banks. It is high time PSBs should be exempted from the purview of the deposit insurance scheme.

The DICGC, after all, is a part of the RBI, and should be rightly treated as a government unit. There is no need to provide insurance from one arm of the government to another arm.

(The writer is S Kalyanasundaram.)

TOP

Source

Five things you should know about bank deposit insurance scheme – Mint – 11th October 2019

Reserve Bank of India Governor Shaktikanta Das, after the monetary policy meeting on 4 October, assured that the Indian banking system was “sound and stable" but events taking place in the sector cannot be ignored. The latest being the crisis at Punjab and Maharashtra Co-operative (PMC) Bank Ltd, which allegedly enabled frauds worth Rs.6,500 crore by promoters of Housing Development Infrastructure Ltd (HDIL). This has placed thousands of depositors’ money at risk.

More than 70% of PMC Bank’s total loan book has an exposure to HDIL, whose inability to repay its debt may lead to shutting down of the lender. But what happens to depositors and their money?

The government has set up Deposit Insurance and Credit Guarantee Corporation (DICGC) under RBI to protect depositors if a bank fails. Here is a list of five things you should know about the insurance scheme that is provided by the corporation:

Who are insured by the DICGC ?

The corporation covers all commercial and co-operative banks, except in Meghalaya, Chandigarh, Lakshadweep and Dadra and Nagar Haveli. Only primary cooperative societies are not insured by the DICGC. All bank deposits--savings, fixed, current and recurring—payable in India are covered. However, the DICGC does not include the following types of deposits:

· Deposits of foreign governments
· Deposits of central/state governments
· Inter-bank deposits

· Deposits of the state land development banks with the state co-operative bank
· Any amount due on account of any deposit received outside India
· Any amount specifically exempted by the DICGC with previous approval of RBI

How much will a depositor get as insurance?
Insurance limit for each depositor in a bank is capped at Rs.1 lakh, including both principal and interest amounts. In case a bank goes into liquidation, depositors get the insurance money as per their deposits for a maximum of up to ₹1 lakh. The same math applies if a failed bank is amalgamated, merged or reconstructed. If a person keeps the deposits in different branches of a bank, they are paid a maximum of up to Rs.1 lakh only on the aggregate amount.

What happens to single or multi-account holders?
A single-ownership account or an account owned by a single person will only get an insurance cover of a maximum of up to ₹1 lakh irrespective of funds kept in one or more branches of the same bank. The DICGC adds all funds held in different branches before determining the deposit insurance. In case of different types of ownership, the corporation would insure them separately. If a depositor has two separate accounts in two banks and both shut down, then they are covered separately.

What about deposits held in joint accounts?
If individuals jointly hold more than one deposit account in one or more branches of a bank and if their names are registered in the same order everywhere, then all these accounts are considered as one. The DICGC calculates the deposit insurance for such depositors by adding funds from all the branches and allowing insurance of up to ₹1 lakh on the aggregate amount. However, depositors get separate insurance cover of up to Rs.1 lakh for joint accounts where the names appear in different order or the set of names are different in each account.

How do you know if your bank is DICGC insured?
The deposit insurance scheme is mandatory for all banks and no bank can voluntarily withdraw from it. However, the DICGC has the power and right to cancel the registration of an insured bank if it fails to pay the premium for three consecutive half-year periods. If a bank is no more under the DICGC's coverage following the defaults, then depositors are notified through newspapers.

(The writer is Ishita Guha.)

TOP

Source

HEALTH INSURANCE

Health Insurance: Why you need a diabetes-specific health plan - Financial Express – 18th October 2019

While India continues to battle several serious health issues, a disease that has quickly taken top position is diabetes – a condition wherein the patient's body is either incapable of producing insulin or the body is not able to utilise the insulin present within.

With over 70 million people suffering from the disease, India has become the diabetes capital of the world. As per a recent WHO report, our country tops the list of countries with the highest number of diabetes. Currently, over 5% of the population suffers from this disease.

The report further states that nearly 98 million people

in India are expected to suffer from diabetes by 2030. The numbers indeed convey a sad state of affairs. Another sad part of the story is that most people in India consider diabetes as an ailment with genetic predisposition and they rather fail to accept that over the years it has become a leading lifestyle disease. People with uncontrolled diabetes are more prone to a wide range of health issues including serious cardiovascular diseases.

Affordable health cover

While most believe that diabetes is primarily a self-managed disease, it is important to have adequate and affordable health insurance. This significantly helps in gaining required access to supplies and medications necessary to manage diabetes and prevent or treat further complications. Another important reason to have an adequate cover is that the probability of having to pay large hospital bills due to diabetes is very high. As per a recent report by the Association of Physicians of India, the poor urban population spends around 34% of their income on diabetes treatment while the rural population spends around 27% on the same.

Obtaining health insurance for patients with diabetes was a difficult task earlier but it is now easy to gain access to adequate health coverage. For an individual with diabetes, having a specific health cover with adequate sum insured could be enough to meet the hospitalisation costs arising out of a diabetic situation.

Another important reason why diabetes-specific insurance plan is very important for people suffering from diabetes is that most regular health insurance plans treat diabetes as a pre-existing disease and place a waiting period on the treatment of the disease.

The waiting period generally varies from 12 months to 2 years; however, it can sometimes even go up to 4 years. Hence, it is always sensible to buy a diabetes-specific plan which provides more adequate and comprehensive coverage than regular health insurance plans. Health insurance companies such as Star Health Insurance, Apollo Munich Health Insurance and Religare Health Insurance offer diabetes-specific plans.

(The writer is Amit Chhabra.)

TOP

Source

Health Insurance: Is mental illness equal to physical illness? Find out - Financial Express – 17th October 2019

Over the last few years, there has been increasing focus on mental health, and rightly so, with mental health issues and mental illness reaching an epidemic proportion. The World Health Organization estimates that India will suffer economic losses amounting to a staggering 1.03 trillion dollars from mental health conditions between 2012 and 2030.

Issues of mental health are widespread across communities around the world. In India, an estimated 56 million Indians suffer from depression, which is a staggering 18% of the total number of people worldwide who suffer from the condition, and 38 million from anxiety disorders.

While these numbers reveal the mental health status of the current society, let's be cognizant of the fact that workplaces are microcosms of this society and culture of which they are part of. Also as reported by the Wall Street Journal in 2016, Indian millennials spend more time at work than their counterparts in 25 other countries — an average of 52 hours a week.

It is the need of the hour to take vital steps to make mental health and wellbeing a key priority not only at national levels but also within local communities and in the workplace.

With mental health garnering all the much-required attention, there has been a progressive move to include mental illness cover under health insurance. The Mental Healthcare Act, 2017, implemented last year states that every person with mental illness will be treated as equal to persons with physical illness when it comes to healthcare, including health insurance. This is a very positive move towards inclusivity of mental illness cover in the insurance ecosystem.

Demystifying mental health

Mental health is no different from physical health and absence of mental illness does not qualify as a healthy mental state. Mental health represents a dynamic state of functioning and can vary throughout life depending on life stages, the environment and related stressors. It runs along a continuum with different symptoms depending on the modification of your employee's health.

