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QUOTE OF THE WEEK

Optimism is the faith that leads to achievement. Nothing can be done without hope and confidence. - Helen Keller

INSIDE THE ISSUE

INSURANCE REGULATION

India: Insurers told to comply with HIV/AIDS law – Asia Insurance Review

The insurance regulator IRDAI has asked insurance companies not to deny insurance to persons suffering from HIV/AIDS in India, unless their decisions are supported by actuarial studies.

"Insurers must cover the condition either under comprehensive health plans or design separate products for patients suffering from it," said Mr Subhash Chandra Khuntia, IRDAI chairman. The premium calculation will depend on actuarial assessment and data analysis by the insurers, he said.

The regulator's directive was given to comply with the HIV and AIDS (Prevention and Control) Act, 2017 which took effect on 10 September. The Act bars insurance companies from discriminating against HIV-positive individuals.

According to National AIDS Control Organisation, there were an estimated 2.14m people living with HIV in India at the end of 2017.

Insurance officials told *Moneycontrol* that the premiums will be very high for HIV/AIDS patients. For instance, if an average health insurance premium is INR7,000 ($96) per year, it would be 2.5-3 times that for an HIV-positive patient. Similar differences in premium will also be seen for life insurance coverage of a healthy person compared to that of an HIV-positive patient.

According to a Bloomberg Quint report, insurers say pricing HIV/AIDS insurance will be a challenge till there's enough historical data.

Mr Ashish Mehrotra, managing director and CEO of Max Bupa Health Insurance, said, "Experience from international markets and reinsurers would have to be used to decide the premium rates."

Insurers have agreed that those covered under existing health insurance plans will also be covered for HIV/AIDS only if the condition was detected during the insurance period.

"If an insured person gets diagnosed with HIV/AIDS, then that person will be covered under the basic health cover," said Mr Sanjay Datta, chief of underwriting and claims at ICICI Lombard General Insurance. "A separate optional cover must be designed for those who declare themselves HIV-positive, the premium for which would be higher than basic health plan."

Prior to the law taking effect, HIV/AIDS was excluded from all health insurance plans in the Indian market, barring a group policy by Star Health and Allied Insurance which was launched in 2010.

TOP

Source

LIFE INSURANCE

How to use the big insurance claim to sort your financial life – Mint – 25th October 2018

AK, who did not want to divulge her full name, was left to fend for herself and her two children after the death of her husband SS in 2016. AK was a home-maker at the time and her 20-year-old son and 16-year-old daughter were still studying then. SS had a retail garment store in Delhi's Karol Bagh market and was 46 years old when he died of a heart attack. "He was perfectly healthy at the time and it came as a shock to the family," said AK.

AK overcame her grief and decided to step into her husband's shoes to take charge of the family and business. "It was a tough decision, but I decided to take it up," said AK.

One of the first things she did was to take stock of the insurance and investments of her husband. SS had 16 life policies, including a couple of term insurance plans that he had bought with the help of an independent financial advisor who was a family friend. The total sum assured was about Rs 96 lakh, including Rs 25 lakh each from the two term plans. It took her about two months to get the insurance claim, which she used to clear a car loan and a business loan totaling Rs 7 lakh as suggested by the advisor. She invested the remaining amount.

Cases like AK's are not so uncommon. Dealing with the grief of losing a loved one and getting on top of the household's financial responsibilities at the same time can be challenging, to say the least. While more people are now aware about the importance of buying a life insurance policy with a substantial sum assured, few have a plan for their dependants that the latter can follow in their absence. Also, a lot of times the beneficiaries do not have the emotional bandwidth or financial knowledge to put the money they receive as insurance claim to good use.

We tell you how policyholders can put a plan in place for their beneficiaries and how the latter can use the big insurance claim they get.

Guide for policyholders

Involve the family: Involve your spouse and other family members in financial decisions. At least make them aware of all your investments and policies. As of now, there are few who involve their spouse in the financial planning process, according to experts. "Some of our clients involve their wives at least on a half-yearly basis in update meetings with us so that they know the basic plan for the family," said Varun Girilal, co-founder and executive director, Mitraz Investment Advisors.

Organise documents: Ideally, you should make a file of all your investments and insurance policies and share it with your spouse. "A good practice is to share inventory or a dossier in one place with all relevant details such as contact number, amounts etc. with the spouse who is not actively involved in the finances," said Girilal.

Put in place a plan: There's nothing better if you can chart out a plan, that your dependants can rely on after your death. But to do that, you need to have the right amount of sum assured. "A plan or asset allocation that can be followed, and a professional or family adviser to consult with should be suggested," added Girilal.

Guide for beneficiaries

The beneficiaries need to cover that last mile on their own without the help of the insured person.

Collect all documents: While having a file of all the policies and documents will certainly help, you need to collect other important documents and proofs like death certificate and your identity proof.

"The agent through whom the policy was bought should be informed as he/she can help in handling and understanding the process involved in making an insurance claim," said Hemant Rustagi, chief executive officer, Wiseinvest Advisors. In case the agent is not reachable, inform the insurance company at the earliest about the death of the policy holder. "If the claim form is filled properly and documents are submitted as per requirement, making a claim can be quite smooth unless there are technical issues," said Rustagi.

Evaluate expenses and goals: You should first calculate the monthly expenses they will need. Things will be different for a family where the insured person was the only earning member and where there are other earning family members to take care of dependants.

