भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

INSUNEWS

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QUOTE OF THE WEEK

"Life ought to be a struggle of desire toward adventures whose nobility will fertilize the soul."

Rebecca West

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Personal accident insurance

Personal accident insurance helps you restore the financial losses you may incur due to accidents. You as a policyholder can claim this cover as a standalone policy offered by a general insurer or as a rider along with your life insurance policy. Standalone policies, however, offer comprehensive coverage than the accident riders. Besides covering for accidental death, standalone accident insurance offers cover for permanent and partial disability, hospitalisation, ambulance charges and accident out-patient expenses. Such plans also offer add-on options, including child's education benefit, funeral expenses, treatment for fractures and purchase of blood or prosthetics. Some of the insurers that offer standalone personal accident plans are Max Bupa, Apollo Munich and Bharti AXA.

Note that, as personal accident cover is seen as an income protection plan, your income and profession will determine the premium to be paid as well as the maximum cover you will be eligible to. Usually, the maximum sum insured you can get is 10 times your annual income, and the premium is decided by your profession. The riskier the profession, the more expensive will be the policy.

Source

INSURANCE INDUSTRY

How GST may lead to increased tax outgo for insurance companies - Business Today – 27th June 2019

An endowment policy is a form of life insurance coverage that combines the benefit of life insurance and savings under a single policy. It not only provides the benefits of sum assured to the insured upon death but also gives a corpus upon the expiry of the term.

Endowment policies, which require insurers to collect a fixed amount of premium over a fixed term period act as a savings and life cover to the insured. Tax laws in India consider only the element of life cover as taxable services to provide tax benefit to the element of savings done by the insured. However, the amount of premium collected by the insurer includes both the elements of savings of the insured and the consideration for the life cover services rendered by the insurer. This leads to the question as to what proportion of the policy premium should be subjected to tax and how just it is to apportion the same in the first place.

The erstwhile tax law levied service tax at a rate of 3.75 per cent on the first-year policy premium and 1.875 per cent on the subsequent premiums received. After the introduction of goods and services tax (GST), the law provided a valuation mechanism that allows the insurer to remit GST at the rate of 18 per cent only on 25 per cent of the insurance premium for the first year and 12.5 per cent of the insurance premium for the subsequent premiums collected.

The nature of operations of the insurance business and the valuation mechanism provided under the GST law have led to certain interpretational issues. For instance, the Insurance Act mandates insurance companies to invest in government securities. Now, the GST law mandates them to perform an input tax credit reversal towards that extent of transaction in securities. Another key issue in relation to endowment policies is the treatment of the 75 per cent or 87.5 per cent (in the first year and subsequent years, respectively) of the insurance premium, which is not subjected to levy of GST.

Under the GST regime, service providers who are involved in both taxable and exempt supplies are liable to avail input tax credit on their procurements in proportion to taxable supplies. The law considers the amount of total turnover (exempt plus taxable) as the denominator and the value of taxable supplies is considered as numerator to arrive at the proportion of credit to be availed.

The GST law states that any element of revenue that is not subjected to tax is an 'exempt supply'. Hence, the question arises as to whether the portion of endowment policy premium, not subjected to levy of GST, is to be treated as an 'exempt supply'. Due to a lack of clarity on the treatment of policy premium not subjected to GST, insurance companies are left with the following options:

a) Consider the amount of premium not subjected to GST as 'exempt supply' and avail input tax credit only to the proportion of taxed premium element. For example, if the first year premium received is Rs 1000, the credit will be availed only to the extent of taxable supplies of Rs 250. For an input tax credit amount of Rs 100, the eligible credit will be Rs 25.

b) Consider the amount of premium not subjected to GST as not a supply, which will not even qualify as 'exempt supply' and hence perform no input tax credit reversal. The entire turnover is considered as taxable supply and the tax levy is only on a proportion due to valuation mechanism.

The above mandate under the GST law causes a double impact on insurance companies, wherein the companies are liable to input tax credit reversal on the value of 'transaction in securities' when the securities are sold and are also required to reverse input tax credit on the value of premium that is collected from the insurer, which in turn is invested in securities.

It is interesting to note that any life insurance company can conduct business under the Insurance Act by investing funds in approved securities of a value that is not less than the sum of its current and expected future liabilities towards its policyholders. Further, all 'controlled funds' available with the insurer have to be necessarily invested in specified investment instruments including securities. Therefore, the investment activity is not just an integral part of the insurance business but is mandated by the Insurance Act, which governs the very way the business is run.

If the value of insurance premium not subjected to tax is treated as exempt, the insurance companies will be liable to substantial tax credit reversals. It will lead to increased costs at a time when they are already under losses. Clarity from the GST Council on the above would help the sector clear the ambiguity lest they face more tax exposures in future.

(The writer is NV Raman.)

Source

TOP

Insurance for all reasons – Hindustan Times – 25th June 2019

Most of you may be familiar with health insurance and life insurance policies. But did you know you can get insurance cover against loss of cash? If you are planning a wedding, you get a cover for it too. However, remember that insurance cover is for protection – don't look at it as an investment. The purpose of an insurance cover is to protect you financially against unforeseen events. Here's a look at insurance covers other than health and life which can come handy.

INSURANCE AGAINST LOSS OF CASH

If you make cash transactions frequently, you may want to consider money insurance. Home insurance protects you against loss of money in the form of cash or coins when it is in your custody or while you are in transit from your bank. While the premise of home insurance plans is coverage against natural disasters, stand-alone money insurance plans may not cover you for a loss of cash due to floods, cyclones or other natural disasters, which may be otherwise covered in the home insurance plans.

Money insurance exclusions include loss owing to riots, unauthorised handling, theft from unsecured vehicle, and unsecured storage of cash. “Such covers come in handy more for businesses than households as the amounts are larger,” said Kapil Mehta, founder, SecureNow.in. It also covers bank drafts, cheques and treasury notes.

The sum insured is up to ₹1.5 lakh including personal accident and adventure sports. Bajaj Finserv offers one-year cover for ₹699. The product has a feature that lets you block all your bank accounts and credit or debit cards with a phone call. At the time of loss, you can get hotel and travel assistance up to ₹1 lakh in India and ₹1.8 lakh abroad. You get insurance protection against personal accidents, accidental hospitalisation, bounced hotel bookings, trip cancellation, home burglary, and baggage loss up to ₹3 lakh. You can also get free replacement of your PAN card, along with other documents, if you lose it. The cover also provides replacement of a smart phone that you will have to return after the trip is over.

PET INSURANCE

You may want to take a look at this insurance product if you have pets at home. New India Assurance Co Ltd and Oriental Insurance Co Ltd offer pet insurance. According to Bankbazaar.com, New India Assurance offers insurance for dogs in the age group of eight weeks to eight years. The premium rate for this policy is 5% of the sum assured of your plan. You can also get covers for ducks, elephants, rabbits and inland fish. Oriental Insurance Co Ltd provides insurance policies too.

Some of the exclusions for this plan are partial and permanent disability of any nature, rabies, canine distemper and leptospirosis. “The premium can range anywhere between ₹200 and ₹10,000, depending on a number of factors,” said Navin Chandani, chief business development officer at bankbazaar.com, an online market place for financial instruments.

TERROR COVER

By default, health plans do not cover terror activities. “But you can ask for an extension or additional cover on other plans such as property insurance and fire safety cover,” said Mehta. The extension can be done at an extra cost of 5%, he added. International travel plans also cover terror attacks in international destinations only.

For example, Religare Health Insurance, Reliance General Insurance and Royal Sundaram General Insurance include terror cover in travel insurance. Premiums in such plans are not separately charged as this risk is built into the plan. Connection to any terror activity and travelling to curfew-imposed places despite government advisory to tourists are excluded.

WEDDING OR EVENT INSURANCE

Did you know that you can also get your events, such as you wedding or your child’s birthday party, insured?

Event insurance policies give financial protection on cancellation of such events owing to conditions such as unfavorable weather conditions, cancellation due to riots or wars, government interventions in the functions, cancellation due to conditions such as seepage, pollution or contamination and loss due to wear and tear or gradual deterioration of the property.

Companies such as ICICI Lombard General Insurance Co Ltd, Future Generali General Insurance Co Ltd and Pune-based NBFC Bajaj Finserv Ltd provide insurance cover for events.

(The writer is Revati Krishna.)

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Source

Budget 2019: Insurers seek GST exemption on insurance premium – Timesnow – 24th June 2019

GST the biggest tax reform in India founded on the notion of "one nation, one market, one tax" is about to complete its 2-year anniversary. The introduction of the Goods and Services Tax has turned out to be a very noteworthy step in the field of indirect tax reforms in India. By merging a large number of central and state taxes into a single tax, GST is expected to significantly ease double taxation and make the overall taxation easy for the industries.

As far as the financial sector is concerned, it has created a lot of new opportunities in the market by providing scope of work to various professionals but at the same time due to the GST system being new a lot of hardships is being faced as there are no definite answers and opinions of various GST tribunals are often contradicting.

"With the government coming second time in power, we expect the government to waive off GST charges on insurance products given the fact that insurance penetration in India is one of the lowest in the world. There is no formal social security system in place and a GST waiver will help make insurance more affordable to the larger population.

Apart from this, we expect the government to introduce a separate section under the Income Tax Act (over and above 80C) that gives tax rebate on the premium paid towards pure life insurance policies.

Purchase of any kind of pure risk insurance helps protect the consumer from any kind of financial shocks due to death or any major illness to the earning member of the family. Overall such a measure will help drive the economy."

Like in all life insurance policies, insurance premium consists of two components namely, amount of service cost and amount invested. GST should be levied on the amount of service cost and not the amount invested as it is refunded to the insured person at the time of maturity. The Government should develop a valuation mechanism wherein GST should be levied on the service part only. This will, in turn, provide impetus to the people in large to buy more life insurance policies as its premium amount will get reduced by the certain amount and thereby improving the insurance business also. A similar view can be taken for Health Insurance policies.

(The writer is Manoj Sharma, Director (Finance) at Policybazaar.com is a guest contributor.)

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IRDAI REGULATION

IRDA allows standalone annual own damage cover for vehicles from Sept 1 - The Hindu Business Line – 23rd June 2019

Starting September 1, you can get a standalone own damage cover for your vehicle on an annual basis.

The Insurance Regulatory Development Authority of India (IRDA) has now allowed insurers to issue standalone own damage policies for two-wheelers and cars –both new and old, on an annual basis.

"Consequently, effective September 1, 2019, the issuance of bundled policies for cars and two-wheelers will not be compulsory. Further, insurers will have the option to offer package policies, in addition to stand-alone own damage and third party policies," the IRDA has said in a new circular.

This will mean that insurers can offer a long term bundled package of own damage and third party cover or offer it separately to the customers.

The IRDA has however, said that long term stand-alone Own Damage policy will not be permitted for the present.

It has also directed insurers that for issuing and renewing standalone own damage annual covers, they must ensure that it is offered only if a Motor TP cover is already in existence or is taken simultaneously.

“The name of the insurer, policy number, the start date and end date of the TP policy shall be indicated in the OD policy document,” it has said.

Onkar Kothari, Company Secretary and Compliance Officer, Bajaj Allianz General Insurance said, “This circular from IRDAI has provided much needed clarity in terms of insurer's approach for standalone motor OD policy, its pricing and duration,” he said, adding that it also provides clarity to the customers who have opted for bundled cover.

“Now they have an option to renew their OD part from an insurer of their choice rather than continuing with the one they had for TP,” Kothari said.

(The writer is Surabhi.)

Source

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LIFE INSURANCE

Why life insurers must focus on training agents – Financial Express – 28th June 2019

When the insurance market was liberalised 19 years ago, one of the several benefits visualised was expansion of the market and creation of huge employment opportunities. The opportunities have contracted instead of expanding. By 2000, when LIC was the only player in the life insurance sector there were 1, 17,000 people under full employment and 13 lakh as members of its very strong sales force.

Agents and commission

With 23 more companies today the number of employees in the sector should have been at least 5 lakh and the number of insurance advisors, the intermediaries or the agents should have been at least 50 lakh to cater to the growing market. As per IRDAI, the number of agents as on March 31, 2018 was 20, 82,667 out of this 11, 48,811 were with LIC. All these agents together with corporate agents earned new business commission of Rs 14,043 crore. Including renewal commission the total commission paid to agents by the life insurers was `25,353 crore.

In fact, 5.5% of the total premium collected by the insurers is spent in paying commission to the agents. This is an amount which is allocated directly out of the business generated by the companies and the outgo of `25,353 crore is not dependent upon any budget allocation, grant or subsidy by the government.

Insurance and jobs

Employment generation by rapidly expanding life insurance business in the country seems to be a very attractive proposition. It is really surprising why this wonderful strength of the industry does not attract the attention of the policymakers or the political leadership at the level of state or the Centre. Rapid growth in new business requires more number of agents to be trained and made productive irrespective of growth in online or digital marketing space.

The recent trend of most of the private companies concentrating only on bancassurance has made them complacent and they do not pay attention to development of the agency force. In view of the size of the market and the ever growing need of insurance products, the utility of agents cannot be undermined. To make agency an attractive profession, companies will have to take the responsibility of identifying young men and women with aptitude for sales activities and will have to spend time, money and energy in developing them into effective sales persons.

The focus of the management of the companies on single premium policy takes away the charm of receiving renewal commission in respect of policy sold in previous years as a continuous cash flow into the hands of the agent. The regular policy generally provides for 5% commission from the fourth year onwards to the agent. After four to five years of staying in this profession a consistently performing agent can expect `15,000-20,000 renewal commission every month over and above the new business commission that he would earn in respect of new sales every year. Availability of long-term plans with regular premium and provision for renewal commission every year is absolutely necessary to make agency an attractive career option.

Life insurance industry should also be considered a labour intensive industry and should be encouraged to create employment opportunities in rural areas as well as in small towns. The Centre should consider bringing the agency force under the umbrella of Shramyogi Pension Yojana and ESIS etc. It must view the life insurance agency as a major sector for employment generation.

The agency system must be revived and glamorised. The government may even incentivise insurers who rope in youngsters for joining the agency force. In the upcoming Budget this idea may be considered. Ensuring enough longevity of agents recruited will enhance the charm of this profession and life insurance companies can prove to be employment generators of significance to the society.

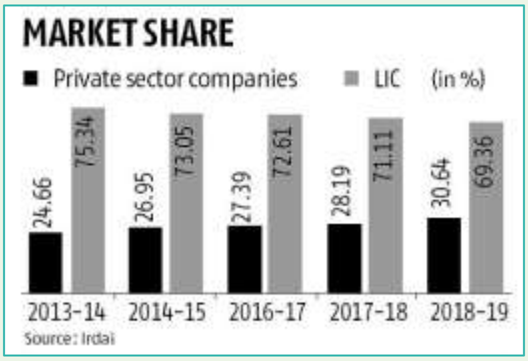
(The writer is Kamalji Sahay, former MD & CEO, Star Union Dai-ichi Life Insurance.)