The ambiguity in relation to the representation of mental health state makes it a complex issue to identify. To add on that the taboo attached to matters related to mental health further widens the gap. The continuum can help one recognize the early warning signs of a mental health issue in an employee, minimize the stigma surrounding it, and provide help before they move further along the spectrum.

Mental health, like any other aspect of health, is affected by a range of socio-economic factors and workplace environment. There are many risk factors for mental health that may be present in the workplace and it may be related to the type of work, interpersonal relations either at the organizational, peer or managerial levels, job skills and competencies, work-life balance and the support available for employees to carry out their work to name few.

There is a clear link between mental health issues and the loss of productive human capital. A hostile work environment impacts professional's capacity to focus, handle pressure, amicably interact with colleagues and clients, make the prudent judgment, deal with negative feedback and respond to change leading to the demotivated, unproductive and vulnerable workforce.

Productivity and negative cost impact is driven by increased absenteeism or higher presenteeism. Without help, such employees struggle to cope, tend to under-perform, utilize sick leave and are even likely to quit their jobs or take drastic steps altogether.

Companies need to recognize that, the impact that mental health-related presenteeism and absenteeism have on a company's growth is significantly detrimental. From a return on investment perspective, a recent WHO-led study estimated that for every US$ 1 put into scaled up treatment for common mental disorders, there is a return of US$ 4 in improved health and productivity.

The bottom line is caring about employees' mental health is beneficial to organizations in more ways than one. Better mental health means better quality of work, less absenteeism and better productivity.

Consequently, increased productivity and superior quality of work equal to increased profits. Also, companies that have cultivated a culture of wellness and healthy working environment tend to not only attract but also help retain the best talent.

Considering the complexity of the mind and myriad factors that can impact mental health, the solution too is multifactorial and not too simple. Piecemeal approaches would not garner any positive result.

Mental health intervention has to be targeted and should be delivered as part of an integrated health and well-being strategy addressed through comprehensive strategies for education and awareness, mental health promotion, prevention, treatment and recovery that touch upon the needs of every section in the mental health continuum.

(The writer is Prawal Kalita.)

Source

TOP

Monthly premium for health insurance now allowed: Can you claim after paying for 2 months? - The Economic Times – 16th October 2019

You will now get the option to pay your health insurance premiums on a monthly, quarterly or half-yearly basis in addition to the current option of paying premiums on an annual basis. Till recently, health insurance policy premiums were only payable on annual basis unlike premiums for life insurance policies which could be paid monthly, quarterly, half yearly or annually.

However, what will happen if the insured (who opted for monthly premium payment mode for health insurance policy) requests the insurer for reimbursement claims for his/her health insurance policy after having paid only 2 months premium? Will the insurer settle the insurance claim in such a scenario?

Also, will the free-look period be shorter for the insured if he/she opts to pay the premium via monthly mode at the time of buying the policy? The free look period is a time period (normally 15 days of receiving the policy document) within which the purchaser/policy owner of a new health insurance policy can stop/terminate the policy without paying any penalties (except for proportionate risk premium for the coverage period), such as surrender charges, etc., to the insurer.

Kapil Mehta, CEO, Secure Now.in, a Delhi-based Insurance broker, said, "At the time of purchasing the policy if you opt for the monthly premium payment option, the free look period provided to you will be shorter than that in the annual payment option."

As per the circular issued by regulator (Insurance Regulatory and Development Authority) IRDAI dated September 20, 2019, "The premium mode (frequency) proposed to be added may be monthly, quarterly or half-yearly and the resulting premium amounts under each mode (frequency) are consistent with premium amounts under other premium modes (frequencies) of the underlying product."

Will you face problems if you put in a claim before paying the full year's premium?
An insurer has to process the claim even if an insured bought health insurance with monthly premium paying mode, paid only two months premium, and filed an insurance claim for reimbursement. However, in such a case, the insured has to either pay the remaining premium in one go or the insurer can deduct the remaining premium from the total claim amount payable.

Rashmi Nandargi, Head - Retail Health, PA and Travel Underwriting, Bajaj Allianz General Insurance said that these installment-based premiums will not impact the claim settlement process for the insured. If there is a claim in the interim period then the insured has to either pay the remaining premium upfront or the balance premium would get deducted from the claim amount by the insurer, she said.

Mahavir Chopra, Director - Health, Life & Strategic Initiatives, and Coverfox.com said that one of the possibilities is that the insurer will deduct the annual premium (outstanding amount) from the claims payout and make the payment. "Insurers are likely to ask for mandatory standing instructions on credit card or Electronic Clearing Service (ECS) on bank accounts as a precondition to issuing a monthly premium paying policy," he said.

Will the premium amount change if paid in installments?
The regulator has allowed insurers to collect premiums on a monthly, quarterly or a half-yearly basis against the annual collection done earlier. The payment in installments should not lead to change in basic premium (which depends on age) as approved for the individual product by IRDAI.

However, insurers are allowed to marginally increase the total premium (which is calculated depending on the statistical data that exists about life history and health of the policyholder along with the age

factor) if the policyholder opts for quarterly/month premium payment option as compared to the annual premium payment option. This increase in premium can vary on a plan to plan basis.

Mehta said, "The (total) premium does increase slightly as you move from annual to quarterly to monthly premium payment mode. However, the effective increase generally will not be that significant."

The IRDAI circular said, "There shall be no change in the basic premium table and charging structure under the approved individual product to which new premium payment mode (frequency) is being added. Factors applicable, if any, to allow the change of premium payment mode (frequencies) shall be fair and reasonable."

Can existing policyholder change the premium option of their running policy?
If you are an existing policyholder and want to change the mode of premium payment, you can do that. However, you can change the premium payment mode of the policy only at the time of renewal of the policy. You may not be allowed to change the premium payment mode in the interim period. Also, if you want to change the mode of premium payment, you need to mention it in the form provided to you by the insurer at the time of renewing the policy.

Amit Chhabra, Head- Health Insurance, Policybazaar.com said that customers will get the flexibility to change premium payment mode thereby enabling ease of premium paid towards health insurance. "For instance, if you already have a running policy, you can change the option to pay using monthly or quarterly mode at the time of renewal. This process will be applicable to existing policyholders and new customers both," he added.

Is monthly/quarterly premium payment a useful option for you?
Annual premiums often burden the wallet of the common man. So, the move to allow multiple frequencies for premium payments can be viewed as facilitating measure for policy buyers. Chopra said, "This will help increase the adoption of health insurance among people. More premium frequency options will help people to buy a larger cover, which till date was either postponed due to shortage of funds or a compromise was made at the cost of lowering the health cover. Senior citizens will also benefit as they can now buy health cover by paying from their limited monthly income."

(The writer is Navneet Dubey.)

TOP

Source

50 lakh get hospitalisation benefit under Ayushman Bharat - The Economic Times – 14th October 2019

Achieving another milestone in just over a year, the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PM-JAY) on Monday crossed the 50 lakh treatment mark.