Assess the family's requirements of cash flow, future goals and so on, and continue or alter the plan placed by the insured person accordingly. Get a new one if none exists. "It is common to see beneficiary getting financial advice from relatives, friends and colleagues and that often results in financial mistakes that can be detrimental for the family's financial future. It is important to take the help of an advisor to bring the family's finances back on track and ensure that sufficient amount is provided for different goals like regular income, children's education and marriage," said Rustagi.

Investment avenues should be selected based on merit and suitability. “The usual practice followed is one where beneficiary just takes the entire amount and invests in an FD,” said Girilal. But investing in an FD may not always make sense. Among debt instruments, a debt mutual fund can be a better instrument compared to an FD because it offers more liquidity, is more tax efficient and may give better returns. Besides, one can opt for systematic withdrawal plans (SWPs) from debt mutual funds to cater to their regular requirement of funds.

“A moderately conservative asset allocation strategy with at least 65% into debt and safer investments and the balance into equity mutual funds can be considered. As one completes 3-5 years and becomes more comfortable with financial instruments, one can take higher risk,” said Girilal.

Look at the liabilities: Home and car loans are common liabilities that most households have these days. The EMI has to be paid on a fixed date every month, even in the case of the borrower’s death. In such a scenario, beneficiaries typically have to deal with the dilemma of whether to pay the loans first or keep servicing EMIs. “This will depend upon factors such as type of loan, the amount of loan outstanding as well as the remaining repayment period, rate of interest, requirement of regular income and status of earning members in the family. However, it is advisable to repay the big loans as paying EMIs can be tricky in the absence of regular income,” said Rustagi.

Source

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Loan-cum-life insurance scheme for SHG members - The Hindu Business Line – 24th October 2018

Shri Kshetra Dharmasthala Rural Development Project (SKDRDP), a non-governmental organisation (NGO) engaged in the promotion of self-help groups (SHGs) and their linkages to banks, has introduced a loan-cum-life insurance scheme for the members of SHGs promoted by it.

Addressing presspersons in Dharmasthala of Dakshina Kannada district on Tuesday, D Veerendra Heggade, president of SKDRDP, said that around 70 lakh members of the project will get the benefit of insurance cover. SKDRDP has entered into an agreement with Life Insurance Corporation (LIC) of India in this regard.

Defence Minister Nirmala Sitharaman will launch the scheme, ‘Pragati Raksha Kavacha,’ in Dharmasthala on October 29, he said.

SKDRDP has formed around 4.30 lakh SHGs across Karnataka with an outstanding credit of around Rs 8,600 crore. The SHG members take loan from their groups that in turn are financed to the groups by banks.

The peer pressure and group dynamics within the SHG members play an important role in the proper utilisation of loan and its prompt repayment. However, the members are prone to tragedies such as death, and that will result in the non-repayment of loans borrowed by the member.

In order to protect the member and his/her spouse against debt, SKDRDP has introduced a comprehensive loan-cum-life insurance policy for its SHG members in Karnataka, he said.

The borrowing of the member is covered against the death with a very low premium under this scheme, he said. In the event of a tragedy, the loan of the member within the group will be paid by the insurance company besides paying the balance of the sum assured to the nominee.

Terming it as a participatory programme, he said the SHG members pay the premium at the time of borrowing and SKDRDP monitors the collection of the premium and payment of claims. LIC of India manages the scheme.

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GENERAL INSURANCE

General insurers' H1 gross direct premium rises 12.8 per cent - Financial Express – 26th October 2018

General insurance companies posted a 12.8% year-on-year growth in their gross direct premium underwritten at Rs 81,824.66 crore for the first six months of the current financial year, against Rs 72,546.43 crore in the year-ago period. Sources in the industry say segments such as health, motor third party and personal accident cover contributed to their growth, though insurances for engineering and fire segments were yet to pick up.

Among four PSU insurers, Oriental Insurance registered the highest growth of 15.65%, data from Irdai showed. However, other public sector insurers like United Indian Insurance and National Insurance saw negative growth. New India Assurance Company, the largest public sector general insurace company, continued its dominant position with a market share of 14.37% and growth of 8.8% in premiums during the six-month period. All the four public sector insurers have a combined market share of 39.55%.

"Growth in health insurance has remained strong and we are witnessing public sector insurers have increased the price in the loss-making group insurance plans. Even growth has been positive on aviation and personal accident policies. However, growth from traditional lines of business such as engineering and fire insurance has been lower at single digit," a senior official in the industry said.

Currently, health and motor insurance constitute around 60% of the new business premiums. Private players Bharti AXA General Insurance, SBI General Insurance and Tata AIG General Insurance, among others, saw high double-digit growth during April-September. ICICI Lombard General Insurance, which accounts for an 8.93% of the general insurance market, posted a 12.49% growth in gross direct premium underwritten at Rs 7,304.54 crore, against Rs 6,493.72 crore in the corresponding period a year ago.

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Source

Shipowners against move allowing PSU oil firms to import crude on CIF/CFR basis - The Hindu Business Line – 25th October 2018

The Indian National Shipowners' Association (INSA) has written to the Prime Minister seeking reversal of a recent decision of the Shipping Ministry to allow PSU oil companies to buy 35 per cent of crude imports on CIF/CFR basis. It believes that such a decision will lead to an outflow of $771 million (☐5,685 crore) to foreign shipping companies in FY19 and will add further pressure on foreign exchange due to the weakened rupee.