TOP

Source

New-age digital push help private life insurers gain market share - Business Standard – 28th June 2019

Public sector life insurance giant LIC is facing tough competition from private players that are using new-age digital marketing technologies. According to latest data from Insurance Regulatory and Development Authority of India (Irdai), the market share of LIC in terms of first year premium up to May 31, 2019, was 66.08 per cent, down from 67.40 per cent up to May 31, 2018.



LIC's market share fell marginally in the past one year, but over the past five years it has come down substantially. LIC's share in the overall life insurance business came down from 75.34 per cent in 2013-14 to 69.36 per cent in 2017-18. In tandem, the market share of 23 private insurers increased from 26.95 per cent in 2013-14 to 30.64 per cent in 2017-18.

Private insurance firms say, over the past few years, they have been investing on digital technologies to reach semi urban and rural areas. "Our core strategy comprises 3 Ds – data, digitise and disrupt. We leverage data to understand the behaviour of our customers; we invest in digitisation to improve operational efficiencies; we focus on developing disruptive technologies to differentiate ourselves. This has resulted in better customer retention," said Nipun Kaushal, chief marketing officer (CMO) of PNB MetLife.

According to Chandra Mohan Mehra, CMO, Bajaj Allianz Life Insurance, along with digital technologies, innovations in products in keeping with demands of the millennials has been a key growth factor. "Millennials are looking to meet multiple life goals, and maximise living benefits. Hence, the whole narrative has changed," Mehra said.

Ravinder Sharma, chief of brand and corporate communication, SBI Life Insurance, said, "Over the years, our traction in digital has increased multi-fold. From having a website in nine regional languages to equipping field agents with 360-degree digital tools for serving various consumer needs, we have strived to stay ahead of the curve."

Among private insurers, HDFC Life had the largest market share of 9.24 per cent, followed by SBI Life with 6.49 per cent, and ICICI Prudential Life with 4.68 per cent shares at the end of May.

Much of the gains made by the private insurers could also be due to less spends on new offices. Between 2013 and 2018, the number of offices of private insurers came down from 6,759 to 6,204 (at end of March). During the same time, the number of LIC offices increased from 3,526 to 4,908.

(The writer is Namrata Acharya.)

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Source

Budget 2019: Young insurable population, retirement planning to support Indian life insurance growth - Times Now – 27th June 2019

Recently, Life insurance industry premium has soared over 41% in May with new business grew by 15.92% and overall growth of 63.05% on account of increase in ticket size. Increase in revival period of non-linked policies for life insurance from 2 to 3 years to promote existing policyholders to continue on paying premiums on tough liquidity position in the existing market scenario with fixed surrender value after 2 years of the purchase of non-link policies is proposed by IRDAI.

As per IBEF, gross premiums written in India reached Rs 5.53 trillion (US$ 94.48 billion) in FY18, with Rs 4.58 trillion (US$ 71.1 billion) from life insurance and Rs 1.51 trillion (US$ 23.38 billion) from non-life insurance. In FY19 (up to Jan 2019), the premium from new life insurance business increased 3.91 per cent year-on-year to Rs 1.59 trillion (US$ 22.04 billion). In FY19 (up to Jan 2019), gross direct premiums of non-life insurers reached Rs 1.39 trillion (US$ 19.28 billion), showing a year-on-year growth rate of 12.65 per cent.

Industry focus will be on distribution channels with a focus on digital avenues to reduce cost on broker channel for regular policies and improvement in agency channel for big-ticket saving policies with business mix focus towards protection for both retail and credit sectors. Revenue from non-participatory annuity and Group credit life policies will grow at 40% with a decrease in the number of policies sold by half to compete with systematic investment plans to grab a higher share of household savings.

On the other hand, Non-Life Insurance saw recent developments via IRDAI on the increased premium on motor-TP in March with push on health schemes to include pre-condition including genetic disorders for newer products which has improved the gross domestic premium income by 15.31% in May for the industry.

Digital push for claim settlement on health insurance policies will help see the settlement ratio to reach 98-99% with lowering of combined ratio to 98% for private players.

Reduction in direct channel sales and increased share of open architecture sales via bancassurance and lesser dependence on the non-agency channel will reduce the expense ratio for the industry with investment income from premium received(float) for major players will drive the top line this year to improve underwriting margin. New mandates are expected to be seen in the upcoming July budget for the industry particularly for the crop, and health segment.

Demographic factors such as growing middle class, young insurable population and growing awareness of the need for protection and retirement planning will support the growth of Indian life insurance.

(The writer is Rajiv Singh CEO of Karvy Stock Broking Ltd.)

Source

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Low sum assured offsets benefits of guaranteed returns insurance policies – Mint – 27th June 2019

While life insurance policies are ideally meant to cover risk to life of the insured, many policies available in the market also have a savings component attached to them. Guaranteed return investment policies also fall in the category of life insurance policies that have a combination of savings and insurance.

These plans offer a guaranteed return, which makes them attractive to risk-averse consumers. However, the details of how the return is paid may not be very easy to understand.

The structure of these products is not standard across the industry; for instance, some plans may offer a lump sum at the end of the policy term and some could break this up into periodic payments. Further, the guaranteed amount could be defined differently as a multiple of premiums, or as a percentage of premium or sum assured.

A concern raised by financial advisors on such long-term guaranteed investment plans is the low annualized or internal rate of return on these policies. Another concern, also applicable for other investment linked insurance policies, is the lower sum assured that a consumer gets, vis-à-vis, the premium being paid.

(The writer is Shaikh Zoaib Saleem.)

Source

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When is the right time to buy life insurance? – Mint – 27th June 2019

Vijayawada-based Harsh Raj G, has a life insurance policy, even though he is only 24 and doesn't have any dependants. He was 19 when his father bought the policy which is a combination of an endowment and a whole life plan "My father was going to retire soon and I would start working in some time, so he thought it was the right time to buy a life insurance policy for me," said Harsh Raj.

Life insurance serves as a safety net in the unfortunate event of the death or disability of the policyholder. The payout can support dependants and fund expenses if the primary source of income stops suddenly. So, at 19, Harsh Raj didn't really need life insurance. Investing the money would have been a better choice. But that's not the only thing he got wrong; the choice of insurance in his case was a bundled savings plan that comes with very little insurance. Harsh though is not alone. While it may seem unusual, more and more young people are buying life insurance. "Over the last few years we have seen an increased penetration of life insurance among millennials. They are primarily buying life insurance as a savings instrument and not just for tax saving," said Piyali Konar, executive vice president, Kantar, a data and consulting firm. But look at it this way. In order to save and invest money, there is a wide universe of instruments that if you evaluate may offer better returns than a bundled life insurance plan. However in terms of offering protection, that is to provide financial stability to your loved ones on your death, there is only one product and that is life insurance. Looking at life insurance through the prism of saving, therefore, can get you to make the wrong choices.

Choose wisely

You need life insurance if you have dependents and you need to choose wisely the type of life insurance product you bring home. Of the various life insurance products available, a term plan is best suited if you're looking for a cost-efficient protection plan. According to Shweta Jain, certified financial planner, chief executive officer and founder, Investography Pvt. Ltd, a term plan cover is supposed to help bridge the gap between the corpus you have and what you would need as an insurance cover in case of an unfortunate incident. "Also, if you move to a different country or city, you may choose to stop paying the premium without being penalised unlike an investment-related insurance policy," said Jain.

According to Puneet Nanda, deputy managing director, ICICI Prudential Life Insurance Co. Ltd, individuals up to the age of 40 should have a life cover equivalent to 15-20 times their annual income. For those between the ages of 40 and 50, a life cover of 10-15 times their annual income should suffice, and for those above 50, it is advisable to have a life cover of five times the annual income.

When to buy it

The best time to buy a term plan is the moment you have dependents. It could be retired parents, children or a financially dependent spouse. Once you have dependants, it makes little sense to delay buying the policy as longer you wait, the more premium you may end up paying.

"Life insurance premiums increase as you age, therefore, buying it while you're still young would help you save on the excess premium. Also, insurance companies may require you to undergo medical tests before issuing a policy above a certain age," said Munish Sharda, managing director and chief executive officer, Future Generali India Life Insurance.

Insurers take into account how high risk a customer is while considering an application. If you're young, you would most likely be healthier and the chances of making a claim in the near future would be low, so the premium is also lower.

"The premium for a 30-year-old non-smoking male, for a life cover of ₹1 crore till the age of 60 is about ₹8,000 per annum, but the same individual will have to pay about ₹11,000 every year if he purchases the policy at 35," said Nanda.

Life insurance has the added advantage of offering tax deduction of up to ₹1.5 lakh paid towards premiums, under Section 80C of the Income Tax Act. However, that should not be your reason to buy the product.

The sole purpose of buying insurance is to protect you and your family against unforeseen events. You can avail tax benefits by saving in other products such as tax-saving mutual fund schemes and public provident fund (PPF), among others.

(The writer is Disha Sanghvi.)

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Source

Term plan premiums explained – Mint – 23rd June 2019

Name of the insurer	Plan	Premium in ₹ as per age (yrs) of policyholder			Claim settled (%, FY17)
		30	35	40	
Edelweiss Tokio Life Insurance	mylife+ : term	8,496	10,042	12,827	97.78%
Bharti AXA Life Insurance	FlexiTerm	8,260	10,384	13,570	96.29%
Max Life Insurance	Online Term Plan Plus	8,378	10,384	13,334	95.26%
AEGON Life Insurance	iterm	7,497	9,512	12,717	94.56%
Life Insurance Corporation of India	e-Term	17,044	21,061	26,597	94.45%
Tata AIA Life Insurance	Life Insurance iRaksha Supreme	8,732	10,974	15,104	94.00%
Aviva Life Insurance	i Term Smart	7,886	9,662	12,409	92.25%
SBI Life Insurance	eShield	11,092	13,228	16,154	92.13%
Canara HSBC Oriental Bank of Comm. Life Ins.	iSelect Term Plan	7,379	8,849	11,464	92.03%
ICICI Prudential Life Insurance	iprotect smart	9,740	11,919	15,252	92.03%
Aditya Birla SunLife Insurance Co. Ltd.	Online Term Plan	9,522	11,516	14,578	90.51%
Exide Life Insurance	Elite Term	9,809	11,680	14,343	89.61%
IDBI Federal Life Insurance	iSurance FlexiTerm	9,251	11,257	14,089	89.39%
Kotak Mahindra Life Insurance	Kotak e-term Plan	8,968	11,092	14,986	88.88%
DHFL Pramerica Life Insurance Co. Ltd.	Flexi E-term	7,734	9,482	12,201	88.68%

Date of birth has been assumed to be 1 April in the respective year for each age group; Rates are for a male, non-smoker, Delhi-based; Claims information is for FY2017-18 for individual deaths as per Irdai's Annual Report; In ICICI Prudential and Bajaj Allianz, waiver of premium on disability is included; Sahara Life does not offer pure term plan
Source: SecureNow Insurance Broker Pvt Ltd VIPUL SHARMA/MINT

Life Insurance is not about investing your money to earn a return on it, it's about financial protection for your loved ones. And the most efficient way to do that is through a term insurance policy. This policy does not invest your money which means you pay only for insurance and after the policy term ends you don't get any money back. But on death during the policy term, it pays a huge corpus to the nominees that can help them tide over any financial crunch and ensure their live are not thrown out of whack. A term plan is the only kind of life policy you need to have because it gives you a large cover for low cost.

However keep in mind that buying a term plan also needs due diligence at your end when filling up the insurance policy form called as the proposal form.

Source

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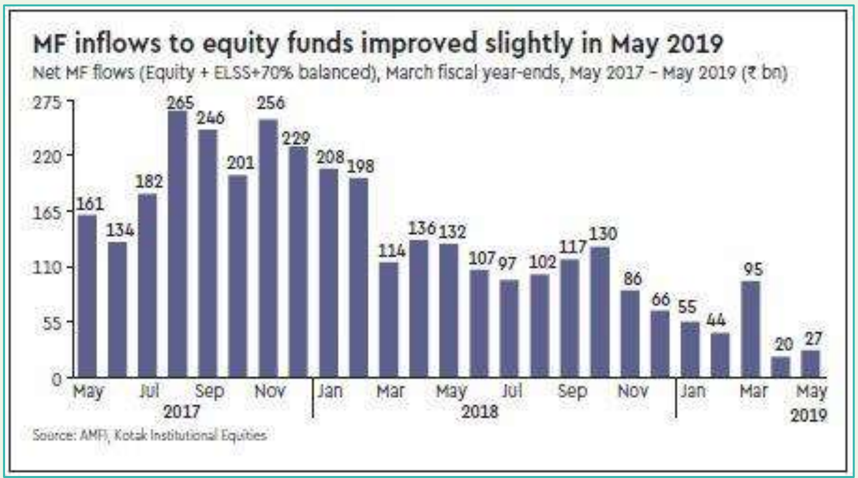
Strong May for most private insurance players; inflows to equity MFs still muted – Financial Express – 22nd June 2019

May 2019 was a strong month for most of the private sector players with 27% y-o-y growth in overall APE (26% y-o-y in April, 2019). Excluding ICICI Prudential Life (overall APE up 4% y-o-y), other large players reported 25-55% growth. A low base and focus on ULIPs coupled with moderate appetite for equity investments were the likely reasons. Overall inflows to equity mutual funds were better m-o-m but broadly still muted. Against this backdrop, the sustenance of such high growth is crucial.

Private sector individual APE growth was strong at 27% in May, 2019 Private sector players reported 27% y-o-y growth in individual APE in May, 2019, significantly higher than 12-18% in past three months. Overall industry growth was 13% as LIC reported 3% y-o-y decline.

HDFC Life reported strong increase in individual APE for a second straight month at 59% y-o-y in May, 2019 (31% in April). ICICI Prudential Life reported 1% y-o-y growth in May in individual APE; this compares with 2% in April and 14% in March. SBI Life's individual APE growth was strong at 37% y-o-y in May, despite a high base of 27% y-o-y growth in May, 2018. Max Life's growth in individual APE was strong at 23% y-o-y, somewhat lower than 28% growth in April. Birla SL reported 31% y-o-y growth in individual APE, lower than 46% growth in April. Tata AIA was up 74%, though lower than 125% in April.