There are nine hospital admissions every minute across India under the scheme. Under the flagship health assurance scheme of the Narendra Modi government, free secondary and tertiary treatment worth Rs 7,901 crore has been availed in the 32 states and UTs implementing the scheme.

According to the National Health Authority (NHA) figures, more than 60 per cent of the amount spent has been on tertiary care. Segments like cardiology, orthopaedics, radiation, oncology, cardio-thoracic and vascular surgery, and urology have emerged as the top tertiary specialities. Gujarat, Tamil Nadu, Chhattisgarh, Kerala and Andhra Pradesh have emerged as the top performing states under the scheme.

Union Health Minister Harsh Vardhan said: "The Ayushman Bharat family is growing by leaps and bounds. In just over one year, under PM-JAY more than 50 lakh treatments have been availed by beneficiaries across the country."

NHA CEO Indu Bhushan said: "50 lakh hospital treatments is a significant milestone for PM-JAY, but there is a long journey ahead. The scheme will continue to focus on reducing catastrophic out-of-pocket health expenditure, improving access to quality health care and meeting the unmet need of the population for hospitalization care, so that we move towards the vision of Universal Health Coverage."

The 50 lakh hospital admissions have taken place in the public and empanelled private hospitals that provide care to the beneficiaries under the scheme. To date, 18,486 hospitals have been empanelled across India. In the first year, 53 per cent of the empanelled hospitals are private, especially multi-specialty hospitals. There have been more than 50,000 portability cases, wherein migrant and travelling eligible Indians have availed their treatment outside their home states.

The aim of PM-JAY is to bring quality healthcare to more than 50 crore poor and vulnerable Indians across the country. The scheme gives annual healthcare benefits of up to Rs 5 lakh for every entitled family, and provides cashless and paperless access to services for the beneficiary at the point of service.

TOP

Source

Clearing the air over pre-existing diseases - The Hindu Business Line – 14th October 2019

There were three sets of regulations issued by IRDAI in September with respect to health insurance. One of them, the 'Modification Guidelines on Standardisation in Health Insurance', listed items on which health insurers can give optional covers and, more importantly, amended the definition of pre-existing diseases as given in the original guideline issued in July 2016.

The new guideline is applicable to all health insurance products filed here on.

A look at the changes.

Old definition

Pre-existing diseases (PED) refer to medical conditions or diseases that an individual had suffered from before buying the insurance. In the old guideline, it was defined as "any condition, ailment or injury or related condition(s) for which there were signs or symptoms, and/or were diagnosed, and/or for which medical advice/treatment was received within 48 months prior to the first policy issued by the insurer and renewed continuously thereafter".

The problem here is that it leaves many loose ends unaddressed. One, the term 'related condition' is vague. There is no clear indication as to what it actually refers to. Second, going by the definition, all conditions for which the person had signs/symptoms in the 48 months prior to taking the policy, were considered PED.

New definition

In the new definition, the regulator has removed the term 'related condition' and clearly specified that the illness should have been diagnosed by a doctor for it to be considered a pre-existing disease. The signs/symptoms, which the insured person has disclosed before buying the policy, will not be considered PED unless they show up as an illness within the first three months of taking the policy.

The definition of PED is, thus, changed to "any condition, ailment, injury or disease: a) that is/are diagnosed by a physician within 48 months prior to the effective date of the policy issued by the insurer; or b) For which medical advice or treatment was recommended by, or received from, a physician within

48 months prior to the effective date of the policy or its reinstatement; c) A condition for which any symptoms and or signs if presented and have resulted within three months of the issuance of the policy in a diagnostic illness or medical condition".

Further, here on, any illness that had occurred prior to 48 months before purchase of the policy will not be considered as PED, said Subramanyam Brahmajosyula, Head, Underwriting & Re-insurance, SBI General.

Earlier, the PED definition had a condition that the policy should have been renewed continuously. So, if there was a break in renewal, the insurer had the option of making PED apply again. This is not the case anymore.

Waiting period

When a condition/illness is identified as PED at the time of policy issuance, the insurer has three options: either reject the prospect or exclude the identified PED by incorporating it as 'permanent exclusion' and cover the person for other illnesses or cover the PED after the waiting period, which is generally two to four years. The option to exclude PED as permanent exclusion comes with the new Guidelines on Standardisation of Exclusions in Health Insurance Contracts.

Rules now let insurers to exclude diseases that are disclosed by a prospective policyholder as permanent exclusion with his/her consent. This is a big positive as it will help people who would have otherwise been denied insurance to get cover for other illnesses. Anyone with, say Parkinson's or Alzheimer's disease, has little chance of getting a health cover in India. With the new norms, insurers may come forward to cover such patients — by listing Parkinson's disease or Alzheimer's disease as a permanent exclusion and covering them for other illnesses.

(The writer is Rajalakshmi Nirmal.)

TOP

Source

Certain illnesses in 1st 3 months of health insurance policy to be treated as pre-existing disease – The Economic Times – 11th October 2019

IRDAI has modified the definition of pre-existing diseases, to include any disease diagnosed within three months of purchasing a health insurance policy.

This change was included in the guidelines on standardisation in health insurance released by Insurance Regulatory and Development Authority of India (IRDAI) on September 27, 2019.

These norms will be applicable to products filed after October 1, 2019. For existing health contracts, the new rules will come into effect from October 1, 2020.

What is a pre-existing disease?

A pre-existing disease (PED) is a condition, ailment or injury that already exists at the time you buy a health insurance policy and these PEDs are generally excluded from the policy coverage for an initial waiting period. The maximum waiting period on such PEDs is 4 years.

Definition as per IRDAI regulations: "It is a condition, ailment or injury or related condition(s) for which the policyholder had signs or symptoms, and/or was diagnosed, and/or for which medical advice/treatment was received within 48 months prior to the first policy issued by the insurer and renewed continuously thereafter."

Modification in the definition of PED

The IRDAI circular said, "A condition for which any symptoms and or signs if presented and have resulted within three months of the issuance of the policy in a diagnostic illness or medical condition will be treated as PED." This clause is in addition to the existing definition of PED.

This expansion in the PED is the part of the guidelines set out in the circular on September 27, 2019. These guidelines also clarify that insurance companies can no longer exclude many illnesses which were not covered till now.

Kapil Mehta, CEO, Secure Now.in, a Delhi-based Insurance broker, said that suppose if a person complains of dark shadows in the eye vision for the past year and is then diagnosed with retinal detachment within three months of buying the insurance policy then that disease will not be covered, as the same will be considered as a PED. "However, if the retinal detachment is discovered 6 months after buying the insurance policy, then the disease will be covered. After 3 months, a disease can be classified as PED condition only if there is conclusive proof that this was diagnosed previously. If the disease was undiagnosed then it cannot be classified as PED."

Hence, the statement on PED in the guidelines issued on September 27, 2019 means that the disease will be considered as PED when a condition for which any symptom/disease has resulted within three months of the issuance of the policy in a diagnostic illness or medical condition.