CIF (Cost, Insurance and Freight), CFR (Cost and Freight) and FOB (Free on Board) are international shipping terms. When crude oil is bought on a FOB basis, the oil payment is done in dollars but the transportation is handled by an Indian shipping company, which is compensated in rupees. But in CIF or CFR basis, both purchase of oil and its transportation by a foreign shipping company is made in dollars.

The letter to the PM, which was seen by *BusinessLine*, said the change in the stand by the Shipping Ministry would double the CIF cargoes bought by the PSU oil refining companies. "India will also have to foot the freight bill payable to foreign shipping in precious foreign exchange, which is completely avoidable," INSA said. The letter also pointed out that CIF/CFR purchases are in direct conflict with the FOB import policy of 1957 and Public Procurement Order (Preference to Make in India) of June 2017.

It also said foreign exchange could be saved by directing all PSU oil companies to award non-spot contracts to companies, that either have Indian flag vessels or those willing to convert their vessels to Indian flags. Such measures will provide more employment to Indian seafarers, augment revenues of Indian insurance companies, Indian classification services and ship-repair companies.

TOP

Source

Row over Ro-Ro insurance coverage – The Times of India – 22nd October 2018

Row over the conduct of Ro-Ro services doesn't subside. Ro-Ro, which was inaugurated on April 28 this year, had to be stopped on the same day following lack of proper clearances from government agencies. Now, another controversy has been kickstarted with Kochi corporation planning to spend Rs 20 lakh for repair works of one of the Ro-Ro vessels.

According to corporation opposition councillors, if the corporation authorities hadn't failed to provide insurance coverage for the vessel. So, the insurance company won't bear the cost of the repair work. The amount has to be paid from the corporation fund," said opposition leader of Kochi Corporation K J Antony.

Meanwhile, mayor Soumini Jain said that the vessel has insurance coverage.

"But the entire cost may not be borne by the company. First, officials of the insurance company will have to inspect the vessel. Then, they would say how much amount can be reimbursed," Jain said.

TOP

Source

Free insurance scheme for furniture dealers – The Times of India – 21st October 2018

Furniture Manufacturers and Merchants Association (FuMMA) has launched a free insurance scheme for furniture dealers in the state, offering them cover from natural calamities and theft.

The scheme has been devised following reports that several FuMMA members suffered huge losses during the recent deluge in the state.

According to the association, 90% of FuMMA member do not have any insurance coverage against losses suffered during such calamities. "Furniture merchants were hugely affected by the recent calamity. The insurance package we are introducing in tie-up with the New India Assurance Company will give a cover of up to Rs 12 lakh for small-scale furniture merchants," said FuMMA district president Shahjahan Kalluparambil.

The plan is to provide free insurance coverage to a minimum of 100 members in each district and a total of 1,500 members in the state. Though only association members are eligible for the coverage under the scheme, the association membership has been kept open for fresh applicants. The membership is free.

The premium for the insurance scheme will be mobilized through furniture festivals to be conducted annually and through sponsorship mainly from the furniture raw-material suppliers, said office-bearers of the association.

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Source

HEALTH INSURANCE

Include AYUSH in Ayushman Bharat: Experts – The Pioneer – 26th October 2018

While a patient availing modern system of medical treatment (alopathy) is eligible for medical insurance under the world's largest health scheme, Ayushman Bharat- Pradhan Mantri Jan Arogya Yojna (PMJAY), interestingly, the health cover is unavailable to the person who opts for alternative medicine system AYUSH (Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy).

This has angered the experts in the Ayush sector who feel that the denial of the medical insurance to the people who prefer treatment or getting relief under the traditional medical system speaks of the Government's double standard towards the traditional system of medicines which has a large number of takers.

"On the one hand, the Modi Government has been taking steps to expand and revive ayush including Ayurveda, on the other hand it has excluded the sector from one of the biggest medical insurance policy (AB-PMJAY)," said an ayurveda expert on the condition of anonymity.

Dr Anand K Chaudhary, Professor and Head of department of Ayurvedic Pharmaceutics, Faculty of Ayurveda in Banaras Hindu University has sought intervention of the Prime Minister in the matter.

He said that " Ayush should be covered under the Ayushman Bharat as more than 70 per cent people in the country directly or indirectly depend on herbs or plants by which medicines are prepared."

Dr Chaudhary in his letter to the PM, pointed out that the World Health Organisation (WHO) has included the traditional medicines of different countries in its project 'Health for all by 2020'. This is a befitting recognition of potency of traditional medicines of respective countries.

"If Ayush systems of medicines do not get its due recognition in its own country than how organisations like WHO may include Ayurveda in its global compendium being released in chapter 26 of International Classification of Diseases (ICD) by 2022 which may have business potency of US $ 50 billion in global markets," Dr Chaudhary maintained.

Echoing similar views, Vaiday Vasant Patil, Executive Editor, Journal of Ayurveda and Holistic Medicine said the number of inpatient and outpatient increased drastically since last 5 years as per the AYUSH Ministry data. "Hence, the Government cannot ignore the Ayush," said Patil.

While the AB-PMJAY is silent on covering the Ayush, various health insurance companies have already started offering AYUSH benefit to their policyholders. In fact, two years ago, the Government too had issued guidelines and benchmark rates for insurance coverage of such alternative traditional medicines.

The insurance cover includes treatment undertaken at Government hospitals, Ayurveda college hospitals, National Accreditation Board for Hospitals and Healthcare Providers (NABH) accredited hospitals and registered private clinics with 15 beds and minimum of five qualified and registered Ayurveda doctors. As per the guidelines, 20 categories of diseases that can be treated through AYUSH are covered under insurance ambit.