Net MF equity inflows remain muted



Source

Mutual fund inflows to equities improved marginally, with inflows at Rs 27 bn in May versus Rs 20 bn in April due to higher gross inflows. This compares to Rs 95 bn in March, Rs 44-66 bn in December 2018-February 2019 and Rs 86-107 bn in the preceding six months. Interestingly, SIPs are broadly stable over the past few months at Rs 80-82 bn; this meant that the non-SIP flows reported large net outflow.

TOP

How often is it important to review your life insurance policy? – Financial Express – 21st June 2019

You purchase a life insurance policy to protect your family's financial future and to make sure everything is taken care of for your loved ones in case of your sudden death. But life doesn't sit still, does it?

A lot of people think that once they buy a life insurance policy they can "buy it and forget it" and doesn't need to address their future insurance needs. However, a policy that you may have bought 5 years or 10 years ago won't provide you with the right amount of benefits for your current needs. Experts suggest that you should regularly consider reviewing your life insurance policy to determine if the coverage in your policy is still appropriate for your situation. In fact, most financial advisors recommend reviewing your life insurance policy annually. This becomes important for one simple reason – life changes frequently.

Your policy should change along with your life
Your needs radically change as you grow. It becomes very important to change your life insurance policy to some degree with every major change in your life. For most people, changes are frequent and therefore it's advisable to reassess your life insurance coverage on a regular basis as you would do for your other policies.

If it has been a while since you have reviewed your policy, there's nothing like doing it today. Here are some of the major reasons which are important enough to make you review your policy.

 # when your family grows
Getting married or having a child is one the most important changes that triggers the review of your life insurance policy. Whether you're having your first child or second, a new addition in the family is one of the biggest changes you can encounter. Considering the change, most of the people will add enough life insurance so that if you die tomorrow, there would be enough funds to provide for your child through their college years. Yet, there are still certain people who continue to live with their existing policy without reviewing it.

On an average, the approximate cost of raising a child from the child's birth until he turns 21 years' old comes around Rs 20-25 lakh. Will you be able to provide this to your child if you can't be there? As your family grows, it's a probably a good idea to increase your overall amount of life insurance. If you feel that your current sum assured is not enough to meet your family's needs, you can always enhance the sum assured by paying extra premium under the Life-Stage protection feature.

 # You have a new mortgage
Buying your own home may be your family's largest asset and at the same time the largest financial responsibility. It is suggested to purchase a term life insurance policy for at least the same or more amount as of your mortgage. Then, if you pass away during the 'term' when the policy is in force, they can use the money to pay off the mortgage. For instance, if you have a life insurance policy with a death benefit of Rs 1 crore and you buy a new home with a mortgage of Rs 3 crore, you will need to update your life insurance policy. Why? Because taking a mortgage is a huge obligation. Upon your death the responsibility of home loan will be on your spouse or other family members. Updating the sum assured for the same amount as of your mortgage will ensure that your family will be debt-free in the event of your death.

 # When your career changes
Over the period of time your income changes for better and it is usually accompanied by changes in financial status of an individual. Whether you get a promotion or hike in salary, all of these call for new financial decisions. Whenever you switch your job or experience a hike in your salary, you must review your life insurance policy as this could help your loved ones to maintain their current lifestyle.

 # Changes in beneficiaries
Beneficiaries change as your circumstances change. Marriage could mean updating your policy to add your spouse as a beneficiary. In contrast, a divorce may require withdrawing a former spouse. It is important to review your beneficiaries regularly as well to make sure you've got the right people covered under your policy. Failing to do the same can have some devastating effects and may leave your death benefit in the wrong hands.

(By Santosh Agarwal, Chief Business Officer-Life Insurance, Policybazaar.com)

TOP

Source

GENERAL INSURANCE

PSU banks may get Rs 40,000 cr capital; Rs 5,000 cr infusion likely for 3 insurers - Financial Express – 27th June 2019

The government will likely infuse capital of around Rs 30,000-40,000 crore into public-sector banks (PSBs) in the current fiscal and other Rs 3,000-5,000 crore into three general insurance companies, banking sources told FE.

With uncertainties hovering around the amount of surplus transfer from the Reserve Bank of India to the government, the capital infusion into PSBs in FY20 will most likely be through recap bonds again. These securities remain off-Budget items, although the interest on them is paid from the Budget. Nevertheless, the entire amount of bonds will find mention in the upcoming Budget. The February interim Budget did not provide for capital infusion for either PSBs or state-run insurers.

The issue of shoring up the capital base of insurers has gained renewed focus after Insurance Regulatory and Development Authority of India (Irdai) chairman Subhash Khuntia flagged low solvency ratio of some of them and stressed the need to have well-capitalised insurers at last week's FSDC meeting chaired by finance minister Nirmala Sitharaman.

Earlier this year, the department of financial services (DFS) had sought Rs 4,000 crore for infusion into three general insurers — National, Oriental and United — as at least two of them (barring Oriental) had been struggling to maintain the solvency ratio requirement of 1.5. Although the worst seems to be over for PSBs, a section of the government believes that capital infusion is required to bolster their ability to lend and support economic growth. Also, given its plan for consolidation, the government wants to ensure that the larger entity created from a merger of banks remains adequately capitalised.

A final call on the exact amount of capital infusion into PSBs and insurers, however, will be taken by the department of economic affairs, depending on the availability of resources, said the sources.

PSBs with decent bad loans ratio will be offered growth capital, while those under the central bank's corrective regime (Allahabad Bank, United Bank of India, Corporation Bank, UCO Bank, Central Bank of India and Indian Overseas Bank) could get just about enough to meet regulatory requirements, said the sources. The government had infused a record Rs 1.06 lakh crore into state-run banks in FY19, against `88,139 crore a year earlier.

According to the latest Crisil report, PSBs — which make up for roughly 80% of the bad loans in the banking system — will see their gross NPAs shrinking by as much as 400 bps to 10.6% by March 2020 from 14.6% in March 2018. Separately, the government told Parliament on Tuesday that gross NPAs of state-run banks dropped to `8,06,412 crore as of March 2019 from the peak of Rs 8,95,601 crore in a year earlier, emphasizing the improvement in the PSBs' asset quality.

However, as pointed out by FE earlier this month, while the government infused over Rs 2.5 lakh crore since FY15, the share of PSBs in the market capitalisation of all banks plunged to just 26.04% from 42.93% on May 23, 2014, just before PM Narendra Modi came to power. Had the PSBs retained their share, their market cap would have been higher by almost Rs 4 lakh crore now, which means a notional loss of as much amount.

This provides a cue for the new government to introduce reforms in the banking space by privatising sick PSBs instead of pumping in more money into them or asking LIC to bail them out (as in case of IDBI Bank).

As for general insurance companies, an increase in underwriting losses and higher claims have eroded their profitability in recent years, impacting their solvency ratio. While Oriental Insurance's solvency ratio stood at 1.66 as of March 2018, United India had a solvency margin of 1.54 and National Insurance's was 1.55.

These three insurance companies together accounted for 200 insurance products and a market share of around 35% as of March 2017. Their combined net worth was to the tune of `9,243 crore and employee strength of around 44,000 across 6,000 offices.

(The writer is Banikinkar Pattanayak.)

TOP

Source

Govt abandons plan to merge 3 PSU insurers, looks at demerger: report – Domainb – 26th June 2019

The government is reported to have abandoned plans for merger of three state-run general insurance companies and has instead started exploring options, including de-merger of three of the major insurers into smaller units and then look at strategic sale of operations to private sector, say reports.

The finance ministry had earlier proposed consolidation of operations of three of the four major state-run general insurance companies, including National Insurance Company, United India Insurance Company and Oriental India Insurance Company and excluding New India Assurance, to create a global scale entity.

The government had announced merger of three public sector general insurance firms in the Budget 2018. But the proposal has moved at a snail's pace and has encountered several hurdles.

Earlier this year, the Department of Financial Services (DFS), which oversees the operations of state-owned insurance firms, wrote to the Department of Investment and Public Asset Management (DIPAM) not to proceed with the merger plan in haste without solving complex operational issues.

An IANS report quoting official sources said the de-merger plan has now been brought to the table after a series of stakeholders meetings failed to arrive at a solution the only option before the finance ministry to make state-owned entities more focused on the task of increasing insurance penetration in the country.

"The idea to merge PSU insurers is fraught with problems as one giant entity would be difficult to administer and manage. Moreover, this might lead to branch rationalisation/closure and major job losses in the sector," said an official source.

"De-merger of big-size PSUs into smaller units, on the other hand, would enable ease in administration and further increase in reach of these to the masses with improved and more effective focus and management," the report quoted sources as saying.

Post de-merger, the government proposes to undertake a fresh assessment about privatising some of the insurance operations by offering them to strategic investors. The sale of smaller units may be easier and would offer better valuations. Moreover, smaller units would also help to scale up regional branches and improve insurance penetration.

Also, two of the three insurance majors were in poor financial health. In the quarter ended September last year, the three insurers had posted a combined loss of around Rs1,800 crore, besides losing market share to private firms. In fact, PSUs insurers' market share has fallen from a level of 56 per cent in FY13 to 51 per cent in FY18.

The government's solution to this was sale of assets in the absence of profits> It had directed the firms to undertake monetising their assets, including real estate, to raise revenues. The general insurance market in the country comprises 27 companies, including the four major PSU entities, 23 private players and six are stand alone health insurers.

TOP

Source

Booking railway ticket early for vacation? How travel insurance may benefit you while traveling and when not! – Financial Express – 24th June 2019

Insurance company will provide Rs 10 lakh cover during the scheduled journey for a premium of just Rs 0.49 per passenger, but it may benefit even if your scheduled journey is cancelled.

While booking train tickets through the IRCTC website, you get the option to opt for travel insurance that covers you during the journey with a premium of just Rs 0.49 (49 paise) per passenger.

However, once the travel insurance option is selected, the cover has to be taken for all the passengers, except for children below 5 years of age, under the same PNR number.

The concerned insurance company will provide Rs 10 lakh cover under the policy to each passenger under the PNR in case of Death, Permanent Total Disability, Permanent Partial Disability, and Hospitalisation Expenses for Injury and Transportation of mortal remains following a Rail Accident or untoward incidents like terror attack, robbery, rioting, shoot out and accidental falling of any passenger from a train carrying passengers.

In case of any loss on account of any or more of insured events, the group travel insurance, with the near zero premium, would provide the following benefit(s) per passenger:

Death	Permanent total Disability	Permanent partial Disability	Hospitalisation expenses for injury	Transportation of mortal remains
Rs 10,00,000	Rs 10,00,000	Rs 7,50,000	Rs 2,00,000	Rs 10,000

Benefits of travel insurance

If opted for, the insurance will not only cover a passenger during the journey on the scheduled train, but in case of short termination of trains due to any reason, if the passenger opts for the alternate mode of transportation arranged by railway up to the destination station, then this part of the journey of the passenger shall also be covered. Similarly, in case of diversion of train due to any reason, the coverage shall be for the diverted route and in case of vikalp train, the policy shall be valid in the vikalp train also.

Although, once opted, the insurance policy cannot be canceled and the premium money is not refundable even in case of cancellation of wait listed tickets, but as experienced by one person named Ajay, it helps in recovery of the actual reservation amount.

In Ajay's case, he was scheduled to take his wife and daughter to the in-laws house in Assam from Delhi during the summer vacation. Seeing his father's deteriorating health condition, along with the reservation for self, wife and daughter, he booked another ticket for his wife and daughter for a later date, on which one of his relatives would travel to the same location on the vacation.

As Ajay was scheduled to return early, he booked return journey ticket for the two on the same day and same train, in which his relative would return. He opted for travel insurance for all the tickets, but didn't provide the nominee details immediately. However, as his father's condition turned vulnerable, he first canceled all the tickets for the journeys he was scheduled to take and subsequently the onward ticket of his wife and daughter.

However, he didn't cancel their return journey ticket hoping they may visit Assam for a shorter period. Subsequently, he completely forgot about the return journey ticket even as the journey plan to Assam was aborted. A few days before the end of the summer vacation, he got a mail from Shriram General Insurance with the reminder that nominee details were not filled for the return journey. That reminded him about the uncanceled return ticket of the canceled journey and he promptly canceled the ticket with three days still left before the journey and got the booking amount back.

Being thankful to the insurance company, he narrated the incident to his family and colleagues, after discovering another utility of the travel insurance that may be availed, while even not traveling as per the pre-planned journey schedule, by just postponing the filling of the nominee details.

(The writer is Amitava Chakrabarty.)

TOP

Source

Govt looks to consolidate state-run general insurers – Mint – 23rd June 2019

The government is exploring various consolidation options including merger of state-owned general insurance companies with New India Assurance with a view to create synergy and unlock value.

The Department of Investment and Public Asset Management (DIPAM) under the Ministry of Finance is also looking at other options including stake sale in three state-owned insurance firms like National Insurance Company, Oriental Insurance Company and United India Insurance Company, sources said.

The idea is to fast track stake sale in the public sector general insurance companies, which has been pending for the past two years, sources said.

Various options including issuance of fresh shares which could be subscribed by New India Assurance are also being explored, they said, adding that direct sale of stake to New India is also in the consideration.

Another option being considered is to merge all the four companies, instead of the proposed three, to create an LIC-type mega insurer in the general insurance space and avoid undercutting each other. Once the merger is complete, the government will go for a dilution of its stake in the broader entity.

The government had appointed E&Y as a consultant to see through the completion of the merger process. The consolidation in the public sector general insurance companies is part of disinvestment strategy of the government.

In 2017, state-owned New India Assurance Company and General Insurance Corporation of India were listed on the bourses and exchequer earned money out of stake sale. The government has fixed disinvestment target of ₹90,000 crore for the current fiscal as against ₹85,045 crore in the previous fiscal.

It is to be noted that the government, in the Budget 2018-19, had proposed to merge National Insurance Company, Oriental Insurance Company and United India Insurance Company. The Centre in the Budget had announced that the three companies would be merged into a single insurance entity.

The process of merger could not be completed due to various reasons, including poor financial health of these companies. The two of these public sector companies are struggling to maintain the solvency ratio. As against the insurance regulator Insurance Regulatory and Development Authority's (IRDA) solvency ratio norm of 1.5, National Insurance has an insolvency ratio of 1.5, while United India's level is comparatively lower at 1.21.

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Source

Travelling abroad? Would you buy travel cover from insurance company or airlines – Financial Express – 22nd June 2019

It is summer time and many of us would like to fly abroad to international vacations on holidays. Travelling abroad especially with family members has its own share of risks but there are travel insurance plans that come handy before packing bags for the offshore locations.

Make sure you have a comprehensive travel insurance policy and know what the inclusions and exclusions are there in the policy. After all, you don't want your trip to play spoilsport for any misadventures.