Earlier, at times there were disputes between insurer and a policyholder filing a claim within few months of buying the policy due to the insurer's suspicion that the illness for which the claim was filed was actually a PED.

Naval Goel, CEO and Founder, PolicyX.com said, "The new circular of modification guidelines on standardisation in health insurance will bring some changes in the sense that this will curtail fraud early claims that were coming due to not having any waiting period after the issuance of the policy. After getting insured, if anyone is inflicted by a disease within 3 months of the policy, then it might face rejection on filing claims as per the new clause (amended definition of PED) which is not in favour of the policyholder. But it will surely reduce the cases of fraud applications."

What happens if you don't disclose pre-existing disease?

Gurdeep Singh Batra, Head - Retail Underwriting, Bajaj Allianz General Insurance said that if someone does not disclose the pre-existing disease at the time of buying the policy then the same (PED condition) will be treated as non-disclosure/misrepresentation/non-declaration if diagnosed after three months from date of purchase of the policy and hence, in such a case, the insurer can refuse to cover the illness throughout the policy term on the basis of violation of "disclosure of information norm".

It needs to be mentioned that an insurer can refuse to cover any illness during a health insurance policy tenure if the illness is proven to be a PED which was not disclosed at the time of purchase of the policy. Also, alternatively, depending on the nature and extent of the un-disclosed disease, insurers are advised to look at following options too at their discretion, Batra explains:

In case such pre-existing disease not disclosed at the time of buying a policy is falling under the permanent exclusions under Chapter IV then the insurer can take consent from insured/policyholder and continue policy by permanently excluding such previously un-disclose pre-existing.

In case such pre-existing disease not disclosed at the time of buying policy falls under 'other than the permanent exclusion' under Chapter IV, then insurer can incorporate additional waiting period not exceeding 4 years, for the said undisclosed disease from the date of the detection of such un-disclosed disease and continue policy with consent from insured/policyholder.

(The writer is Navneet Dubey.)

TOP

Source

MOTOR INSURANCE

Don't forget to get an insurance policy for your second-hand vehicle - The Hindu Business Line – 18th October 2019

It is common for insurance companies to come across cases where the owner of a second-hand car files for a claim with an insurance policy that is still in the name of the first owner. Unfortunately, insurers have to reject such claims as the valid contract (insurance policy) is between the first owner of the vehicle and the insurer, but the vehicle has already changed ownership. As per the policy terms and conditions, the vehicle registration certificate and the insurance policy must be in the same person's name.

In a recent case, a consumer court in Maharashtra ruled a judgment in favour of the insurance company and backed the insurer's decision of not entertaining a claim request in which a second-hand vehicle owner filed for a claim with the insurance policy still in the name of the first owner of the vehicle.

The court clearly stated that as there was no written proof of any contract or agreement between the second-hand vehicle owner and the insurance company, the insurer is not liable to pay for any expenses.

Hence, any accidental damages suffered by the new owner are not admissible under the previous owner's policy.

Changes in Motor Vehicles Act

In India, people buying a second-hand vehicle are not really aware of the fact that it is not only important to get the vehicle registered in their name; it is equally important to have the insurance of the vehicle transferred to their name.

With the new Motor Vehicle Act 2019 coming into effect from September 1, 2019, it is mandatory to carry a valid motor insurance policy which is in the name of the person under whom the vehicle is registered. Earlier, driving without a valid motor insurance attracted a fine of Rs. 1,000.

However, with the amendments in the current law, driving without insurance attracts a fine of Rs. 2,000 and/or imprisonment up to three months for the first offence and fine of Rs. 4,000 and/or imprisonment up to three months for the second offence.

Considering the 100 per cent hike in the penalty for driving a vehicle without valid insurance, it is all the more important to either get the insurance transferred to your name while buying a second-hand vehicle, or buy an altogether new policy that is in your name. It is advisable to go with the second option, that is, buy a new policy as it helps in procuring a no-claim bonus (NCB) for the entire period you'll driving your car.

Transfer or buy a new policy

Once you purchase a second-hand vehicle, under Section 157 of the Motor Vehicle Act, it is incumbent on the new vehicle owner to get the insurance policy transferred in his or her name by applying to the insurance company within 14 days of the purchase.

During this period, only the third-party component of the insurance is transferred to the new owner's name; the insurer will not entertain any claim on 'own damage' portion of the insurance. If the new owner fails to get the insurance policy transferred to his or her name in the first 14 days, the insurance company is not liable to bear any losses incurred by the owner due to any accidents or other damage to his vehicle.

To avoid this risk, it is better to buy a new policy rather than transfer the old policy in your name. The two benefits of buying a new policy rather than transferring the old one to your name are one, you become eligible for NCB and, two, the insurer will be responsible for damages caused to the own-vehicle from day one of purchase of the policy.

(The writer is Sajja Praveen Chowdary.)

TOP

Source

Why the slump in automobile sale hasn't hit motor insurers – Mint – 15th October 2019

The Insurance Regulatory and Development Authority of India (Irdai) on Monday released business figures which indicate a substantial growth in the premium income underwritten by general insurance companies in September. Premium income rose to ₹20, 145.46 crores in September from ₹14,463.60 during the same time last year. Overall, general insurers witnessed a growth of 16.84% compared to last year.

Major chunk of general insurers' revenue is drawn from the sale of motor insurance policies. However, passenger vehicle sale continued to disappoint with a plunge by almost 24% in September, according to data released by the Society of Indian Automobile Manufacturers (SIAM). If the purchase of new vehicles is going down, what's really fuelling the sale of motor insurance policies?

General insurance companies seem to be enjoying the spike in the sale of motor insurance policies. After the amendments to the Motor Vehicles Act, not having a third-party motor insurance attracts a fine of ₹2,000 for the first offence and a fine of ₹4,000 for the second offence. The high penalty is contributing to the increasing sale of motor insurance at a time when the automobile industry is struggling. "August to September, the sale of motor insurance saw a significant rise because there's a high penalty now.

The penalty is actually higher than the cost of insuring a two wheeler so this has brought a large number of uninsured vehicles within the insurance net. Own damage and third-party insurance, both have seen equal boost," said Anik Jain, co-founder and chief executive officer, Symbo Insurance. Jain said insurers haven't taken a hit due to drop in automobile sale only because older vehicles have now come under the ambit of mandatory insurance.

Abhishek Bondia, principal officer and managing director, Securenow.in said this could be a one-time high because motor insurance is bought for three and five years so the premium numbers may not continue to remain this strong a year from now.

Why buy a motor insurance?

Other than the fact that law requires all vehicle owners to have a third-party motor insurance, it's important to understand the benefits of the policy. A third-party liability cover is the basic form of motor insurance or car insurance. This is a mandatory cover that you need before you can take your car out of the showroom.

It covers you in case the insured vehicle causes damage to any person or property of a third party. In addition to this, a comprehensive car insurance policy also covers own damage (OD) that insures your vehicle against theft or damage, and passenger cover that insures the lives of the passengers.

(The writer is Disha Sanghvi.)