Source

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1 lakh benefitted under PMJAY in one month of its launch: Nadda – The Times of India – 21st October 2018

Nearly a month after the roll out of the Centre's PMJAY health insurance scheme, one lakh people have availed the benefits of the ambitious programme, Union Health Minister J P Nadda said Sunday.

The Pradhan Mantri Jan Arogya Yojana (previously Ayushman Bharat), touted as the world's largest health insurance programme, was launched pan-India by the prime minister from Jharkhand on September 23.

“Prime Minister Narendra Modi @narendramodi launched Pradhan Mantri Jan Arogya Yojana on September 23 and within a month, one lakh beneficiaries have benefitted from it. We are committed to ensure the benefits of the scheme reach the last man," Nadda said in a tweet in Hindi.

The scheme is expected to benefit up to 55 crore people, providing them an annual health cover of Rs 5 lakh for secondary and tertiary care hospitalisation through a network of Empanelled Health Care Providers (EHCP).

There is no cap on family size and age in the scheme.

On October 5, two weeks after the launch of the PMJAY, Indu Bhushan, CEO of National Health Agency, said around 38,000 people have availed the benefits of the scheme.

The health ministry has said the scheme will help in reducing expenditure on hospitalizations and help mitigate the financial risk arising out of catastrophic health episodes.

Over 9,000 hospitals have been empanelled for the scheme, and 32 states and Union territories have signed MoUs with the Centre and will implement the programme. Telangana, Odisha, Delhi and Kerala are not among the states which have opted for the scheme.

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Source

India: Insurers asked to explain exclusion of congenital defects – Asia Insurance Review

The Delhi High Court has asked the IRDAI to "explain the reasonableness" of not granting insurance cover to people suffering from congenital anomalies.

"What is the objection to giving insurance cover to them (people suffering from congenital anomalies)," a bench of Chief Justice Rajendra Menon and Justice V K Rao asked the IRDAI and sought its response before the next hearing on 17 December.

"Give the justification for such exclusion," the court said to the insurance regulator, according to a report by Press Trust of India.

The bench also issued notices to the General Insurance Council and the Life Insurance Council, which represent general and life insurers respectively, and sought their stand on the issue before the next hearing.

The court was hearing a public interest litigation (PIL) case which sought directions from the court to the central government, the IRDAI and insurance companies to remove congenital anomalies from the list of general exclusions in health or life insurance policies.

The petition, by Mr Nipun Malhotra, has challenged the "arbitrary" and "illegal" mechanisms adopted by the IRDAI in denying the rights of persons with disabilities (PwD) to seek insurance cover for themselves. The regulator based its denial on the grounds that their conditions are categorised under the scope of "congenital anomalies", as defined under a 29 July 2016 circular by the regulator.

Congenital anomalies are also known as birth defects and could be caused by single gene defects, chromosomal disorders, multifactorial inheritance, environmental teratogens and micronutrient deficiencies.

Mr Malhotra, a disability rights activist who suffers from locomotor disability since birth, has sought a direction to the IRDAI to remove the phrase 'congenital anomalies' from the standardised definition of the 2016 circulars.

He has also sought a direction for a relook at exclusionary clauses in insurance contracts to ensure that insurance companies do not reject claims on the basis of exclusions related to congenital anomalies.

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Source

MOTOR INSURANCE

Insurance costs hit two-wheeler sales – The Economic Times – 24th October 2018

Two-wheeler sales this festive season have been disappointing, say dealers and manufacturers, as higher insurance premiums, rising fuel costs and poor market sentiment have led people to delay or drop their plans to purchase a motorcycle or scooter.

Dealers are staring at large inventories built-up ahead of the festivals, as they apprehend a sharp decline in demand compared with last year's festive season. "Market sentiment is poor and stocks are huge," said Nikunj Sanghi, director, Federation of Automotive Dealers.

"We are seeing a sales decline of 10-15% this festive season from last year with some dealers in eastern India reporting a 50% decline in sales during this season." Since the last week of August, there have been more than four instances where the cost of insurance has changed, a senior executive at a leading Indian two wheeler maker said.

"Clearly, that has led to uncertainty and hence deferral in the purchase. Already there were economic headwinds which had impacted growth in the segment and the insurance cost spike only added to the slowdown," added the executive.

The Insurance Regulatory and Development Authority of India earlier this year made five-year third-party insurance cover mandatory for all new two-wheeler owners. The premium for the five-year term must be paid upfront, at the time of purchase. A five-year personal accident cover of Rs 15 lakh was also made compulsory but, after a court order, the regulator reduced the tenure to one year.

The increase in compulsory minimum personal accident cover to Rs 15 lakh from the previous Rs 1 lakh pushed the premium up to Rs 750 per year from Rs 50. The premium for third-party cover to be paid at the time of purchase on two-wheelers exceeding 350cc has gone up to Rs 13,034 for five years from Rs 2,323 for one year, a more than five and-a-half-time increase in upfront cost.

According to Sanghi, insurance and registration costs are not financed by most lenders. This increases the down payment, or the amount the buyer has to pay from his pocket at the time of making the purchase. Many potential buyers who could just afford the earlier down payment have been priced out of the market.

The crash in the stock market is also a factor, Sanghi said. Middle-class consumers who had invested through systematic investment plans and were planning to redeem that to fund vehicle purchases, are in a loss due to the decline in stock prices, he added. Dealers said if they are unable to move the built-up stock, they may have to resort to deeper discounts post festive season.