A typical travel insurance policy will offer coverage against lost passport, lost checked-in baggage, trip delays amongst other benefits. Most insurers offer plans specially designed for Asia, Schengen, USA & Canada, and other countries, and also have customized plans for family trips, solo travellers, senior citizens, and students studying abroad. Generally, medical coverage of at least Euro 30,000 is compulsory to get a Schengen Visa.

What type of travel cover to choose
If you are travelling with family members, you may either buy cover for each of them separately or a family floater kind of a plan that will include all members for a specific sum insured. Better to compare the premium of both of them based on the age of members and then decide. “There are customized travel insurance policies available as per the trip planned. “Solo travellers can opt for the individual plan while a family can opt for a family floater plan. Senior citizens in the age bracket of 71 years to 80 years can opt for senior citizen plans,” says Dr. Shreeraj Deshpande (Principal Officer & CEO (Officiating), Future Generali India Insurance.

But, in specific cases such as for a student going abroad for studies, there are special student travel covers. “Student Travel insurance is designed for students, enrolled in medium to long term courses. It has special coverages for study interruption, sponsor protection, inter-collegiate sports’ injuries, bail bonds etc., besides coverages for medical expenses and travel related eventualities. The Student Travel Guard is globally accepted and university wise waiver formalities are also being supported by us. It’s always best to go with insurer having worldwide network presence, exemplary servicing capabilities and a hassle-free claim settlement track record,” says Parag Ved, Executive Vice President, Consumer Lines, Tata AIG General Insurance Company.

Choice of plan version is important
Most insurers have more than one version of a travel insurance plan. Choosing the right one is very important from the claim point of view. While a basic version may have a lower premium but may not provide adequate coverage or may have fewer features. Similarly, a premium version may pack-up several features which may not even require specific to your travel. “A basic policy offers a lower sum insured options with basic covers like Medical Care, Personal Accident, Legal Liability. A premium version will provide higher sum insured with additional features like Trip cancellation, Trip curtailment, Missed connection and Special Care covers like Automatic extension up to 7 days, Burglary (Home Contents), Child Escort etc.”, informs Dr. Deshpande.

Is insurance provided by airlines not enough
While booking flight ticket most airlines offer insurance policies. Most airline insurance policies cover – Trip Cancellation & Curtailment, Loss of checked in baggage, Personal Accident, Emergency Medical expenses, Emergency Evacuation and Repatriation amongst other related costs. But, will it be enough to get comprehensive coverage from them? “Baggage loss and baggage delay are the common perils encountered while air travelling, which is covered by travel insurance. However, in Airlines Insurance, the coverage is available only when the baggage is in the custody of the common carrier, which in most cases is the airline.

You should keep in mind that the policy will cover only checked-in baggage and delay in receiving baggage outside Indian boundaries. Many travellers think their airlines will reimburse them in case they miss their flights due to connecting flight delays or in case of flight cancellations, but most airlines do not reimburse unless it’s for some grave, unavoidable reason. More often than not, the fine prints in airline insurance make it nearly impossible to get any coverages. Also, in case you have to cancel your flight due to illness or an emergency, you are left high and dry without insurance,” says Ved.

Also, there could be a medical exigency while one is abroad. “The biggest reason to buy a travel insurance policy is to make sure your medical costs are covered. We should not compare the medical costs with Indian treatment costs; we have to compare it with treatments abroad, which are way more expensive. Also, due to an emergency if someone needs to extend their trip or abandon it, that time also, travel insurance comes handy. Lastly, some visa applications also mandate a travel insurance policy to be bought before going abroad,” informs Adarsh Agarwal, Appointed Actuary, Digit Insurance.

Some travel insurance plans even offer coverage even before the trip has started. “Travel insurance compensates for the trip that is cancelled on account of any medical emergency that the traveller or his/ her companion or either of their family members may encounter, prior to the journey. Insurance compensates for the entire portion that is not refunded by the travel agent or organizer which was paid as an advance or the full booking amount,” adds Ved.

What to do

Having an insurance plan is a step well-taken however; there could be many a slip between the cup and the lip. "One area where we've seen a concern is in people's understanding of 'Time Excess in context of Missed Connection' which is the minimum time gap one must maintain between the connecting flights for the benefit to be valid," says Agarwal. It is important to read the benefits included as well as exclusions in the plan to avoid any last minute surprises. And, before you, the fly-off, get a travel insurance policy well in advance to avoid last minute hassles.

(The writer is Sunil Dhawan.)

Source

TOP

Natural catastrophes: Ticking time bomb for India's insurers – Money control – 22nd June 2019

Natural catastrophes are becoming a common phenomenon in India. These include cyclones, floods, landslides and earthquakes. The economic losses in each of the incident is far higher than the insured losses, giving a clear indication of the inadequate protection for life and property.

For instance, the Mumbai floods of 2005 was one of the largest cases of insurance loss events. A Swiss Re sigma report said that in the event of torrential rainfall, rapid urbanisation reduces avenues for water discharge and can lead to heavy flooding. Such was the case in Mumbai in 2005, when flooding after heavy rains resulted in one of the largest insurance loss events ever experienced in India (USD 0.9 billion, according to sigma data).

A natural catastrophe (Nat-Cat) pool to pay-out insurance claims for incidents like floods, earthquakes and landslides has been in the making for almost five years now. However, due to a lack of consensus on the structure of the pool, it has not yet been set up.

Economic losses by region, in USD billion and % of global GDP, 2018

Regions	in USD bn	in % of GDP
North America	80	0.36%
Latin America & Caribbean	5	0.08%
Europe	21	0.09%
Africa	1	0.06%
Asia	55	0.18%
Oceania/Australia	2	0.14%
Seas/space	1	0.00%
Total	**165**	
World total		0.19%
10-year average*	220	0.28%

*inflation adjusted

Source: Swiss Re Institute

In the last five years, losses due to catastrophes have led to insured losses of almost Rs 25,000 crore. This includes losses due to the Uttarakhand floods, cyclones Hudhud and Phailin, the Chennai floods, as well as the recent Kerala floods (initial estimates of Rs 1,000 crore insured loss).

The share of uninsured catastrophe losses varies by region. A Swiss Re report said that it was typically higher in developing countries where infrastructure construction and implementation of catastrophe risk mitigation measures did not keep pace with economic growth. However, there are areas of underinsurance in advanced countries too, even in those with known medium to high exposure to certain hazards.

Individual products do offer protection to life and property. But, there is no special cover that offers comprehensive protection against natural catastrophes caused by climate change. A large event like the Kerala floods has the ability to escalate and wipe off the solvency of insurance companies. The centre fully funding this initiative is not a feasible idea. Having a catastrophe bond to fund the claims from such incidents would be a good start. But, time is running out, and the stakeholders need to act fast.

With increasing population and rising risks from climate change, insurance companies need to respond to regular flows of small and medium-sized catastrophe events. The claim-paying capabilities of the companies will depend on how early they recognise the risks and maintain adequate reserves.

(The writer is M Saraswathy.)

TOP

Source

HEALTH INSURANCE

Like NREGA, government to introduce law for Ayushman Bharat soon - The Economic Times – 28th June 2019

The government will bring in a law to implement Ayushman Bharat or the PM Jan ArogyaYojana (PMJAY). It has started the process to draft a legislation for the same. The mega health insurance scheme so far rests on an executive notification and Memorandums of Agreement (MoUs) signed between the Centre and various states.

This will be much like how the UPA government in 2005 brought a bill to give legislative status to the National Rural Employment Guarantee Scheme (NREGA). The National Health Authority (NHA) has now started the process to identify experienced legal consultancies and firms which could help it out in drafting of legislative framework for statutory recognition of NHA as the nodal Authority for the implementation of PMJAY.

The job would involve "conducting extensive research and document findings on the legal nature and scope relevant to NHA to enact and implement a legislative framework for implementation of PMJAY in India," as per the proposal reviewed by ET. Interested firms have been asked to send in their proposals by July 19, implying that legislation may be brought in the next session of Parliament. The PMJAY scheme was launched last September through an executive notification. At Interim Budget stage (2019-20), Rs 6,400 crore were earmarked for PMJAY but the scheme does not have any legislative backing so far. As on June 18, 23.36 lakh claims worth Rs 3,077 crore have been submitted under the scheme.

(The writer is Aman Sharma.)

TOP

Source

Government proposes to enhance wage ceiling for dependent parents - The Economic Times (Delhi edition) – 27th June 2019

The government has proposed to enhance the wage ceiling for dependent parents to become eligible for coverage under the labour ministry's Employees' State Insurance (ESI) scheme Proposal, thus widening the coverage of medical benefits to a larger population.

As per draft notification, the income limit for availing medical benefit for the dependent parents of an insured person covered under ESI Scheme has been proposed to increase from the existing Rs 5000 per month from all sources to Rs 9000 per month. The draft notification comes following a decision of the ESIC board in February this year in this regard.

The Employees' State Insurance Corporation is a pioneer social security organization providing comprehensive social security benefits like reasonable medical care and a range of cash benefits in times of need such as employment injury, sickness, death etc to its beneficiaries.

The ESI Act applies to premises/precincts where 10 or more persons are employed. Under the Act, the employees drawing wages up to Rs 21,000 a month are entitled to health insurance cover and other benefits.

The Act now applies to over 10.33 lakh factories and establishments across the country, benefiting about 3.43 crores family units of workers. As of now, the total beneficiary population of ESI Scheme stands over 13.32 crores.

Ever since its inception in 1952, the ESI Corporation has, so far, set up 154 hospitals, 1489 dispensaries, 174 ISM Units, 815 branch/pay offices and 63 regional & sub-regional offices.

Recently, the government has reduced the overall contribution under ESIC Act from 6.5% to 4% with employers' share cut to 3.25% from 4.75% earlier and employees' share cut to 0.75% from 1.75% earlier, thus lowering the financial burden of employers while increasing the take home salary of the employees'. The move is expected to benefit 3.6 crore employees and 12.85 lakh employers.

(The writer is Yogima Seth Sharma.)

[TOP](#)

Source

How a smoker can buy health insurance - The Economic Times –26th June 2019

One of the biggest myths in personal finance is that smokers can't get health insurance. Contrary to popular belief, health insurance companies do offer coverage to smokers albeit with different terms and conditions as compared to non-smokers. Do keep in mind that being a smoker may force you to avail health insurance at a higher premium. However, this must not deter you from availing health insurance as smokers are more prone to lifestyle diseases than non-smokers.

How can a smoker get a health insurance policy?
Health insurance companies define a smoker as a person who uses nicotine in any form. Insurers insist on medical tests to detect regular smokers and determine the premiums for coverage. Traces of nicotine can be detected in your blood, urine, hair, and saliva. The length of time nicotine stays in your system depends on how often you smoke, age, and general health condition.

Insurers ask about your smoking habits, when you sign up for a health insurance plan. The common questions are: Do you smoke? Have you been using tobacco in the last 6 months? Insurers ask for the number of cigarettes smoked or health conditions suffered because of the smoking habit. If you have declared the smoking habit, insurers may insist on medical tests to meet their underwriting norms. They also consider the age and sum assured when offering a health insurance plan. It is advisable for a smoker to get his/her medical tests done by the insurance company at the time of buying the policy itself to reduce area for dispute at the time of claim.

A smoker must update the insurer on lifestyle changes to ensure he doesn't face any problems during claim settlement. Updation on lifestyle changes could be an increase in the number of cigarettes smoked or deteriorating health.

The health insurance company decides premiums based on the state of your health. The insurability of smokers is determined by the seriousness of pre-existing lifestyle diseases like diabetes and hypertension. Insurers may refuse policies to smokers suffering from Type 2 Diabetes.

Non-smokers with no pre-existing illnesses can easily avail health insurance with minimum documentation. If you smoke a few cigarettes a day, suffer no pre-existing illnesses and are generally fit, you can easily avail health insurance. Any complications like a lung condition suffered by smoking at a later time are covered in the health insurance plan. Health insurance companies reject proposals of those who smoke more than 20-40 cigarettes a day.

Are there different health insurance plans for smokers and non-smokers?

Health insurance companies offer the same plans to both smokers and non-smokers. Premiums are loaded on those who smoke more than 10 cigarettes a day. If you smoke 2-4 cigarette packets a day, health insurance Companies may reject the proposal.

Insurers look at daily tobacco consumption and status of a person's health. Many health insurance companies insist on medical tests if a prospect is over 40 years or seeks a high sum assured. If the medical test reveals a particular health complication, that specific ailment is excluded in the initial years of the plan.

Chain smokers and addicts may face an outright rejection. Many insurers don't insist on a higher premium for smokers unless there are health complications. For example, Religare Health Insurance Company doesn't load premiums for smokers. The underwriting norms vary across health insurance companies. This is why you have some health insurance companies charging different premiums for smokers and non-smokers. Taking up smoking cessation programs by insurers lowers health insurance premiums for smokers. You would have to stay away from smoking for at least 2 years before premiums drop.

Why does a smoker need health insurance?

Many smokers believe that insurers consider all future ailments to be the result of smoking and would reject applications. This is an unnecessary concern. Make honest and proper disclosures and go through the medical test. A smoker must insure himself against critical illnesses which could arise in the future with the smoking habit. Respiratory illness, stroke, hypertension, heart disease, lung cancer, chronic obstructive pulmonary diseases are serious illnesses affecting smokers.

Many smokers don't avail health insurance believing the claims would be partially or fully rejected. A claim is rejected for non-disclosure of a related ailment caused by smoking at the time of buying the policy. Health insurance companies have a waiting period of 2-4 years before pre-existing diseases are covered. The pre-existing disease conditions are the same for smokers and non-smokers, though there might be some exclusion for smokers. There's a mandatory waiting period of 1 month from the date on which the policy was availed, where only accidents are covered. There's a 2 year waiting period for conditions like kidney stones and hernia and a 4 year waiting period for major pre-existing diseases.

If you have been dishonest and this includes not updating the lifestyle changes, insurers reject the claims. Health insurers conduct medical tests at the time of claims and can detect lifestyle changes like a declaration of smoking 2 cigarettes a day, while actually smoking 6 cigarettes a day. The nicotine shows up in the blood and urine tests. In all this, the higher premium and waiting period are worth it, as hospital bills can wipe out your bank account.

The claim settlement process for both smokers and non-smokers remain the same. Insurer's get to know of a customer's status as a smoker at the time of policy purchase based solely on the self-declaration.

Research shows that most people don't disclose their smoking status when availing health insurance. If the insurer finds you are a smoker at a later stage, and this crucial information was not disclosed, it is willful non-disclosure of material information. This leads to the rejection of your claim.

Health insurance companies cover smokers as this segment is large. If you are a smoker or have given up smoking long ago, disclose it. Be honest with the facts on your health when signing up for a health insurance policy, even if you are a smoker.

(The writer is C.S. Sudheer.)