Source

TOP

Buying a car? Your dealer may be charging you steeply for insurance - The Hindu Business Line – 15th October 2019

Planning to buy a new set of wheels? With banks offering attractive festival loans and dealers slipping in tidy discounts, you can certainly cut a sweet deal for yourself. But before you drive away in your dream vehicle, remember to slice and dice the price you are paying. Especially, the insurance component, because, your dealer may be charging you a steep premium.

When buying a new vehicle not many of us tend to look at the insurance part as the dealer bundles everything into the on-road price. But guess what? If you do proper due diligence, you can save up to Rs. 35,000 on insurance premiums on your high-end car purchase!

The on-road price you pay the dealer (above the ex-showroom price) includes registration fees, road tax, and a component of insurance premium. Since third party liability cover is mandatory in India, you cannot take your car out of the showroom without it. Hence, dealers build in the cost of insurance in your on-road price. Hassle free? Yes, but it may cost you dear.

Our discussions with various Hyundai and Maruti dealers in Chennai reveal that the insurance cost is at least 40 per cent higher at the dealer end, vis-à-vis buying it online at various portals.

The new Creta 1.6 E plus Petrol (1591 cc) 2019 model, for instance, has an ex-showroom price of about Rs. 9.99 lakh. The on-road price in Chennai is about Rs. 11.8 lakh. This includes about Rs. 65,000 of insurance premium. But a similar cover online, works out to just Rs. 37,377 (Rs. 44,105 including GST). Hence, dealers charge a premium that is 40-45 per cent higher than that available online!

Similarly, in the case of Maruti Ciaz Sigma Petrol model, the insurance premium built into the on-road price is about Rs. 32,000. The same policy would cost you Rs. 20,000-24,000 online. While for many of us, spending an extra amount on insurance may not seem a big deal, it is always important to know what policy your dealer is selling you.

We guide you on how to pick the right policy and what your rights are.

Some basics

Motor insurance has two components — third-party (TP) and own-damage (OD) cover. The former is mandatory and covers the legal liability arising out of damage to the property of a third party or bodily injury or death of a third person when the vehicle hits another vehicle or person. OD is optional and protects vehicle against damage or theft.

While TP rates are decided by IRDAI, insurers have the flexibility to decide on the OD cover premium. Over the past year, insurance premiums have gone up mainly on account of two reasons.

One, you must take a five-year third party cover for new two-wheelers and for three years for cars (effective September last year). Earlier, the TP cover could be bought for one year at the time of purchase of the vehicle. Two, the regulator revised the TP rates upward across segments (depending on engine capacity), effective June this year.

Right comparison

First, you need to decide on the Insured Declared Value (IDV). This is the maximum amount the insurer will pay you in the event of a total loss claim. In the case of a new car, the thumb rule for IDV is the manufacturer's listed ex-showroom price less 5 per cent depreciation. Hence, in the case of the Creta example, the IDV works out to Rs. 9.5 lakh. Look for policies online for similar IDVs. Digit Insurance, United India Insurance and HDFC ERGO offer the best deal for the Creta 1.6 E Plus model currently (see table), based on information provided by PolicyBazaar.com.

The other advantage of picking your own insurance is that you can include important add-ons, such as zero-depreciation. A zero-depreciation or bumper to bumper add-on gives you a comprehensive coverage without factoring in depreciation.

Know your rights

Hence, if you find alternative online options that are cheaper, it may be worth considering them. Of course, the dealer may dissuade you to do so, on several pretexts. In some of our interactions with dealers, they outright refused to allow the option of taking policy separately, stating that they would not be able to service the vehicle later on.

It is important not to succumb to such intimidation. Remember, the policy offered to you is by the insurance company. Hence, all the conditions stipulated in the policy will have to be complied with by the dealer/service centre. For instance, as long as a particular service station/garage is listed under the policy for cashless facility, you cannot be denied services.

"The terms and conditions in the insurance policies are standard. There is no difference between the one sold online or at the dealer's end, provided of course all conditions are the same. If a policy bought online lists out empanelled centres where cashless claims can be done, the dealer/service centre has to comply and offer services accordingly," explains Tarun Mathur, Chief Business Officer, General Insurance, Policy Bazaar.com.

"In one case, one of our customers approached us saying that the dealer had informed him that cashless claims will not be entertained if he bought the policy online. But later, at the time of service/repair, the dealer did provide cashless claim to the same customer," adds Tarun.

Growing concerns over unlicensed persons soliciting or selling policies led to IRDAI notifying the 'guidelines on Motor Insurance Service Providers (MISP)' in 2017. The MISP, who could be an automobile dealer appointed by the insurer or the insurance intermediary, has specific eligibility conditions laid down by the Act. The sponsoring entity is now responsible for all acts of omission and commission of the MISP. So if you have any grouse or complaints with the manner in which you were sold policies, you now can approach the insurer who, in turn, is accountable for the MISP/dealer that sold you the policy in the first place.

Hence, take note of your rights so that the next time you take a new car out of a showroom, you aren't handed a raw deal.

(The writer is Radhika Merwin.)

Source

TOP

Renewing your motor insurance policy? Take a look at these points before renewing it - Financial Express – 14th October 2019

The steep penalty for people driving a vehicle without the mandatory third-party liability cover has increased the demand for a motor insurance policy. If you are driving without the mandatory third-party liability cover and are caught for the first time, you will have to pay Rs 2,000 as fine and for repeating the offence you will have to chuck out Rs 4,000. For two-wheelers, the premium for the TP policy is lower than the penalty. Long-term third-party liability covers were made mandatory last year by the Supreme Court. IRDAI also directed insurance companies to offer long-term third-party liability covers for new vehicles last year, as most two-wheelers were not renewing their policy after the first year.

Animesh Das, Head of Product Strategy, ACKO General Insurance, says "In case you have missed the deadline of your policy renewal then usually Insurers ask for the inspection of the vehicle. Most of the Insurers end up taking time to get your vehicle inspected and thus it takes time to get your policy.

It is suggested to check the turnaround time of the inspection from the company, as there are few insurers who get the vehicle inspected in an hour or two and issue you the policy on the same day."

For simply renewing the third-party liability policy, policyholders will not have to go through any long process. For instance, there is no inspection and, hence, the policy is issued immediately. However, renewing a lapsed is slightly more complicated, but that too has now been made simpler with the use of technology by insurers and online aggregators.

Also, note that your policy renewal may get rejected if there are major damages on the vehicle; hence, it is suggested to get the damages fixed and then apply for insurance for a smooth experience.

Generally, the first motor insurance policy is from the car dealer and is bought in haste. However, while making the first renewal most policyholders analyze the need and then look for a policy.

Hence, consider the following points to get the best policy that suits your needs;
Type of Policy – Decide if you need a comprehensive motor insurance policy or continue with only Third Party liability insurance. Comprehensive motor insurance policy provides cover for both self vehicle damage as well as TP, hence the premium is higher as compared to standalone TP covers but this is not compulsory for you to opt for.