TOP

Source

REINSURANCE

Premium paid to foreign re-insurers before 2014 'is not business expenditure' - The Hindu Business Line – 24th October 2018

The re-insurance premium paid to foreign re-insurers before amendments to the Insurance Act in 2014 by an Indian insurer cannot be considered as business expenditure, the Chennai Bench of the Income Tax Appellate Tribunal has ruled.

The recent ruling could have a significant impact on insurers' tax liability. "Section 2C read with Section 2(9)(c) of Insurance Act, 1938, prohibits any person from doing insurance or re-insurance business in India otherwise permitted under Insurance Act, 1938," the ITAT noted.

'Clear prohibition'

"Therefore, there is a clear prohibition for payment of re-insurance premium to non-resident re-insurance companies," it said. Accordingly, such payments cannot be considered as business expenditure under Section 37 of the Income Tax Act, 1961, it said.

The section, which provides for all kinds of business expenditure not included in Sections 30 to 36, states that a deduction or allowance will not be given for any expenditure prohibited by law. The tribunal further held that assessees have to deduct tax on the premium paid to non-resident re-insurance company for re-insurance.

The ruling came in the case of Cholamandalam MS General Insurance Company against the Income Tax department for Assessment Years 2003-04 to 2009-10. The Revenue Department had disallowed re-insurance premium paid by the assessee to non-resident re-insurance companies.

The Tribunal said the Assessing Officer had rightly disallowed the re-insurance premium under Section 40(a)(i) of the Act, and had said the Commissioner of Income Tax (Appeals) is not justified in restricting the claim of the assessee to 15 per cent without any reason.

Responding to the ruling, a spokesperson of Cholamandamam MS General Insurance said: “The matter is sub-judice and, therefore, it will be inappropriate to comment at the moment. Chola MS has already taken up the matter with relevant appellate authorities against the Income Tax Tribunal order.”

Tax experts said the ruling could have a significant impact on the tax liability of insurers before the amendments to the Insurance Act in 2014.

“This judgment is far-reaching inasmuch as it de-recognises the reinsurance premium paid to foreign insurers before the amendment to the Insurance Act in 2014 which is in violation of the Insurance Act and not admissible as business expenditure under Section of 37 of IT Act,” said an expert, who did not wish to be identified.

“This judgment will affect all the re-insurance premium paid to foreign re-insurers before 2014 creating huge tax liability,” the expert added.

“The tribunal has extensively discussed the issue of deductibility of re-insurance premium paid to a non-resident company and has relied heavily on applicability of Section 2(9) of the Insurance Act in arriving at its decision,” said Anupam Jain, Partner, and Mridhu Malhotra, Associate Director, Nangia and Co LLP.

“It has held that if the provisions under the Insurance Act do not cover a non-resident insurance company as an insurer, the entire deduction of premium will not be available as a business expenditure being in violation of law,” they added.

Withholding tax provision

“It has also held that where the non-resident insurer is considered having business operations with India, appropriate withholding tax should consequently apply, in the absence of which the deduction is to be disallowed,” they noted.

An industry expert noted that state-run General Insurance Company was the only re-insurer in India, and many insurers used foreign re-insurers, and companies may have to review their tax laibilities till 2014.

TOP

Source

INSURANCE CASES

Bank, insurance company told to pay Rs 50,000 – The Times of India – 24th October 2018

The district consumer disputes redressal forum has directed ICICI Bank and ICICI Prudential Life Insurance Company to pay Rs 50,000 as compensation for deducting premium despite the complainant requesting in advance to not deduct the same.

Complainant Omesh Garg, a resident of Sector 38 (West), stated in his complaint that he was having a savings account in ICICI bank's Sector 8 branch. He averred that on being asked by a bank officer the complainant obtained two policies ICICI Pru Elite Life II-UA2, carrying a premium of Rs 2 lakh each. Every year the premium used to be due in October and the mode of payment was ECS.

He added that following some financial issues Garg did not want to continue with the ECS option for the said policies and as such sent an e-mail request to the same official of the bank as well as to another official on August 31, 2016, much prior to the due date for disabling the ECS option against the said policies. Despite that, on March 7, 2017, Rs 2 lakh was deducted from the account of the complainant against one of the policies. Thereafter, he took up the matter with the insurance company and the bank, seeking a refund of the amount deducted from his account without prior notice. On being approached, the bank said that the refund could not be made.

The insurance company stated in their reply that stated that the premium of Rs 2 lakh was due on October 26, 2016, which was to be debited directly from the account of the complainant, but due to insufficient funds it got dishonoured on October 28, 2016, and was ultimately debited on March 7, 2017.

It was also stated that the authorities concerned was first approached by the complainant for stopping the direct debit facility for both his policies on March 29, 2017, after the premium had already been debited. The complainant was informed on March 29, 2017 itself that subsequent direct debit for his policies had been deactivated.

The bank stated that the complainant did not issue any instructions for stoppage of ECS nor any communication had been addressed to it at its official address, email ID or branch.

The forum after hearing both sides stated that the contentions raised by the company that they had received the instructions regarding disabling of ECS option only march 29, 2017, was totally false and unacceptable.

"The notice to Sahil Sharma, manager of ICICI Prudential Life Insurance Company Limited, and Harjot Singh, relationship manager of ICICI Bank Limited, is sufficient and a valid notice regarding disabling of the ECS option for the two policies of the complainant."