TOP

Source

Senior Citizen Health Insurance: Here's all you need to know – Financial Express – 25th June 2019

It is said that age is just a number. This thought is productive from a motivational point of view. However, from a practical point of view, one must look at age more analytically. The Human body is subject to deterioration. As the body ages, its immune system becomes weak. And with the rise in pollution, lifestyle-related issues, and other such hazards, it becomes extremely challenging for the human body to maintain optimal health as it ages. This is where health insurance for senior citizens becomes crucial. It lends financial cushioning in case of health issues. Read ahead to know more about health insurance for senior citizens.

Types of medical insurance for senior citizens

● **Employee's Group Policy**
A lot of employers offer group health insurance for their employees. Medical insurance for senior citizens is also covered under such policies depending upon the nature of the policy. Employees can extend the benefits of such a policy to their immediate family. However, such a cover might not be sufficient for the elderly.

● **Family Floater Plans**
You have the option of going for a collective health insurance policy for your family. Such a policy is termed as a family floater plan. A claim can be raised if any insured family member faces an illness that is covered by the policy.

Including senior citizens in such a plan can increase the premium. One must note that if a claim involving a large amount is made under such a policy for one family member, it can leave others underinsured.

● **Stand-alone Policy**
You can buy health insurance for senior citizens as a stand-alone policy/individual plan. This is the most ideal type. Different insurance providers offer different coverages in such plans. A number of illnesses as well as additional benefits are covered in such policies.

Important aspects of medical insurance for senior citizens:

● **Critical Illness Cover**
This aspect can be looked at as a separate plan or as an addition to an individual plan. It offers insurance cover for a number of specific critical illnesses, for example – cancer. This plan is dedicated towards covering illnesses that can drain you financially due to their high treatment cost. As a result, the insurance premium for such policies is also on the higher side.

● Pre-existing Diseases
Most insurers that offer health insurance for senior citizens do not cover pre-existing diseases. Some insurance companies might cover such diseases after the completion of the waiting period. Such a period can be in the range of 24 to 48 months.

● Sub-limits of the policy
Insurance companies might have pre-decided sub-limits on the cover offered by their health insurance policy. As per such sub-limits, the insurance company provides the claim amount up to a certain limit. If the treatment cost exceeds the sub-limit, the insurance company does not cover it.

● Co-payment clause
As per the co-payment clause, the policyholder has to pay a certain amount of the expenses incurred for treatment. The insurance company will not settle the entire claim amount. This is mostly prevalent in case of high-value claims.

● Exclusions
Make sure to check the exclusions before you buy health insurance. Injuries that are self-inflicted, expenses incurred for cosmetic surgeries, medical condition due to drug abuse, etc. are not covered.

Make an informed choice
Certain terms and conditions regarding health insurance can be confusing. It is suggested to get all your doubts cleared before purchasing a health insurance policy. You can get clarity on your queries by calling the insurance company or sending them an email. The sooner you buy health insurance for senior citizens the better it is in terms of the coverage and insurance premium.

(By Biresh Giri, Appointed Actuary, Head of Product Development & CRO, Acko General Insurance)

TOP

Source

Do you need a dengue-specific health cover? – Mint -25th June 2019

Coimbatore-based Hani Harrise, 21, was diagnosed with dengue in August 2015. His platelet count dropped to 40,000. Platelet count between 150,000 and 450,000 for every microlitre of blood is considered healthy. "I was hospitalized for 10 days because the situation was severe. I didn't have health insurance, so we ended up spending around ₹28,000 for my treatment," said Harrise. Fortunately for Harrise, his family was able to absorb the unforeseen cost, but that might not be true for many.

According to data from National Vector Borne Disease Control Programme (NVBDCP), the number of dengue cases rose to 188,401 in 2017 from less than 60,000 in 2009. The mosquito-borne disease killed 325 people in 2017. Till September last year, 83 people had lost their lives to dengue in India. Treatment for dengue can be expensive, especially because more severe cases can require hospitalization for an extended period of time. To cover the costs associated with the illness, some insurers such as Apollo Munich Health Insurance offer a stand-alone dengue cover, which is also sold through brokers such as Toffee Insurance. ICICI Lombard General Insurance has tied up with Paytm, and Aditya Birla Health Insurance sells its dengue product through financial services company Bajaj Finserv. But is a dengue-specific insurance policy useful?

What is it?
Dengue insurance is a pocket-sized policy that helps you cover costs if you get diagnosed with the disease. The policy covers both inpatient and outpatient expenses. Inpatient benefits typically cover the hospitalization expenses for 24 hours and above, pre-hospitalization costs such as medical expenses incurred before being admitted, and post-hospitalization medical expenses. Outpatient benefits include

fees for consultation by a general medical practitioner, diagnostic tests if you test positive for dengue, all medication, provided they are prescribed for the treatment of dengue, and home nursing which includes expenses for necessary medical treatment taken by the insured from an empanelled medical professional at home. The premiums range from ₹49 to ₹682 depending on the insurer, sum assured, benefits and exclusions. The sum insured is ₹10,000 to ₹1 lakh. "The premium for this policy remains the same, irrespective of your age. These plans can be claimed simultaneously with other existing health insurance policies," said Bala chander Sekhar, chief executive officer, RenewBuy.com, an insurance aggregator. Keep in mind that most dengue policies don't cover individuals under the age of 18. Most insurers offering this product will also not process your claim if you get infected within 15-30 days of purchasing the policy. The cost of treatment could be high and it's necessary to be financially prepared. "The average cost of dengue treatment in metro cities is ₹50,000 to ₹1 lakh, and in non-metros it's ₹25,000- 75,000," said Mallesh Readdy, co-founder and chief executive officer, Insure mile Insurance Aggregator Pvt. Ltd.

Should you buy one?

If you have a regular health insurance plan, you may think buying a separate dengue cover makes little sense. However, there are some differences. Dengue insurance is a rather simple product where you pay a low single premium for a year. "A standard indemnity health insurance policy covers only medical expenses incurred through the inpatient treatment whereas dengue covers reimburse outpatient bills, in addition to covering inpatient treatment. This is important, as most of the dengue patients need only outpatient treatment," said Sekhar. Though dengue is known to be a seasonal illness, it may not be completely true. This is why the policy is valid for one complete year. "Occurrences of dengue are witnessed throughout the year in southern states, and between April and November in the north. So, in reality, it is actually a year-round threat in a country like India," said Rohan Kumar, chief executive officer, Toffee Insurance.

The aim of a disease-specific insurance plan is to ease your financial burden if you are diagnosed. It also helps safeguard the no-claims bonus for your health insurance policy. Whether the disease is at an early stage or an advanced one, such covers provide complete coverage. According to Sekhar, compared to the cost, the benefits obtained from disease-specific health insurance plans are significant. "While these plans offer a range of benefits, they cannot serve as a replacement for comprehensive health covers. They act as add-on covers. The range of coverage offered by comprehensive health covers is much larger than disease-specific ones; but they are limited in terms of the monetary benefits offered. You can get the best possible protection by having both," he said.

Dengue is just one of the many stand-alone disease-specific policies that insurers are now offering. But how many such policies can one buy? Shweta Jain, certified financial planner, chief executive officer and founder, Investography Pvt. Ltd, recommends sticking to a regular health insurance cover. "Covering individual diseases could be quite expensive and limiting," she said. "If cases of dengue are on the rise in a particular year, you may be inclined to buy the cover, but a regular health cover will also cover the illness," she added. It is wiser to invest in regular health insurance cover with higher sum insured than to buy many disease-specific ones.

(The writer is Disha Sanghvi.)

Source

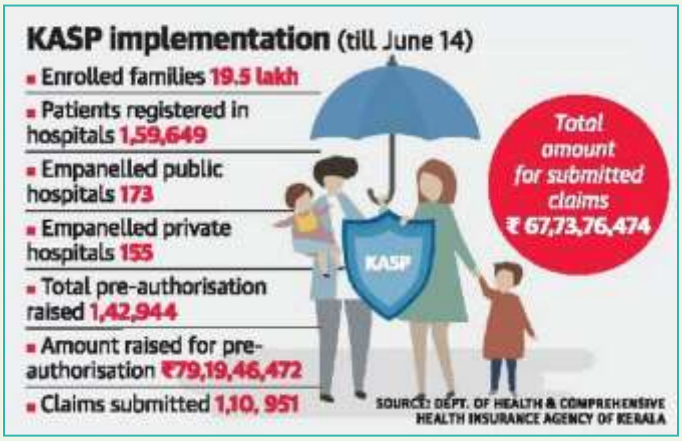
TOP

Chaos in health insurance schemes – The Hindu – 23rd June 2019

Chaos reigns in the health insurance administration in the State with the two flagship schemes — Karunya Arogya Suraksha Paddhati (KASP) which offers an annual medical coverage of ₹5 lakh and Medisep, the health insurance scheme for government employees — hitting bottlenecks in implementation.

The refusal of premier public-sector institutions in the State, the Regional Cancer Centre (RCC), the Malabar Cancer Centre (MCC) and the Sree Chitra Tirunal Institute for Medical Sciences and Technology

(SCTIMST) to accept the "inadequate" treatment package rates under the KASP has now put the government in a spot as keeping these tertiary-care hospitals on board the treatment scheme is crucial to cover the medical expenses for chronic and serious illnesses for the BPL category.



Even as the discussions with these institutions continue, the Health Minister has declared in the Assembly that the government intended to "help out" RCC and MCC, in consultation with the Finance Department.

Empanelment hit

The government's inability to persuade its own institutions to implement the KASP has now apparently affected hospital empanelment under Medisep, its medical insurance scheme for 11 lakh government employees and pensioners.

Medisep, with a benefit package of ₹2 lakh (basic cover) and an additional ₹6 lakh for treatment of chronic illnesses, was expected to be launched on June 1. The scheme had been tendered with the same treatment packages as the KASP. But even after fixing a higher package rate than the KASP, Medisep has now hit a roadblock because the premier public sector hospitals as well as corporate hospitals have been unwilling to be empanelled under the scheme.

"The government seems to have accepted the inadequate package rate argument of the RCC, MCC and the SCTIMST and is now mulling parallel payment outside the scheme to make up for the losses these institutions claim that they will incur. As the KASP has already been contracted for the year, this decision will lead to wastage of public resources and will only help profit the insurance company," a senior Health official said.

Not one patient

Discussions have been unending but for the past three months, not a single patient has been admitted to the RCC or the SCTIMST under the KASP. Sources at the SCTIMST said that though the KASP was not operational, patients were being offered treatment subsidies that they would normally be entitled to under the SCTIMST's own BPL patient categorisation.

The main idea behind the integration of various health financing schemes run by different government departments — CHIS, CHIS Plus and Karunya Benevolent Fund — to launch a new integrated health insurance scheme KASP, in alignment with the Centre's Ayushman Bharat, had been to ensure that the poor did not have to run from pillar to post, to claim medical expenses.

Neither there, nor here

The scenario now is that CHIS Plus and KBF are no more operational in the State, while KASP, which was expected to offer a higher benefit package to the poor for the treatment of catastrophic illnesses like cancer or cardiac issues, are not yet operational in the premier public sector hospitals such as the RCC and the SCTIMST. The current scenario will lead to patients incurring out-of-pocket expenses despite having such a major programme.

"We will need to study the treatment package rates in detail and rationalise the rates when we tender the KASP next. The SCTIMST is directly working out the rates with the National Health Authority. Central government institutions might get additional funding from the Centre but our State-run cancer care institutions are self-sustaining and might require our assistance," Principal Secretary Rajan Khobragade said.

(The writer is C. Maya.)

Source

TOP

Rajasthan govt agrees to implement centre's Ayushman Bharat plan – Mint – 23rd June 2019

The Rajasthan government has decided to implement Ayushman Bharat – Pradhan Mantri Jan ArogyaYojana (AB-PMJAY) in the state after months-long deliberations over the flagship healthcare scheme of the Narendra Modi government.

AB-PMJAY will be integrated with Rajasthan government's existing health scheme — Bhamashah Swasthya BimaYojana (BSBY).

"The National Health Authority has been constantly working closely with the Rajasthan government in finding ways to seamlessly integrate BSBY with AB-PMJAY. Rohit Singh, Additional Chief Secretary, Health, Rajasthan informed us about the approval for implementation of AB-PMJAY in the state," InduBhushan, CEO AB-PMJAY and National Health Authority (NHA) said. "The Centre will provide all policy related and technical support to the state."

Currently, Rajasthan provides benefits to 97 lakh families under the BSBY scheme, and many of the eligible families under AB-PMJAY plan are already covered under BSBY. All eligible families under BSBY and AB-PMJAY will be eligible to avail health benefits up to ₹5 lakh per year under the scheme.

As far as the technology-related aspects in rolling out the scheme are concerned, Rajasthan will continue the current software implementation, and systemic API-based integration with solution suite of NHA for benefits to be delivered under AB-PMJAY.

Rajasthan will run a package mapping exercise to ensure all packages specified under PM-JAY are mapped with those in BSBY. However, Rajasthan has complete flexibility to expand beyond the AB-PMJAY packages. NHA team will provide support for this activity to the state team, wherever required. For all hospitals registered under BSBY in Rajasthan, NHA would see that no duplicate process of re-registration is required.

AB-PMJAY provides a cover of up to ₹5 lakhs per family per year, for secondary and tertiary care hospitalisation to over 10.74 crore vulnerable entitled families (approximately 50 crore beneficiaries). PM-JAY provides cashless and paperless access to services for the beneficiary at the point of service. Under this scheme there are 1,393 health benefit packages with defined rates. Over 15,000 hospitals and health care providers have been empanelled across the country to provide healthcare services as per these packages.

Union minister of health and family welfare Harsh Vardhan recently wrote to the chief ministers of Delhi, Odisha, Telangana and West Bengal, urging them to join the AB-PMJAY. These states had, after major deliberations, refused to adopt the scheme under the previous central government.

(The writer is Neetu Chandra Sharma.)

TOP

Source

Ayushman Bharat undergoes price review – The Hindu – 22nd June 2019

The government's flagship health insurance scheme Ayushman Bharat – Pradhan Mantri Jan ArogyaYojana (AB-PMJAY) — is now undergoing a price review of the over 1,000 medical packages being offered to patients.

"The review process is ongoing," said InduBhushan, CEO AB- PMJAY.

The Indian Medical Association has long been demanding a "reasonable and fair package rate" under Ayushman Bharat while consultants such as PricewaterhouseCoopers had said the rates were not sustainable for quality healthcare.

"The government has set up committees of leading doctors from across the country to review the cost of nearly 1,300 medical packages. This is done to ensure sustainability and quality healthcare. The committee has doctors and other experts from institutions including the All India Institute of Medical Sciences, PGI Chandigarh,'' said a senior Health Ministry official.