TP liability motor insurance policy covers damages caused to the third party in an accident but does not include damage to own property or vehicle, and is a mandatory insurance policy for Indian roads.

Add-Ons – See if you would like to further include additional riders such as Zero Depreciation cover or Hydrostatic Cover. Experts suggest zero depreciation is a must-have for cars especially for high-end vehicles where the depreciation amount would be much higher than the additional premium payable.

Hydrostatic Cover, on the other hand, covers the policyholder from consequential loss due to water logging.

Cashless Facility – Check with the garage, that is most convenient for you, which insurance company they have tied up with for cashless claims. Cashless Facility at the Affiliated Garage can be saver during emergencies and you will be to get cashless car insurance claims, and you do not have to follow with the insurance company for reimbursement.

Deductibles – The compulsory and voluntary deductibles are the basic minimum amount that needs to be paid by the policyholder for each and every claim. For instance, Rs 1,000-2,000 is generally the minimum guaranteed amount that policyholders need to pay for every claim.

Having deductibles in policy reduces the chances for the policyholder of making fake claims or small claims that can be avoided.

Portability – Motor Insurance policies are usually portable and can be shifted from one insurer to another, keeping intact all benefits. Hence, experts suggest when policyholders port their policy to a new insurer; they should check that all benefits have been rightly continued, including NCB, IDV, zero depreciation, etc.

(The writer is Priyadarshini Maji.)

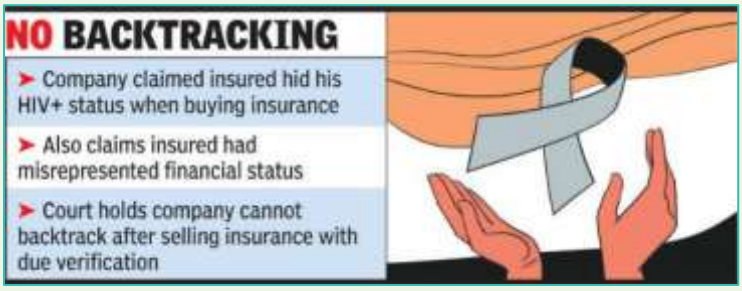
Source

TOP

INSURANCE CASES

Gujarat: Insurer told to pay Rs 18 lakh to widow of HIV positive man – The Times of India – 17th October 2019

A consumer court has ordered an insurance company to pay life insurance claim of Rs 18.20 lakh with 9% interest to a widow because the claim was refused after the insured person was found HIV+ when he died nine years ago.



According to the case details, Bajaj Allianz Life Insurance Co Ltd issued a life insurance policy of Rs 18.20 lakh to a 47-year-old man in Dahod in October 2008 on payment of annual premium of Rs 26,000.

The man died on August 21, 2009 and the hospital found that he was HIV+. After his death, his widow claimed the policy that he had obtained barely a year before his death.

An investigation on part of the insurer revealed that the person was a chronic alcoholic and a chain smoker and was keeping bad company. He was a labourer but obtained the policy by posing himself as a labour contractor with annual income of Rs 3 lakh. In fact, his income was just Rs 36,000 and his family used to fall under Below Poverty Line category.

In July 2010, the insurance company repudiated the widow's claim to insurance saying that the deceased had suppressed information about his occupation, income and health while obtaining the policy. The widow approached the Gujarat State Consumer Dispute Redressal Commission seeking insurance from the company and compensation for its deficiency in service for illegally rejecting the claim.

The insurance company reiterated its stand before the court. "The deceased life insured was suffering from this problem since long but he did not disclose it while obtaining life insurance policy," the company told the court.

The consumer court did not accept the company's argument and said that it had accepted the policy proposal form after due verification. On the insured's financial status, the court cited the national commission saying, "Life insurance policy is taken to cover the risk to life which is equally dear and costly to every person, whether rich or poor, after having got the financial standings and income checked and verified by IRDA licensed advisor and authorized signatory, repudiation of the claim is not justified."

The court ordered the insurer to pay claim with 9% interest since 2010 along with Rs 15,000 extra towards compensation for mental torture and legal expenditure.

TOP

Source

Insurance firm told to pay Rs 9.28L accidental claim - The Tribune – 15th October 2019

The District Consumer Redressal Forum, Yamuna nagar, has ordered an insurance company to pay accidental claim of Rs 9.28 lakh to a SUV (Scorpio) driver. In the order, the bench said the insurance company illegally rejected the claim of the accident on the ground that the driver was under the influence of liquor at the time of accident.

According to information, a bull suddenly came ahead of the SUV of complainant Ajay Pal Pawar near Kait village of Yamuna nagar district on October 10, 2016. He lost the control over his SUV and it struck against the trolley coming from opposite direction.

The SUV was insured with the respondent (insurance company) from July 31, 2016 to July 30, 2017. But the insurance company refused to pay accidental claim, saying that the driver of the vehicle was under influence of the liquor at the time of the accident. — TNS

TOP

Source

Insurance company told to pay Rs 9.5L due - The Tribune – 14th October 2019

The District Consumer Disputes Redressal Forum here has directed United India Insurance Company Limited (UIICL) to make a payment of Rs 9,50,000 (insured amount) to complainant Gurmit Singh.

It also directed the company to pay Rs 10,000 as compensation on account of harassment and mental agony and Rs 5,000 as litigation expenses for delaying the claim.

Gurmit Singh of Mohalla Vijay Nagar here had filed a complaint against the insurance company under Section 12 of the Consumer Protection Act, 1986.The case was decided by forum president Charanjit Singh and member Raj Singh.

The complainant had got his Swaraj Mazda bus got insured with UIICL from June 9, 2016, to June 8, 2017, through its agent and a policy was also issued. In January 2017, when the driver of the complainant was going to the residence of the latter in the bus, it caught fire due to a short-circuit.

The driver could not save the vehicle from burning and it was badly damaged. The information regarding the accidental fire was given to the insurance company and the agent through whom the complainant got his vehicle insured. The firm also sent a surveyor to the spot. Information was also given to the police and a copy of the DDR was also given to UIICL.

When the complainant submitted the Rs 9.5-lakh claim of the vehicle, then all requisite documents, including the driving licences of Nitin Kumar and the driver, were submitted. But the claim of the complainant was withheld by the firm. The complainant went from pillar to post to get his claim for which he was legally entitled, but UIICL was not paying the claim to him.

In a reply to the complainant, UIICL filed a written statement to contest the complaint, saying that the claim of the former was pending for want of verification of MV documents.

The forum directed UIICL, "to make the payment of Rs 9, 50,000 to the complainant within one month from the date of receipt of copy of this order, subject to furnishing the letter of subrogation, power of attorney for transfer of registration certificate of the vehicle.

The complainant has also been harassed by the opposite party, as such the complainant is entitled to Rs 10,000 as compensation on account of harassment and mental agony and Rs 5,000 as litigation expenses.

The compliance of the order must be made within one month from the date of the receipt of the copy of the order, failing which the complainant is entitled to get interest at the rate of 9 per cent per annum, on the awarded amount, from the date of filing of the complaint till its realisation.