The insurance company was then directed to refund Rs 2 lakh, along with 12% interest per annum, from March 6, 2017, till realization and Rs 10,000 as litigation cost. Also the bank and insurance company were directed to pay Rs 25,000 each as compensation.

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Source

SURVEY & REPORTS

India has second highest insurance gap of $27 billion - Financial Chronicle – 23rd October 2018

India has the second largest insurance gap in the world of $27 billion (in absolute terms) after China, where the underinsurance or insurance gap is over $76 billion, according to a report on Monday. According to a Lloyd's of London's report, global underinsurance stands at $162.5 billion in 2018.

Underinsurance is the gap between the level of insurance in place to cover global risks and the actual cost to businesses and governments of rebuilding and recovering from major catastrophes.

This report also includes all the latest non-life underinsurance and insurance penetration data for natural catastrophes for 43 countries across the globe.

According to the global underinsurance report, despite the general global economic growth in recent years, the insurance gap is hardly closing. The global underinsurance gap is now $162.5 billion, which is down only over 3 per cent since 2012 when it stood at $168 billion.

The report notes that emerging countries are the least insured, accounting for $160 billion or 96 per cent of the total global insurance protection gap. In absolute terms, the gap identified is $160 billion for the emerging nations, and just $2.5 billion in developed countries.

Bangladesh leads the developing nations, which have the biggest gap, in terms of under penetration, followed by India, Vietnam, the Philippines, Indonesia, Egypt and Nigeria, each of which have an insurance penetration rate of less than 1 per cent. The third in the list of absolute costs is Indonesia at $14.6 billion, which is a 17th largest economy in the world according to the IMF.

TOP

Source

India ranked second last in pension benefits: Study - The Economic Times – 22nd October 2018

India has emerged as the second lowest among 34 countries providing retirement income systems with good benefits according to a study.

The Melbourne Mercer Global Pension Index has revealed that ageing population continued to pose challenges to the governments worldwide with policymakers struggling to balance the twin goals of delivering financial security for their retirees that is both adequate for the individual and sustainable for the economy.

India, the study said, has been taking slow but steady steps towards strengthening its retirement income system, however, the country finds itself as the second lowest among 34 countries, grouped under grade-D along with Japan, China, Korea (South), Mexico and Argentina.

The Index used three sub-indices adequacy, sustainability and integrity to measure 34 country's retirement income systems against more than 40 indicators.

Measuring 34 pension systems (34 countries), the Index showed that the Netherlands and Denmark (with scores of 80.3 and 80.2 respectively) both offer A-Grade world class retirement income systems with good benefits - clearly demonstrating their preparedness for tomorrow's ageing world.

Meanwhile, countries with the highest value for the adequacy sub-index are Germany (79.9) and France (79.5) with Mexico (37.3) and India (38.7) having the lowest values. However, common across all results was the growing tension between adequacy and sustainability. This was particularly evident when examining Europe's results, it said.

Denmark, Netherlands and Sweden scored A or B grades for both adequacy and sustainability, whereas Austria, Italy and Spain scored a B grade for adequacy but an E grade for sustainability thereby pointing to important areas needing reform, it added.

Further, it found that India continued to maintain its level of 2017 in the sub-indices of sustainability and integrity though the overall index value fell marginally from 44.9 in 2017 to 44.6 in 2018 due to the change from using the median income earner to the average income earner to calculate the net replacement rate in the adequacy sub-index.

The demographics and macro-economic factors in India are diverse and pension systems have to be aligned to other programmes in the country, it said. Author of the study and senior partner at Mercer Australia, David Knox said that the natural starting place to having a world class pension system is ensuring the right balance between adequacy and sustainability.

"It's a challenge that policymakers are grappling with. For example, a system providing very generous benefits in the short-term is unlikely to be sustainable, whereas a system that is sustainable over many years could be providing very modest benefits," he added.

Source

TOP

India: 75% of women shun or are unaware of breast cancer screening – Asia Insurance Review

Future Generali India Life Insurance (FGILI), in association with Momspresso, an information website for mothers, has conducted a national survey among women which finds that 80% of respondents know that they need to get regular checkups for breast cancer. However, only 25% of respondents have gone for breast cancer screening.

The survey was conducted with a sample size of 2,225 respondents across 10 key metro cities like Delhi, Mumbai, Bangalore, Chennai, Hyderabad and Ahmedabad.

Breast cancer is currently one of the most common cancers affecting women in India. One fourth of all female cancer cases recorded in India suffer from breast cancer. According to the 'Breast Cancer Awareness Survey', almost 86% of Indian women are aware that breast cancer is a common ailment. In fact, one in two women feel that they are at risk of breast cancer.

Many of the respondents say that they do not require screening while a significant number reveal that they are not aware of screening for breast cancer. Additionally, respondents also reveal that they are too lazy or too young to undergo screening for the disease.

More than half of the respondents are unaware of the age at which regular screening or examination for the disease should begin. The survey reveals too that two out of three women are unaware that simple self-examination can help them detect the disease at an early stage.

Furthermore, around 60% of women are not comfortable speaking about the disease with their friends and family.

As for the costs of breast cancer treatment that can range between INR250,000 ($3,400) and INR2m, around 50% of the respondents perceive the cost to be less than INR200,000. Around 72% of respondents had no information about specific breast cancer insurance plans.

TOP

Source

PENSION

EPFO may be turned into a fund manager – The Economic Times – 22nd October 2018

The government is considering converting the Employees' Provident Fund Organisation (EPFO) into a fund manager for investments of all social security corpus under the mega recast being planned to deliver universal social security for 50 crore workers in the country.