Meanwhile the Rajasthan government has given an official go-ahead to implement the AB-PMJAY scheme which will be integrated with Rajasthan's existing Bhamashah Swasthya Bima Yojana (BSBY).

In a release issued by AB-PMJAY Dr. Bhushan said: "The National Health Authority (NHA) has been working closely with the Rajasthan government in finding approaches to seamlessly integrate BSBY with AB-PMJAY. Yesterday [Friday] Rohit Singh, Additional Chief Secretary, Health, Rajasthan informed us about the approval for implementation of AB-PMJAY in the State."

"We are very happy with the outcome and have assured all possible support including technical and policy-related assistance, to Rajasthan."

Rajasthan is now providing benefits to 97 lakh families under the BSBY scheme, and many of the eligible families under AB-PMJAY are already covered under BSBY. All eligible families will be made eligible to avail health benefits up to ₹5 lakh per year under the scheme.

Dr. Bhushan said that as far as the technology-related aspects are concerned in rolling out the scheme, Rajasthan will continue the current software implementation. The State will also run a package mapping exercise to ensure all packages specified under PM-JAY are mapped with the ones in BSBY. However, similar to any State running AB-PMJAY, Rajasthan has complete flexibility to expand beyond the AB-PMJAY, the release said.

(The writer is Bindu Shajan Perappadan.)

TOP

Source

Doing the math: Choose the right healthcare cover – Mint – 22nd June 2019

Even as overall inflation continues to remain below 4%, the price rise in healthcare has seen double digit growth.

While you can't control the cost of healthcare, here's the good news: You can insure yourself against illness and protect your savings from depleting by spending on a medical emergency.

But before you take a decision, there are multiple things you must consider: How can you choose the right insurance cover? How much cover is enough? Here is how you can arrive at the right amount of health cover to opt for.

According to experts, there are three things to consider: healthcare inflation, your family medical history and your salary.

"Firstly, look at healthcare inflation, typically if you expect a hospitalisation bill of ₹5 lakh. Assuming 5% inflation for 10 to 12 years, it will cost you ₹13-15 lakh," said Mahavir Chopra, director, life insurance and strategic initiatives, Coverfox.

Another way to determine the healthcare cover is to consider the kind of treatment you are likely to seek. You could do this by considering the cost of a certain procedure in your city and the facilities available.

"You can look at the cost of an expensive procedure in your city and the kind of hospital you would go to. For instance, cancer treatment at a regular hospital in Delhi will cost you ₹10 lakh. Look at a 5-year projection with a medical inflation of 15% and it would cost ₹20 to ₹25 lakh. You can link the sum assured amount to the actual cost of the disease," said Kapil Mehta, founder, Securenow.in.

Moreover, the decision will also rest upon your income or the funds available to you. "You can also look at your one-year salary as a rule of thumb to take a decision on what amount of healthcare you want."

Further, depending on your family background and age, you will know when you should upscale your health cover. What this means is that instead of one basic cover, you can increase the sum assured by adding a top-up cover and a critical illness cover, depending on your family's medical history.

"For instance, if you are 25 years old today, ₹5 lakh cover is good enough. As you move to 30 to 35 years of age, you should take the highest cover you can afford, which could be in the range of ₹20-25 lakh. This is based on the idea that the difference in the premium between what you pay for a ₹15-lakh cover and a ₹20-lakh cover is not very high if you use the top-up strategy," said Chopra.

The usual recommendation is to take a ₹10-lakh basic health cover, buy a ₹20-lakh top-up, and then upgrade it to a ₹30-lakh cover. The reason is that the premium difference for buying a ₹20-lakh and ₹30-lakh cover is hardly anything. You must take the maximum top-up you can afford. This should not be more than ₹3,000-4,000 extra annually," said Chopra.

If you have a history of medical illness, you can supplement it with a critical illness and top-up, which you can buy after the age of 35.

TOP

Source

Government plans health cover for Madhya Pradesh's 7.5 crore residents - The Economic Times – 21st June 2019

Madhya Pradesh government has planned to introduce Right to Health scheme through which around 7.5 crore citizens of the state can avail the 'basic right' of treatment.

Following instructions of public health and family welfare minister Tulsi Ram Silawat, a team of experts has prepared a proposal of the new scheme, which will be an extension of the Centre's Ayushman Bharat, which has been operational in the state from September 25, last year.

The proposal reads that Ayushman Bharat Scheme covers around 83.81 lakh families, identified under socio-economy caste census 2011, to provide them treatment under around 1400 packages. Of these, 99 per cent of the diseases are covered in the packages of Rs 1.5 lakh while remaining 1 per cent diseases have been kept in the packages as high as Rs 5 lakh. At present, 86 private and 200 public hospitals are empanelled in MP to provide treatment under this scheme.

In MP, Ayushman Bharat is implemented on trust mode – Centre and state government participation in 60-40 ratio. The state government has decided to extend Ayushman Bharat Scheme by including around 1.88 crore families in proposed Right to Health Scheme by providing them Rs 10 lakh health insurance package on hybrid model (Insurance + Trust). In this, treatment cost up to Rs 1.5 lakh will be borne by the insurance company and claims up to Rs 10 lakh will be borne on trust mode.

"The Centre's contribution of 60 per cent for Ayushman Bharat is around Rs 550 Crore/year in MP while the state government is planning to extend it through its Right to Health Scheme by contributing expected expenses of around Rs 1100-1400 crore," the policy makers said.

According to them, less number of private hospitals have empanelled in MP compared to 576 in Chhattisgarh, 1083 in Tamil Nadu, 410 in Jharkhand and 402 in Maharashtra due to the state government's compulsion of hospitals being registered with National Accreditation Board for Hospitals & Healthcare Services (NABH) and lower rate of the packages. To ensure participation of private hospitals in proposed scheme, the state government is contemplating to lift compulsion of NABH registration and increasing rate of the packages.

In the new scheme, the state government is expecting that around 90-95 per cent of the claims will fall under package of Rs 1.5 lakh and the remaining only around 5-10 per cent claims will be settled on trust mode.

"The Centre's scheme covers less than 50 per cent of the families but in the proposed scheme, our aim to cover all around 7.5 crore citizens of the state to provide them their basic right of treatment irrespective of their financial background. The proposal is still under consideration and some changes in the plan is likely before we finalize the scheme" Silawat told TOI.

(The writer is Sagar Choukse.)

[TOP](#)

Source

MOTOR INSURANCE

Own damage motor insurance can now be bought separately – Mint – 25th June 2019

Come September 1, motor vehicles owners will be allowed to purchase standalone own damage (OD) insurance cover. An OD cover insures the vehicle against theft and damages. The guidelines will be applicable for all new and old cars and two-wheelers. At present, the industry practice is to bundle OD insurance with third party (TP) insurance policy.

TP liability insurance covers the insured if he is held legally liable for damages caused to a third party. But with this announcement by the Insurance Regulatory and Development Authority of India (Irdai), vehicle owners will be allowed more flexibility on two counts: Firstly, one could choose to buy an OD cover at a later date although it is not advisable, and second, they could buy this cover from a different insurer. TP insurance continues to remain mandatory for you to drive your vehicle on the road.

"This will allow the customer the flexibility to choose any insurer for renewing their OD policy, even if the third-party policy is from another insurer," said Onkar Kothari, company secretary and compliance officer, Bajaj Allianz General Insurance.

Having OD insurance helps you cover any damages your vehicle suffers in an accident, such as fire, road collision or vandalism, as well as theft of the vehicle or its parts. Other than OD and TP covers, a comprehensive motor insurance policy also covers personal accidents, which provides compensation in case of death or permanent disability caused in an accident involving the insured vehicle.

What changes?

In July last year, the Supreme Court mandated that all insurers make their third-party insurance policies a three-year long comprehensive product for cars. For two-wheelers, it became compulsory to have a five-year TP insurance cover. This was done to ensure that "road accident victims do not suffer due to the fault of the owner in not renewing his or her policy every year," said the panel report.

However, the Supreme Court's guideline applies only to TP insurance, and not OD policies. "There cannot be a rule about making own damage insurance mandatory because it's for your own car. Insurers can issue standalone TP insurance, but most private-sector insurers sell it as a bundled product with OD cover," said Abhishek Bondia, principal officer and managing director, SecureNow.in, an insurance intermediary.

Most insurers don't offer standalone OD covers. According to Bondia, if you bought TP insurance from one insurer and decided to buy an OD policy from a different insurer, the latter would ask you to purchase the TP cover as well. It's important to keep in mind that an OD cover is an annual product.

"This causes misalignment in the market. When you buy a new car, the dealer offers you a policy from X insurer which is a three-year TP and one-year OD. When the OD comes up for renewal a year later, because your third-party is from X insurer, you are forced to buy an OD from them as well," said Bondia. This is because no other insurer would issue a standalone OD cover under the current dispensation. "In a way, you're locked in with X insurer for three years and because they know this, they may not offer you a competitive premium," Bondia added. This means your bargaining power as a customer is significantly reduced.

Irdai's new regulation intends to tackle this problem. The regulator has stated that the issuance of bundled policies for cars and two-wheelers will not be compulsory and all insurers will have to sell standalone OD insurance policies, which would be a year-long product, for all new and old vehicles. Long-term standalone OD policies are not permitted by the regulator at present. However, keep in mind that in order to purchase an OD cover or to renew an existing policy, it is compulsory to have a TP liability insurance. Your own damage policy documents will indicate the name of the insurer from whom you have purchased the TP cover, policy number, and start and end date of the TP cover.

What it means for you

According to insurers, this is a positive move from the policyholders' point of view. Sanjay Datta, chief – underwriting and claims, ICICI Lombard General Insurance Ltd, said that this will give policyholders more options when it comes to buying an OD policy, but the premium could vary from insurer to insurer. Even at present, OD premiums vary across insurers.

"Across all insurance companies, TP is priced the same. For OD, you can have different rates across companies, but now the customer will no longer need to buy the OD from the insurer the car manufacturer recommends. They can decide which insurer they want to buy it from, at their own convenience," said Datta. He added that there's also a possibility of insurers coming up with "richer" covers that have more inclusions and price them at different levels.

Subramanyam Brahmajosyula, head, underwriting and reinsurance, SBI General Insurance, said that for almost every insurer, the OD portfolio tends to perform much better in terms of loss ratios than the TP portfolio. So one can expect greater competition among insurers to try and acquire more standalone OD policy buyers. "There is a possibility that premiums would reduce as a result of this, and consumers would benefit. Another way policyholders will benefit is in terms of choosing the insurer.

Among the two components, the OD portion is where the servicing capabilities of an insurer come into play in the event of a claim. An insurer who has a good reputation in terms of settlement of claims and a large network of cashless garages will benefit," said Brahmajosyula. Bondia believes that it's a policyholder-friendly move and would bring balance to the market.

"When the car comes out of the showroom, you can just buy a TP for three years without having to buy an OD from the dealer. You can buy the OD later, at your own discretion. This will encourage insurers to maintain parity in their pricing across standalone OD and packaged options. They will have to be fair to the customer," said Bondia.

Through its recent circular, Irdai is trying to bring fair pricing into the motor insurance market. Not only will this move put more power in the hands of the policyholder, it is also likely to lower premiums because of increased competition.

(The writer is Disha Sanghvi.)

Source

TOP

New motor insurance rules: 3 options to get car and bike cover now – Financial Express – 25th June 2019

Almost a year back, the Insurance Regulatory and Development Authority of India (IRDAI) had asked insurance companies to offer long-term insurance policies for new cars and two-wheelers purchased on or after September 1, 2018. From September 1, 2019, the guidelines are being relaxed by the regulator. “Till now the customer had to buy the Own Damage (OD) component along with the Third Party component in the form of a comprehensive policy from the same insurer. Now one can take OD only policy from any of the general insurance companies in the market,” informs Sajja Praveen Chowdary, Head- Motor Insurance, Policybazaar.com.

The latest IRDAI circular states that – “Effective, 1st September, 2019, insurers shall make available stand-alone annual Own Damage covers if opted for by the policyholder for Cars and Two-wheelers, both new and old. Consequently, effective 1st September, 2019, the issuance of bundled policies for cars and two-wheelers will not be compulsory. Further, insurers will have the option to offer Package policies, in addition to stand-alone OD and TP policies. Long term stand-alone Own Damage policy will not be permitted for the present.”

But, what if you have already purchased the plan and now you want to renew the OD component of a bundled cover from some other insurer. It is possible now but only after September 1, 2019 as from then it will be allowed with the same insurer or different insurer, on an annual basis. “This is very much beneficial for the customers who already have a bundled policy (the TP component existing for 3 years in car / 5years in bikes) from the perspective that it gives customers a fair chance and options to choose from and can now opt for the OD only policy from any of the insurer,” says Chowdary.

While the third-party (TP) insurance cover continues to be a mandatory cover, from September 1, 2019, these 3 options will be available to the car and bike policyholders:

1. Multi-Year Long Term Comprehensive Policy
Under a Long Term, Comprehensive Policy both TP and OD coverage is for 3 or 5 years (3+3) or (5+5) for cars and two-wheelers respectively. Here the premium is also collected for 3 or 5 years and policy renewal will come into question only after 3 or 5 years when the policy is about to expire.

2. Bundled Policy
But, what if one wants to pay OD premium only for one year and renew it the next year onwards? In that case, one can opt for a Bundled Policy, wherein, “The TP coverage is of 3 or 5 years but the OD cover is applicable for 1 year only i.e. (1+3) or (1+ 5) for cars and two-wheelers respectively. Here, the OD premium will have to be renewed every year as compared to a TP cover which is possible for renewal only after 3 or 5 yrs. The policy, however, is from the same insurer.

3. Standalone OD cover

Now, IRDAI has allowed to getting the OD cover from any insurer. "The bundled policy (3+3) and (5+5) seemed a costly affair to the customer, therefore, majority of the customer base opted for (1+3) or (1+5) option but, the clarity on renewing the Own Damage policy was not there. With the new regulation ringing in, they can now buy the OD component separately and also have the choice to buy from a different insurer as well providing the customer submits the valid TP policy documents and details," says Chowdary.

However, for issuance of stand-alone Own Damage annual cover as well as for renewal of the Own Damage component of a bundled cover, it will be offered only if a Motor TP cover is already in existence or is taken simultaneously. To ensure its compliance, the OD policy document needs to carry the name of the insurer, policy number and the start date and end date of the TP policy.

(The writer is Sunil Dhawan.)

Source

TOP

Why is third-party motor insurance cover mandatory? – Mint – 25th June 2019

According to Section 146 of the Motor Vehicles Act, 1988, third-party (TP) insurance is mandatory for you to be able to drive on Indian roads. But what exactly is it?