TOP

Source

PENSION

EPFO backs plan to allow subscribers' NPS switch - The Economic Times – 14th October 2019

The Employees' Provident Fund Organisation has supported a labour ministry proposal to allow its subscribers switch to the National Pension System but said the move needs to be backed by suitable amendments to the Pension Fund Regulatory and Development Authority Act.

The retirement fund body wants the PFRDA act to be amended to allow those who opt for the National Pension System to return to the Employees' Pension Scheme under the EPFO, which is currently not possible, a senior government official told ET.

The National Pension System (NPS) is a voluntary, defined contribution programme administered and regulated by PFRDA.

The Central Board of Trustees of the EPFO, chaired by the labour minister, is likely to meet next month to deliberate over the proposed amendments, following which the retirement fund body's view will be finalised.

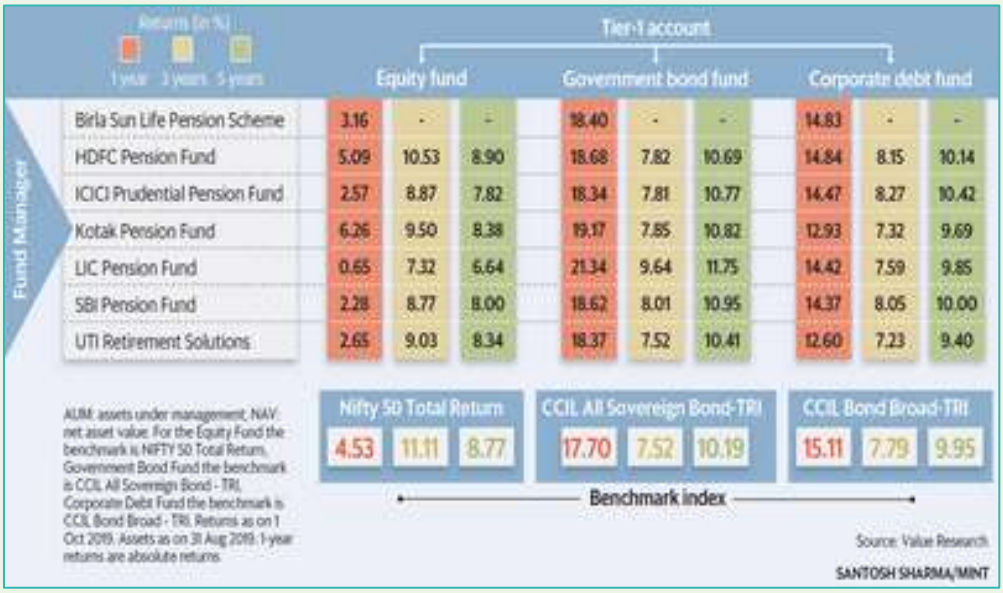
(The writer is Yogima Seth Sharma.)

TOP

Source

How your investments in NPS are faring – Mint – 13th October 2019

There are very few retirement products that help you accumulate a retirement nest egg and one such product is the National Pension System (NPS). NPS is a market linked, defined-contribution product that needs you to invest regularly in the funds of your choice. Being a market-linked product, returns are based on the performance of the fund that you choose. There are eight pension fund managers to choose from and one of the ways to choose your fund manager is by tracking the returns.



Here is a breakdown of the performance of different funds of the private sector NPS.

TOP

Source

EPFO starts crediting interest to provident fund accounts. Check balance online – Mint – 12th October 2019

Bringing cheer to over 6 crore PF subscribers before Diwali, the Employees' Provident Fund Organisation (EPFO) has started the process of crediting interest to provident fund accounts. Several PF account holders have already received interest credit of 8.65% for the financial year 2018-19. The total interest outgo for EPFO comes to around ₹54,000 crore. The total corpus with EPFO is more than ₹11 lakh crore.

The interest rate you received this year is 10 basis points more than what you got last year -- 8.55%.

How to check your EPF balance:
If you want to check your EPF account balance, then you have at least four ways to do it -- EPFO portal, UMANG app, missed call and SMS service. The first two options will show you the entire PF passbook and also the amount of interest credited to your account.

Go to the EPFO site here and log in using your UAN (Universal Account Number) and password. You just need to click on "View Passbook" option in the right to see the full details of all deposits and withdrawals from your account. You can even download your passbook.

If you have the Umang app on mobile, go to 'Employee Centric Services' and then click on 'View Passbook'. You will now be asked to login using your UAN and OTP after which the EPF passbook will be available.

Alternatively, you can also send SMS on 7738299899 or a missed call on 011-22901406 to check your EPF account balance and statement.

The delay in EPFO interest payout:
Despite the labour ministry announcing the interest rate way back in February, there was a big delay in crediting the interest amount to PF accounts due to late approval from the finance ministry.

The delay has affected PF account holders as you will not earn any compound interest till the time last year's interest gets credited. It means that since the interest got credited on October 7, you will not earn any compound interest on last year's interest. Compounding will begin from October 7.

(The writer is Nikhil Agarwal.)

Source

TOP

IRDAI CIRCULARS

IRDAI issued circular on Master Circular on Insurance Advertisements.

TOP

Source

Health products approved during the financial year 2019-20 (01.04.2019 to 30.06.2019) are available on IRDAI website.

TOP

Source

Gross direct premium underwritten for and up to the month of September, 2019 is available on IRDAI website.

TOP

Source

Health Products Approved during 2018-19are available on IRDAI website.

TOP

Source

GLOBAL NEWS

Indonesia: General insurance sector needs to ready itself for the future – Asia Insurance Review

The Indonesian General Insurance Association (AAUI) has outlined five steps that have to be taken for the non-life industry to have momentum in the next 25 years.

AAUI Chairperson Dadang Sukresna, speaking at the 25th Indonesia Rendezvous yesterday, said that the five measures are:

- First, capture and tap the huge volume of data,
- Second, employ artificial intelligence to make the data collected usable,
- Third, use technology for loss prevention in order to reduce claims,
- Fourth, use technology in changing the insurance business model,
- Fifth, manage change which will occur "in 1,000 small ways".

AAUI chairperson of international relations and chair of the 25th Indonesia Rendezvous Organising Committee AdiPermana said that industry players must prepare the next generation of industry successors, especially millennials who will hold important roles and positions in the insurance sector in the future.

Indonesia Rendezvous is an international gathering of general insurance industry players in the country and is organised annually by AAUI. More than 500 participants from 11 countries attended the conference this year.

TOP

Source

China: Handful of insurers receive good service rating - Asia Insurance Review

A total of six property insurance companies and three life insurers received an AA rating in the 2018 insurance company service evaluation released by Bank of China Insurance Information Technology Management Co.

The rating scale has 10 categories: AAA, AA, A, BBB, BB, B, CCC, CC, C and D.

Specifically, the six P&C insurers with the AA rating are: AXA Tianping, LIG (China), Taiping P&C Insurance, Ping An Property Insurance, PICC P&C Insurance, and China Pacific Property Insurance. The three life insurers with this rating are: BoComm Life, Taiping Life Insurance and China Pacific Insurance.