Under the plan, executive functions of the EPFO would be moved to state social security boards. EPFO will essentially be a fund manager that would declare annual interest rate on provident fund deposits based on the returns on its investments.

The idea is to reap the benefits of EPFO's several decades of experience in managing the corpus of its six crore subscribers.

"Going forward, the roles will change. While EPFO will become the central board for managing the corpus of social security funds of all states, the latter will be a one point contact for collection and disbursal of social security," a senior government official told ET detailing the plan. This would, however, require significant change in EPFO's current organisational structure as it will have to hire professional investment managers for the organisation.

Currently, five fund managers SBI, ICICI Securities Primary Dealership, Reliance Capital, HSBC AMC and UTI AMC manage the corpus while EPFO focuses entirely on the social security fund collection and disbursement.

"While the finance ministry will continue to notify the investment pattern for the social security corpus, fund managers at EPFO will ensure investments are made as per the pattern in a manner that it yields maximum return for investments," the official added.

"Besides, even the rate of return on investments will be decided and declared by EPFO and it would be binding on states to implement it or give higher returns." Currently, finance ministry notifies the investment pattern of the EPFO that prescribes a ceiling on investments under each head for non-government provident funds, superannuation funds and gratuity funds.

As per the existing pattern, applicable since April 1, 2015, up to 50% of the PF kitty can be invested in government securities, up to 45% in debt instruments and up to 15% in equity. While government securities and debt bonds fetch around 7% annualised return, the return on equity investment under EPFO has been over 16%.

As part of the labour code on social security, the government plans to set up autonomous boards in states to collect and disburse all kinds of social security to its workers as it aims to increase the number of subscribers fivefold to more than 50 crore. The new system would create a single window across states for all kinds of social security including medical insurance, maternity benefits and disability cover.

A pilot project will be launched in a few districts, and depending on its success, the idea would be scaled up across India over the next few years once the proposed legislation on social security code is passed in Parliament. Following this, funds from EPFO and ESIC will gradually be transferred to states while EPFO would assume the function of fund manager.

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Atal Pension Yojana: PRFDA seeks Centre nod to double pension limit to Rs 10,000, relax upper age limit – Financial Express – 22nd October 2018

To make the Atal Pension Yojana (APY) more attractive, the Pension Fund Regulatory and Development Authority (PFRDA) has sought the government's nod to double the guaranteed minimum pension under the scheme to Rs 10,000 per month and increase the upper age limit for entering the scheme to 50 from 40 now.

Officials reckon that such a move would attract more unorganised sector workers into the retirement plan. The APY has enrolled 1.18 subscribers till now since it's roll-out in FY16. The PFRDA is hopeful that the scheme's subscribers would touch 1.5 crore by the end of FY19.

"These changes are required due to increase in longevity of life as well as cost of living," PFRDA chairman Hemant G Contractor told FE. The proposed changes and the recent permission to subscribers to contribute till the age of 70 instead of 60, would have profound impact on the scheme in coming years, he added.

Currently, to get a fixed monthly pension between Rs 1,000 per month and Rs 5,000 per month, the subscriber has to contribute on monthly basis between Rs 42 and Rs 210, if she joins at the age of 18 years. For the same fixed pension levels, the contribution would range between Rs 291 and Rs 1,454, if the subscriber joins at the age of 40 years. To get a pension of Rs 10,000, the subscriber may have to pay Rs 420/month if she is enrolled at the age of 18. For subscribers above the age of 18-year, the monthly contributions would rise depending on the age bracket at the time of enrollment.

The minimum age of joining APY is 18 years and maximum age is 40 years. The age of exit and start of pension would be 60 years. Therefore, minimum period of contribution by the subscriber under APY would be 20 years or more.

Contributions under APY are eligible for tax benefit under Section 80 CCD. In case of death of the subscriber, pension would be available to the spouse and in case of death of the subscriber and the spouse both, then the pension corpus would be returned to the nominee.

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IRDAI CIRCULAR

Updated list of TPAs as on 09th October 2018 is available on IRDAI website.

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Updated List of Non-life Insurers is available on IRDAI website.

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GLOBAL NEWS

Indonesia: Insurance regulator calls for new ideas to grow industry – Asia Insurance Review

The Indonesia insurance regulator has called on all sectors of the industry to come up with new ideas to help jump-start the development of the sector. Mr Riswinandi, executive head of Non-Bank Financial Institutions Supervision at OJK or the Financial Services Authority, made a bold keynote address at the 24th Indonesia Rendezvous in Bali yesterday in which he said, "The OJK is very open to all new ideas from stakeholders."

With the emotional backdrop of major natural disasters this year in Lombok and Palu, Mr Riswinandi said that the insurance sector "still has a lot of work to do" in terms of selling enough protection to allow the nation to develop economically. Insurance penetration of the 257m-strong population today remains at only 2.9% of GDP.

"The challenges will not be easily overcome," he said and pointed to systemic issues in the motor sector as well as issues like IFRS17, the need for the industry to overhaul its approach to both human resources and IT development and – perhaps most critically – the burning need for players to "create a new insurance programme" to meet the growing needs of the nation. The overriding imperative, Mr Riswinandi said, is "to provide excellent service to customers in order to counteract the negative perceptions of insurance," and so increase insurance penetration.

He called on the nation's 59 life insurance companies, 76 general insurance companies, six reinsurers, 168 brokers and 43 reinsurance brokers to provide feedback to the regulator in terms of insights to make sure that the nation gains enough strength to be able to take advantage of the significant demographic gift that is coming its way.