TP insurance comes into play when the policyholder's vehicle has caused damage to a third party and is legally liable to compensate them for death or damages caused.

The Supreme Court in July last year made it mandatory for all car owners to have a three-year TP policy and two-wheeler owners to have a five-year policy. You can buy TP cover at the time of registering your vehicle from any non-life insurer. According to Irdai, third-party property damages are covered up to a sum of ₹7.5 lakh. If the degree of damage is beyond the insurance cover, the policyholder has to bear the additional expense. There is no cap on the liability covered for death or injury.

Insurance companies offer TP by bundling it with an own damage cover but September 1 onwards, you will be able to buy only TP and you can choose to get the own damage cover at your own discretion.

(The writer is Disha Sanghvi.)

TOP

Source

CROP INSURANCE

Crop Insurance: Time to reboot PM's flagship scheme; let it be weather-based – The Indian Express – 27th June 2019

The PMFBY's operational guidelines require state governments to carry out at least four CCEs in every village panchayat for every notified crop and submit the yield data to insurance companies within a month from the date of harvest.

Shiv Sena chief Uddhav Thackeray has threatened to shut the shops of insurance companies for not paying farmers' crop loss claims under the Pradhan MantriFasalBimaYojana (PMFBY).

The Union Agriculture Ministry's own data, based on a Parliament question reply on June 21, shows that insurance firms have approved only Rs 9,473 crore out of the Rs 13,471.44 crore estimated claims made for the 2018 kharif season. Further, actual claims paid so far are just Rs 8,540.11 crore. This, despite more than 7-8 months after the bulk of last year's kharif crop being harvested. As for the 2018-19 rabi crop, whose harvesting was completed by May, the admissible claims "have not yet been worked out in most of the states".

A major cause of delayed claims settlement is crop cutting experiments (CCE) that now form the basis for assessing yield losses.

The PMFBY's operational guidelines require state governments to carry out at least four CCEs in every village panchayat for every notified crop and submit the yield data to insurance companies within a month from the date of harvest. Given the roughly 2.5 lakh gram panchayats in India, it means undertaking 10 lakh CCEs in a single season. The numbers will be higher if more than one crop is grown in the same village or even by the same farmer. Crop insurance claims surge, delay in disbursals falls.

Getting states to do so many CCEs in a short time span has, not surprisingly, proved to be the biggest impediment to proper implementation of the Narendra Modi government's flagship crop insurance scheme. Insurance firms are supposed to pay claims within two months of completion of CCEs that generate actual yield data to estimate losses vis-à-vis seven-year average thresholds. Since that doesn't come on time, it leads to delays in farmers getting their claims as well.

There is a way out of this mess, though. That solution could come from automatic weather stations (AWS). These machines — basically automated versions of traditional weather stations costing Rs 50,000-100,000 each, which includes installation expenses that may vary according to location — measure simple parameters such as temperature, relative humidity, wind speed and direction, and rainfall. They can capture this data every 10 minutes or so and transmit it on an hourly basis through mobile communication to a remote computer/cloud server.

The weather data recorded by the AWS sensors are a good proxy for yields. A spike in March temperatures, for instance, translates into poor grain-filling in wheat — just as below-normal rains during July-August are bad for most kharif crops, high relative humidity at this time is conducive for pest infestation in cotton, and heavy winds in February-March may cause damage to the standing mustard or chana. 80-90 per cent of crop yield losses are clearly attributable to the said weather parameters, which can be measured, recorded and archived in data loggers using AWS.

The Uttar Pradesh government is in the process of floating tenders for installation, operation and maintenance of 2,750 AWS. Each of them, to be installed at specific locations based on geospatial mapping, would cover an area of 10 square km. "Simply put, we will now have accurate weather data for almost the state's entire crop land. This will be available for not just every district having, say, a 100-sq km area, but even a cluster of villages within a tehsil or block. The data, in turn, can be used to implement a weather index-based crop insurance programme," said a top UP government official.

According to Jatin Singh, managing director of Sky met Weather Services Pvt. Ltd, insurance companies would be willing to accept products based on data from AWSs. "They need some basis for paying out claims. CCEs, conducted by state revenue or agriculture department official, take time. Insurers can't be blamed for not paying until they get reliable yield data. But with AWS data, there is more transparency, less moral hazard and claims settlement can be quick, which is what farmers would also want. You could even implement this scheme using block chain technology, to enable automated verification of claims and payments," he pointed out.

There are an estimated 15,000 AWSs currently in India. Of these, 10,000-odd are operated by private companies such as Sky met, National Collateral Management Services and Weather Risk Management Services Pvt. Ltd, and the rest by various Central/state government departments and universities. Sky met – which claims to have 6,500-plus weather sensors – has already installed over 2,000 AWSs across Maharashtra under "Mahavedh", a public-private partnership project. It envisages establishing an AWS network at the rate of one machine for every revenue circle, covering 12-sq km area in lowlands and 5 sq km for highlands.

Then question to ask is: Can these state government-promoted initiatives make crop insurance a viable proposition for farmers (insurance firms are certainly making a killing at present, with their gross premium collections far exceeding payouts). And can they help salvage PMFBY?

(The writer is Harish Damodaran.)

TOP

Source

Freight rates rise for oil refiners as insurers up cover on Hormuz route - The Hindu Business Line – 26th June 2019

India's oil refiners sourcing crude from West Asia are facing freight increases of as much as $300,000 per day. This comes after global marine insurers imposed an additional war risk premium of 0.35-4 per cent of the value of the ship for every transit through the Strait of Hormuz — the world's busiest oil shipping lane and the only channel for vessels to enter and exit the Persian Gulf — in the wake of the recent attacks on oil tankers.

The freight rates for an Arabian Gulf-to-India run for a modern Suezmaz tanker or a very large gas carrier (VLGC) have gone up by $150,000 to $300,000 per day because of the additional war risk premium on the ship's hull and machinery levied by underwriters, said an executive with an Indian shipping company.

The extra premium for a modern very large crude carrier (VLCC) will be much more, and the freight rates will be higher to that extent, he added. The additional premium is levied on ships by insurers for every transit through the Strait of Hormuz carrying crude oil for global refiners.

India imported 84 per cent of its crude requirement in FY19 and two of every three barrels were sourced from suppliers in West Asia, according to government data. For a spot voyage, the ship-owner can choose to absorb the extra spend or pass it on to the customer, depending on the demand-and-supply scenario.

"Oil refiners have started asking ship-owners to quote an all-inclusive rate while finalising spot charters," said an executive with another shipping firm. "Why should we absorb (the extra spend)? Besides, it's a global impact," he observed. For a time-charter contract that is already running, the ship-owner will have to pay the extra premium and then get it reimbursed from the charterer.

Chevron war risk clause

"There is a Chevron war risk clause in every charter party, which says that any additional war risk premium during the currency of the voyage is to be borne by the charterer. At the time of chartering, it is on the ship-owner's account, but during the currency of the voyage, the charterers are liable to pay any increase in premium," he said.

Oil refiners are likely to reimburse the extra premium to ship-owners on submission of documentary evidence, an official with one of the state-run refiners said. The freight rates for an Arabian Gulf-to-India run for a modern Suezmaz tanker have gone up by up to $300,000 a day.

(The writer is P. Manoj.)

TOP

Source

Fasal Bima: Claims ratio dips to a healthy 65% in kharif 2018 – Financial Express – 26th June 2019

The claims ratio under the Pradhan MantriFasalBimaYojana (PMFBY) and revised weather-based crop insurance scheme (RWBCIS) has declined to about 65% in kharif 2018 against 87% in the previous season, despite the country having a 9% deficient monsoon rainfall.

This suggests the insurance business in agriculture sector has been stabilizing. The number of farmers enrolled under both the crop insurance schemes was, however, at same level of 3.47 crore during the last two kharif seasons. The payout ratio (actual payment against claims made) for kharif 2018 stood at 63% even 9 months since the harvesting season began.

Insurance firms have paid Rs 8,540 crore against Rs 13,471-crore claims made for the season last year, according to official data as of June 17. The highest amount of pending claims has been reported from Maharashtra (Rs 1,312 crore), followed by Rajasthan (Rs 912 crore).

One of the major factors for delay in claims payment is non-payment of premium by both the Centre and the states. The Centre was yet to pay its share worth `3,163 crore while states were at default for about Rs 2,848 crore (until June 17).

There were about 19 lakh lower enrolments of loanee farmers during kharif 2018 from a year-ago level. However, a similar increase in the number of non-loanee farmers helped to keep the overall enrolment at same level. Maharashtra witnessed highest 21% increase in coverage of non-loanee farmers to 82.22 lakh.

The focus of political parties and state governments on loan waiver is perceived as a major factor to drag down the enrolment of farmers which was at 4.03 crore during kharif 2016, the first season after the PMFBY was launched. In the crop insurance business, PMFBY has about 90% share while the other scheme, RWBCIS, has the remaining 10%.

In a matter of three years, PMFBY has become the third largest line of non-life insurance business in India. The insurers are estimated to have made a surplus of over Rs 20,000 crore in the first five crop seasons (data as of June 17, 2019). But their profit could be around Rs 13,500 crore after factoring in at least 10% (of the gross premium) expenditure on reinsurance and other administrative expenses, sources said. The expense ratio is about 10-15% of the premium collected by the firms.

Of the 12% (of sum insured) premium paid for PMFBY, farmers pay only two percentage points (kharif season) while the remainder is split equally between the Centre and the states.

(The writer is Prabhu datta Mishra.)

Source

[TOP]

Boot out private players, let govt handle crop insurance, farmers' body writes to PM - The Indian Express – 23rd June 2019

The Khedut Samaj, Gujarat has written to Prime Minister Narendra Modi asking that private insurance players be removed from the Pradhan Mantri Fasal Bima Yojna (PMFBY), and that a Bharatiya Krushi Bima Ayog be set up instead, whereby government officials collect premiums and address farmers' claims.

The farmers' body also wants the Union government to introduce a cattle Insurance scheme for the benefit of cattle rearers.

South Gujarat president of Khedut Samaj, Gujarat, Jayesh Patel (Delad), wrote to the Prime Minister on Saturday afternoon on behalf of the state's farmers. A copy of the letter written in Gujarati is with The Sunday Express.

Khedut Samaj says that 17 lakh farmers in Gujarat are registered with the PMFBY, which was started in 2016. Last year, they paid a premium of Rs 3,022 crore, while they got around Rs 2,100 crore in claims from the private insurance companies. "In the past three years, private insurance companies earned a profit of Rs 12,000 crore through schemes given to farmers," Speaking to The Sunday Express, Patel said, "Those farmers who were taking loans had to compulsory go for PMFBY, but there are many farmers who do not face the problem of water for irrigation, and they had to suffer great loss. The private insurance company takes premiums in crores of rupees, but fails to pay claims of the farmers or they pay less. We have suggested that Central government form a Bharatiya Krushi Bima Ayog, so that the profit goes to the government and not to private insurance companies."

Speaking about their request for a cattle insurance scheme, he said, "India tops the world in milk production, so cattle too should be covered by insurance. Presently, those involved in animal husbandry take cattle insurance from private companies. The premium is 8 per cent, which means the cattle rearers have to pay Rs 5000 as premium per animal. In PMFBY, the state and Centre jointly gives a subsidy on the premiums. Similar subsidy should be given to cattle rearers under a Union government sponsored cattle insurance scheme."

Khedut Samaj, Gujarat also plans to seek a meeting with the prime minister to personally inform him of their requests for farmer welfare.

[TOP](#)

Source

INSURANCE CASES

Panchkula: Consumer Forum directs private hospital, insurance firm to pay Rs 1.10 lakh for wrong treatment - The Indian Express – 25th June 2019

The complainant and patient, Parveen Singal of Panchkula, had been getting her treatment for breast cancer at the Alchemist Hospital of Sector 21, Panchkula. She said for her chemotherapy, a medicine was required to be injected into her veins

The Consumer Forum directed the Alchemist Hospital at Panchkula, and its insurance firm, the New India Assurance Company to jointly pay Rs 1.10 lakh jointly to a breast cancer patient for improperly injecting the chemotherapy medicine during the treatment, which caused her pain, swelling and redness on her arm.

Advertising

In the judgment released on June 20, the forum, while holding that there was lapse and deficiency on the part of the Alchemist Hospital, also mentioned that the New India Assurance Company cannot escape the liability by stating that there was a breach of the terms and conditions of the insurance policy. Thereby, it directed the hospital and the insurance firm to jointly pay an amount of Rs 50,000 to the complainant on account of the permanent scar on her right forearm, another Rs 50,000 on account of physical pain and harassment, and Rs 10,000 as cost of litigation.

The complainant and patient, Parveen Singal of Panchkula, had been getting her treatment for breast cancer at the Alchemist Hospital of Sector 21, Panchkula. She said for her chemotherapy, a medicine was required to be injected into her veins. On October 20, 2016, the medicine was injected by the doctor and staff of the hospital in her forearm. However, after the injection, some part of it extravagated, which resulted into pain, redness and swelling on her forearm.

Singal, then, consulted Dr. Rupali Garg of the hospital, who advised her to apply ointment and take tablets orally, but there was no relief. Singal, wife of a Lieutenant Colonel (Indian Army), also visited the Command Hospital, but her condition did not improve. The doctor there suggested "excision and split skin grafts". Since the pain was intolerable and blood was oozing out of the wound, she approached another private hospital at Mohali, where she spent a hefty amount. Thus, Singal filed a formal complaint against the Alchemist Hospital on October 11, 2017, at the Consumer Forum of Panchkula.

The Alchemist Hospital in a reply submitted that incorrect insertion of the IV drip on peripheral line is common during medical procedure. Their hospital has a standard protocol to remove the drip as soon as any swelling is visible and their staff, as per the standard procedure, removed the drip as soon as the initial signs of redness and swelling were shown. Dr.Rupali Aggarwal had prescribed her the medicines usually recommended to reduce swelling and pain. The complainant was suggested to come for a review, if the discomfort continued, however, the complainant never came back for any follow-up.

The New India Assurance Company, submitted a separate reply and said that the complainant has to prove what the doctors had done and what they had failed to do, as per the standard-prescribed documented procedure, as per medical literature. They also said that they have not been informed by the hospital or the complainant, thus, there is a breach of the terms and conditions of the insurance policy.

Meanwhile, during the hearing of the case, medical literature related to the complications of chemotherapy were considered, following which, the forum had concluded that,"Extravasation is a severe complication of chemotherapy. Prevention by adequate guidelines of chemotherapy administration and training of nurses is of utmost importance. In case of extravasation, correct treatment according to the specific drug should be given."