The evaluation covers property and life insurance companies that were in operation for at least three years as at 31 December 2018. It excludes pension insurance companies, agricultural insurance companies, and policy-driven insurers.

The evaluation focuses on parameters like consumer sales, claims, consultations, rights protection and complaint rate.

A summary of the service ratings is as follows:

	Number of companies	
Rating	P&C Insurers	Life Insurers
AAA	0	0
AA	6	3
A	10	4
BBB	24	16
BB	9	15
B	8	13
CCC	2	7
CC	3	3
C	2	0
D	0	0
	64	61

TOP

Source

Singapore: InsurTech funding nearly quadruples in first 9 months - Asia Insurance Review

Insurtech companies attracted 17% of total investments in FinTech ventures in Singapore in the first nine months of 2019, according to a report by global professional services firm Accenture.

Insurtech funding nearly quadrupled to $128m from January to September this year from $35m in the corresponding period last year.

The total value of FinTech deals in the nine months ended 30 September in Singapore jumped by 69% to $735m* from $435m in the corresponding period in 2018. The funds raised in the first nine months of this year exceeded the $642m raised in all of 2018.

The number of FinTech deals fell by almost one-third (29%) in the first nine months of 2019, to 94 from 133 in the prior-year period showing that investors made larger bets on fewer deals as startups grew their business.

Investments in payments startups and those in lending took the bulk of FinTech fundraising, accounting for 34% and 20% of the total, respectively. The value of payments deals jumped 113%, to $251m, making the biggest contribution to the overall gains this year, and funding to lending ventures rose more than 50% to $145m.

Angel and seed funding that focuses on the earliest stage of capital raising for startups just getting their business off the ground dropped by 56% to $54m, and the number of those deals declined 46%, to 29. Series funding, which typically targets companies looking to grow their business with external capital as they mature, jumped 66% to $442m, although the number of deals was relatively unchanged, at 44 in the first nine months of 2019 , versus 43 in the corresponding period in 2018.

Mr Divyesh Vithlani, a managing director at Accenture and head of financial services for ASEAN region, said, "This steady flow of funds shows investors' confidence in the future growth potential of the FinTech industry in Singapore. The upcoming unveiling of virtual banking licences will bring even more opportunities for FinTech startups and traditional banks to partner and cooperate."

*The 2019 and 2018 figures included $47m and $12m respectively in undisclosed venture capital transactions data provided by the Monetary Authority of Singapore.

Methodology

The data in the report are based on Accenture's analysis of venture-finance data from CB Insights, Pitch book and Tracxn. The analysis includes financing activity from venture capital and private equity firms, corporations and corporate venture-capital divisions, hedge funds, accelerators, and government-backed funds. The investment data ranged from 2015 through the first nine months of 2019 and included equity and non-equity financing.

TOP

Source

China: Govt loosens rules on foreign players in insurance & banking sectors - Asia Insurance Review

China has decided to further open up its insurance and banking sectors to foreign investors by revising related regulations.

Revisions to the regulations on foreign-invested insurance and banking firms have been authorised by the State Council, according to a government statement issued yesterday and reported on by Xinhua News Agency.

The revisions include improving the supervision of foreign banks' local branches and lifting previous restrictions on company establishment, shareholder status and business expansion.

Foreign players can establish branches and wholly foreign-owned banks at the same time in the Chinese mainland, as well as setting up branches and Sino-foreign joint ventures simultaneously.

As for insurers, the revised regulations said that specific management measures "shall be formulated by the insurance regulatory authority under the State Council in accordance with the principles of these Regulations".

The new rules take effect immediately.

TOP

Source

Indonesia: New insurer seeks foreign investors - Asia Insurance Review

Newly formed insurer Jiwasraya Putra is looking for foreign investors, said Mr Gatot Trihargo, a deputy at the Ministry of SOEs (BUMN).

Mr Gatot hopes that the company, which is a subsidiary of Indonesia's oldest life insurer Asuransi Jiwasraya, will be able to find new partners by November this year, according to a news report in *Suarapalu.com*.

Jiwasraya Putra was set up as part of the restructuring of Asuransi Jiwasraya. The latter has signed a cooperation and distribution agreement with four SOEs, namely, Bank Tabungan Negara, Pegadaian, Kereta Api Indonesia and Telkomsel.

Debt-laden Asuransi Jiwasraya holds 64% of the new insurer. BTN has 20%, Telkomsel 13% and the remaining shares are owned by the other two companies, Mr Gatot said.

Jiwasraya Putra will sell products of Asuransi Jiwasraya, tapping the distribution network of the four non-insurance shareholders to boost sales.

M rIrvan Rahardjo, an arbitrator at the Indonesian Insurance Mediation and Arbitration Agency (BMAI) said that Jiwasraya Putra is not a quick solution to improve the performance of its parent company. "What is needed in the short term is fresh funds," Mr Irvan told *Tempo*.

Nevertheless, he believes that the new insurer could help in restructuring Asuransi Jiwasraya, but recovery would take 5-10 years. The insolvent company has been unable to pay claims totaling IDR802bn ($56.7m) since October 2018.

TOP

Source

Thailand: Medical insurance to be mandatory for long-term foreign visitors aged over 50 - Asia Insurance Review

Foreigners aged over 50 will have to present proof of health insurance when applying for Thai long-term non-immigrant visas, Mr Sathit Pitutecha, Deputy Minister of Public Health, told Reuters.

The rule takes effect at the end of this month to ensure the visitors can afford treatment during a one-year stay and the government does not have to foot the bill.

Thailand currently has to pay around THB500m ($16.4m) a year in medical bills for foreigners over 50, he said, an age group the government describes as "risky".

"Hospitals have to treat them because of human rights reasons, but when we ask them to pay us back, they can't," Mr Sathit said. "These costs become burdensome for the Public Health Ministry, so we pushed for the insurance policy."

TOP

Source

Australia: Mental health accounts for majority of total permanent disability claims - Asia Insurance Review

Life insurers pay out more total permanent disability (TPD) claims caused by mental health conditions than for any other cause - accounting for 24.1% of all TPD claims, according to data compiled by the Financial Services Council (FSC) and professional services firm KPMG Australia that for the first time provides deep insights into the underlying causes of TPD claims in Australia.

FSC CEO Sally Loane said the collection of new life insurance data means the analysis of the causes of TPD claims can be undertaken every six months. This data collection initiative shows the extent of TPD claims for mental health conditions.

"The data shows throughout 2018, 88% of all TPD claims are paid in the first instance. This moves even higher for TPD claims for mental health conditions, to 91%," Ms Loane said.

The data collected also contains the types of mental health conditions. Based on this data, the top four types accounted for 63% of mental health conditions.

According to APRA data, in 2018 life insurers paid out more than A$4.4bn ($3bn) to 26,150 Australians who are not expected to be able to work ever again – providing an average payment of more than A$168,000. Of that total, over A$337m was mental health TPD claims.

TOP

Source