While outlining how the OJK is very open to all new ideas from stakeholders, he also said that inputs are required from the industry players to make sure that insurance achieves the scale and penetration that an emerging nation like Indonesia requires. The 24th Indonesia Rendezvous, where *Asia Insurance Review* is a media partner, continues today in Nusa Dua, Bali and concludes on Saturday.

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Australia: P& C insurers to see rates hardening – Asia Insurance Review

S&P Global Ratings expects solid underwriting results and associated returns across Australia's P&C insurance industry in 2019, reflecting recent rate hardening across many lines.

Insurers' underlying operating performances for the year to 30 June 2018 (FY2018), benefited from rate hardening, lower claims ratios, and sound expense management. Underwriting results improved and returns have passed the strong level last seen in 2014. Momentum is also on the uptick, with a robust annualised insurance margin recorded for the past six months, notes the international rating agency in a report entitled, "*Recovery Position: Australia's P/C Insurers Have The Means To Strengthen Defences*".

S&P said, "We anticipate that insurers will use some of the strong returns from personal lines to enhance operational efficiencies, defend market positions, and refine risk-based pricing capabilities. Headwinds include slower volume growth, claims inflation, and more recently the adverse issues highlighted as part of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. On balance, we maintain our stable outlook for the sector."

Premiums and rates will rise

For 2018 and 2019, S&P expects rates to continue to rise moderately for motor classes and home and contents (H&C) insurance classes and rate hardening to be selective across commercial lines. Further rate increases for personal lines are likely to recognise the growing frequency and severity of claims (including claims inflation). Competition in commercial segments will likely limit the extent of rate hardening.

Higher insurance margins also capture the earn-through of prior pricing changes flowing into financials in FY2018, which were stronger than S&P anticipated. Direct gross earned premiums (GEP) increased by about 5.7% in that year from about 3.1% in FY2017. On an underlying basis, direct GEP excludes inward reinsurance, fire services levy, mortgage insurance, and compulsory third party (CTP) premiums.

In S&P's view, H&C and domestic motor lines of business (H&C in particular) will continue to drive the industry's profits. On a headline basis, aggregate premium growth was, however, steady at about 4.2% for the year to 30 June 2018, and affected by premium rate changes in CTP motor insurance. The aggregate CTP premiums were lessened by state-based regulatory revisions in New South Wales, in particular with total CTP for motor declining about 7% in FY2018.

Tarnished

The Royal Commission has brought to light concerns and deficiencies that may be prevalent across the broader finance and insurance industry, and in particular, more specific to some P/C insurers. Some of these issues are historical, others more recent. For P/C insurers, the concerns largely revolve around compliance, misconduct, and expected duty of care.

S&P said, "We view the Australian P/C insurer's reputation as tarnished. While the Commission's final findings are not yet known, they will likely result in a range of actions including changes to products, processes, and procedures. Measures will also likely strengthen company and industry controls, and consequently raise operating costs. Higher costs will probably depend on the extent of remedial requirements, the imposition of penalties, and/or fines."

The report also said, "Some lines and subsegments of lines do not appear to have sustainable returns, including small-to-midsized commercial lines. The ability to apply risk-based pricing in the context of claims experience and assessed risk attributes has proven difficult in the context of highly competitive market conditions. Consequently, we only expect incremental and selective rate hardening."

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Philippines: Rules issued for Web aggregators – Asia Insurance Review

The Philippines Insurance Commission (IC) has published a set of rules covering insurance Web aggregators, stating that the move enables the Commission to supervise and monitor the sector.

Under Circular Letter 2018-51 issued last week, an insurance Web aggregator is an Internet-based platform that accumulates and provides insurance-policy quotations from various insurance companies based on a predetermined set of needs specified by the prospective client from which it can choose, reports *BusinessMirror*.

Insurance Commissioner Dennis B Funa said, “And now, with the development and existence of Web aggregators for insurance products, we saw the need to require them to register with us and to put in place regulatory requirements aimed at protecting the insuring public.”

The IC pointed out that the goal of the regulation is to supervise and monitor an aggregator as an insurance intermediary that maintains a website for providing insurance prospects for price comparison and information on products of different insurers and other related matters.

The circular requires applicants to submit their respective business model and system framework or module of operation and copies of their agreement with insurance providers, among others.

The new rules require both the insurance aggregator and the insurance company to incorporate in their agreement several provisions mandated by the IC aimed at protecting the interests of the public.

In order to clearly identify and distinguish an insurance Web aggregator, the IC prohibits an aggregator from engaging in any business other than the objective of Web-based aggregation. The new regulation prohibits an insurance aggregator from engaging in acts similar to that of an insurance agent or insurance broker.

Insurance Web aggregators can only display authentic product information, which shall be based solely on information received from insurance companies.

In addition, insurance aggregators can only use factual and unbiased data on their websites and are required to ensure that the information displayed is up to date and reflects the true features of the products.

At present, existing Web-based insurance aggregators include: MoneyMax.ph; eCompareMo.com; DirectLink; iChoose.ph; GoBear; MoneyMonster.ph; and Citinsure, among others.

In 2014, and in view of the rising popularity of electronic commerce, the Commission promulgated the Guidelines on Electronic Commerce of Insurance Products, which is the uniform framework governing the online solicitation of insurance products by industry players. This placed online sales of insurance products within the regulation and supervision of the IC.

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