The forum, in its judgment held that, "...Facts itself speak that this case was taken as a case of general administration of medicine through IV, whereas, special care and precaution were required to be taken in case of chemotherapy, looking at the dreaded complication of extravasation...Though we are conscious of the fact that extravasation may happen despite all the care to prevent. However, in this case, there is no evidence of any special care taken and specialized staff appointed or immediate treatment action followed on reporting of swelling and redness at the injection site and even thereafter..."

(The writer is Jagpreet Singh Sandhu.)

TOP

Source

SURVEY & REPORTS

55% Indians buy insurance via agents and brokers: pwc-cii report – Outlook – 25th June 2049

When I was a child, I have seen people in the age bracket of 40 to 50, calling agents at home to buy their insurance product. But today in 2019, when I am an adult, things have not changed much. Amid the massive digitisation going on in India if one thinks of getting insurance plan, one thing that strikes one's mind is that he will have to go through lot of formalities and eventually that will cost lot of his time. And thus the recent report by PwC India, a consultancy firm, done along with the Confederation of Indian Industries (CII) testifies to the fact that Indian's are reluctant to buy Insurance product directly. The report says that 55% of Indians still buy insurance products via agents or brokers.

The report titled as Competing in a new age of Insurance - How India is Adopting Emerging Technologies, also put forward that convenience plays a big role when It comes to buying an insurance product. That is the only reason that 55% Indians resort to this option of turning to agents in order to purchase their Insurance product. And 41% people opted convenience as the reason for buying these insurance product from the brokers and from agents too. For reaching to this data around 200 people, agents, Insurers were interviewed for the report.

Sandeep Ghosh, an expert talking about the possible reasons for this, says: "People don't wake up in the morning, thinking to buy a life product. It's not a sexy product. It is a latent need and its not an obvious need fundamentally across the world. It is a product that needs to be explained. It's not absolutely mandatory. The people are buying it via agent or broker because it's a push product and it needs an intermediary."

Also, the report came out with some significant observations and one is that the insurance penetration rate in India has not witnessed a drastic jump over the years. And insurance penetration in India has increased from 2.17 per cent in 2001 to 3.69 per cent in 2017. However, the global penetration of insurance stands at 6.19 per cent, which is far ahead of India.

Buying insurance also comes up with certain formalities and that also includes documentation. And according to many experts, they are complex and are not understandable to ordinary people, thus the role of an intermediary becomes inevitable. So young population who survives and thrives on the Internet finds it bit difficult to go for it.

Keeping in mind the complexities and formalities associated with buying insurance products, Sandeep Ghosh added that there is a strong need to make the process of buying an insurance policy smooth and completely tech-centric. Giving suggestion on how can we improve and what necessary things the companies should do, he says: "As a young population is digitally savvy, the propensity to buy things online is much higher among them. So these instruments should be clicks away and they should be made accessible and should be made such that anyone can buy after making five clicks on the phone and need not to fill five pages or multiple forms. And making these changes for sure will appeal millennial."

Now, after this report comes into the fore, it becomes imperative for the insurance companies to make the process bit simpler so that more and more people buy the insurance policies on Internet without resorting to agents and brokers.

(The writer is Rajat Mishra.)

Source

TOP

Retirement-related life goals becoming a priority among millennials in India: Survey – Financial Express – 24th June 2019

The country is currently focusing on unconventional life goals, such as entrepreneurship, travel, health, and fitness, according to the Bajaj Allianz Life Preparedness survey 2019, based on India's Life Goals. This comprehensive study was conducted by Kantar IMRB, along with Bajaj Allianz Life Insurance, and was brought in to identify the life goals, aspirations of India and how Indians are preparing to get them done.

As per the survey, Bajaj Allianz Life India's Life Goals Preparedness Index is 53. The Preparedness Survey 2019 was conducted on a total people of 1681, who were met and interviewed, across 13 metros, from Tier 1 and emerging Tier 2 cities. The Preparedness Index across India, age groups and geographies stood in the 22-55 range.

Though the conventional goals of owning a house, spending time with family and having financial freedom after retirement are part of the top objectives of the survey, other emerging aspirations indicated that Indians are also serious about work-life balance.

According to the survey, more than 40 per cent of women in the survey have health and fitness goals and one in three aspire to travel to new and exotic locations. Commenting on the survey, Tarun Chugh, CEO, Bajaj Allianz Life Insurance, said, "Travel is becoming a mainstream goal with one in four Indians wanting to travel abroad. One in three Indians is talking about fitness and health as a goal. Women are also turning out to be more oriented towards travel and health than men."

A few of the unconventional findings of the survey are as under:

The new-age Indians are no longer playing it safe and are willing to put in an effort and take the risks. Retirement-related life goals are becoming a priority, especially amongst Indian millennials. For instance, 2 in 5 Indians have retirement-related life goals; more so in metros, where every 1 in 2 people has a retirement-related life goal.

Amongst Indian millennials, retirement-related life goals feature in the top 5 life goals, and 42 per cent millennials consider it as their life goal. More than 1 in 4 millennials in metros aspire to retire rich by growing their wealth.

1 in 3 respondents cited a focus on health and fitness as a life goal. 1 in 3 Indians have a health or fitness related life goal, and being physically and mentally fit was amongst the top 10 life goals of Indians.

Travel is also catching-up as a part of the mainstream culture. 1 in 4 respondents wants to travel abroad or travel to new exotic locations.

1 in 2 respondents seek a balanced life, which straddles work-life balance, reliving a passion and leading a peaceful life.

Philanthropy is a new-age life goal that emerged as well, clearly showcasing that Indians are keen on creating social impact. 1 in 5 respondents said one of their life goals is the need to give back to society. Philanthropic avenues included providing employment opportunities, support another's a dream or imparting knowledge through teaching.

(The writer is Priya darshini Maji.)

Source

[TOP]

PENSION

PPF and other small savings schemes set for interest rate cut – Mint – 27th June 2019

The rate of interest on small savings schemes like PPF and other post office deposit schemes are set to see a downward revision. The government will soon announce interest rates for small savings schemes for July-September quarter. And in all likelihood, they are likely to see a cut in interest rate in the wake of a falling bond yields, say analysts. The interest rate on small savings schemes including PPF had seen a sharp hike in October-December quarter and since then they have remained steady.

"Interest rates and bond yields have been on downward trajectory in the backdrop of accommodative policies of global central banks. We can expect that interest rates on small saving schemes also to tag along that path," said Jagan nadham Thunuguntla, senior vice president and head of research at Centrum Broking.

However, he does not expect a big cut in small savings rate. “Considering the sensitivities involved in small saving schemes, we can expect balanced approach in rate cuts in these schemes," he added. Rama lingam K, chief financial planner at holisticinvestment.in, also does not expect a major cut either. "If you are retired or have enough allocation in equity and want safe debt investments, then you can consider small saving instruments," he says.

Currently, interest rate on the PPF and the 5-year National Savings Certificate remain at 8% while the 5-year Monthly Income Scheme fetches 7.7%. Schemes like Senior Citizens Savings Scheme and Sukanya Samriddhi account could continue to fetch higher interest rates than other small savings schemes given the social objectives of the schemes. Currently, interest rate for the five-year Senior Citizens Savings Scheme fetches a higher rate of interest of 8.7% while the popular girl child savings scheme Sukanya Samriddhi 8.5%.

The yield of the benchmark 10-year bond has fallen below 7%, a sharp reversal from 8%-plus yields in September 2018. A drop in global prices, easing from other global banks have allowed the Reserve Bank of India to cut rates three times so far this year amid subdued inflation. The central bank has also signaled that it will adopt policies to support growth.

This month top lenders such as ICICI Bank and Axis Bank have cut their interest rates on deposits. Generally, an interest rate cut in deposits is seen as a precursor to a lending rate cut. Sanjiv Bhasin, executive vice president of IIFL Securities, says that a cut in small savings rate will also help banks bring down deposits rates further, thus lowering the overall interest rate in the financial system.

TOP

Source

Budget 2019: PFRDA proposes these 2 changes in Atal Pension Yojana – Financial Express – 27th June 2019

Union Budget 2019 India: Atal Pension Yojana (APY), the government-sponsored pension plan primarily targeted at the unorganised section of society, may go for an overhaul in the upcoming Budget 2019-20, to make it more attractive and cater to a larger section of population. As of now, only those who are up to the age of 40 can join the scheme while the maximum monthly pension from age 60 of the APY subscriber are capped at Rs 5,000. The fixed and assured pension is guaranteed by the government of India.

However, several investors may have been put off by the maximum pension cap of Rs 5,000 and, thus, refrained from joining the APY scheme. Also, the maximum age limit of 40 years may have kept several others who wanted to join but were unable to do so because of the age mandate.

Going forward, APY may relax these conditions as the Pension Fund Regulatory and Development Authority (PFRDA) has submitted a proposal to the Ministry of Finance (MoF) to increase the limit of pension and also the age limit under Atal Pension Yojana. As per MoF, the proposals are under examination in consultation with PFRDA. It appears that the age limit may be enhanced to 50 years while the maximum pension may be doubled to Rs 10,000 a month.

Currently, APY is open to all citizens of India between 18-40 years of age. Only those who have a bank account are eligible to join APY and have to give a mandate for the auto-debit facility to their account for monthly APY contributions.

One has to keep contributing on a monthly basis towards APY till the age of 60 after which the government will start providing a lifetime pension to the subscriber. Depending on the contribution, the amount of pension will vary between Rs 1,000 and Rs 5,000 a month. The same pension would be paid to the spouse of the subscriber and on the demise of both the subscriber and spouse, the accumulated pension wealth is returned to the nominee.

Under the APY, the subscribers would receive the fixed pension of Rs. 1000 per month, Rs. 2000 per month, Rs. 3000 per month, Rs. 4000 per month, Rs. 5000 per month, at the age of 60 years, depending on their contributions, which itself would vary on the age of joining the APY. The contribution levels would vary and would be low if the subscriber joins early and increase if he joins late.

For example, to get a fixed monthly pension between Rs. 1,000 per month and Rs. 5,000 per month, the subscriber has to contribute on a monthly basis between Rs. 76 and Rs. 376, if he joins at the age of 25 years. For the same fixed pension levels, the contribution would range between Rs. 181 and Rs. 902, if the subscriber joins at the age of 35 years.

It remains to be seen if Budget 2019 proposals relax the pension limit as well as the age for the benefit of a larger section of the population. Lack of adequate pension schemes with assured returns will make APY in its new version more popular than before. As an investor, it is still important to save for long term pension needs through equity mutual funds and do not entirely rely on assured return schemes.

(The writer is Sunil Dhawan.)

TOP

Source

Govt considering hike in pension age limit under Atal Pension Yojana – Mint – 26th June 2019

The Pension Fund Regulatory and Development Authority (PFRDA) have submitted a proposal to increase the limit of pension and age which the government is looking into. The proposal, under the Atal Pension Yojana (APY), is being examined by the government, said Union Minister of Finance Corporate Affairs, Nirmala Sitharaman in a written reply to Parliament.

The APY is based on defined benefit for providing a guaranteed minimum monthly pension of ₹1,000/ ₹2,000/ ₹3,000/ ₹4,000/ ₹5,000 at the age of 60 years based on the pension amount chosen. The scheme is available to account-holders between the age of 18 to 40 and offers a minimum guaranteed monthly pension of between ₹1,000 and ₹5,000, depending on the customer's contribution which starts at as low as ₹42 per month.

In addition, the spouse gets a monthly pension after the death of the subscriber and the nominee gets the corpus amount of up to ₹8.5 lakh in the event of the death of the subscriber and the spouse. As per the APY rules, from the age of 60 years, a subscriber would receive a minimum guaranteed pension of ₹1000-₹5000 per month, depending upon his contribution. The same pension would be paid to the spouse of the subscriber and on the demise of both the subscriber and spouse, the accumulated pension wealth is returned to the nominee.

TOP

Source

Making NPS more attractive for investors – Mint – 25th June 2019

Come Budget time and the buzz on expectations from the common man intensifies. This year is no different. Given the focus of the government in the past on pension for all through the National Pension Scheme (NPS), there is much expectation that the government would make this initiative more attractive.

While NPS is being projected as an alternative to the provident fund scheme, it is yet not as popular. Let us understand more about this scheme.

NPS is open to all citizens of India in the age group of 18-60 years, can be an employer-driven scheme or be subscribed to in the individual capacity. The scheme is portable and gives the subscriber a choice of funds/investment options to choose from. It is also open to non-resident Indians and can be accessed online. NPS has a lock-in period, while partial withdrawal is permitted for specified purposes; significant portion of the contributions to NPS cannot be withdrawn until one reaches superannuation.

Upon withdrawal, 40% of the accumulated amount has to be utilised to purchase annuities and only the remaining 60% will be paid as lump-sum. Clearly, the NPS is focussed on providing pensions during the post-retirement sunset days, and is not comparable to the Provident Fund scheme, which ensures lump-sum savings.

Investors in NPS tend to compare the scheme's architecture, which has mandated the purchase of annuity to provide for sustained regular income post retirement, with other options such as mutual funds, monthly income schemes and systematic investment plans etc. that may be perceived to be more attractive.

One of the concerns that investors in NPS have, is the tax impact. Favourable tax regimes still seem to be one of the major drivers that determine investment decisions. In the case of NPS, individuals' contributions qualify for deduction under Section 80C subject to the overall ceiling of ₹50,000 (which includes all other eligible investments such as PF, PPF, LIC premia etc.). An additional deduction, specifically for contribution to NPS is available up to a ceiling of ₹50,000 under section 80CCD (1B). Further, contributions made by the employer under the corporate model are also eligible for deduction up to 10% of defined salary.

So how is this very different from the tax treatment of PF? The answer lies in the structure and taxation of withdrawals. We have already seen that NPS does not permit 100% withdrawal unlike PF. While the mandatory transfer of 40% to annuity is tax exempt, out of the 60% that can be withdrawn as lump-sum, only 40 percent is tax-free and the remaining 20% would be subject to tax. Add to this taxation of annuity on receipt and the taxation scale seems to shift against NPS. As we know, PF continues to enjoy the "EEE" regime, which translates as "zero" tax on contribution, accrual and withdrawal. So when NPS is compared with other alternatives that a taxpayer has, clearly there is a need to realign NPS to a more tax-friendly mode.

The government has recognised this and has taken steps for enhancing the lump sum withdrawal limit to 60%. The Union Cabinet had approved the change in 2018 itself and it was expected to find a place in the interim Budget. Hence, this ranks high on the expectation list. The government could also exclude annuity from the tax net in the Budget proposals. Another area that could help in bringing investors back to NPS would be the option to change investment patterns/funds at any given time. While subscribers under the active choice mode do have the option to change the investment pattern, this can be done twice a year, which could be viewed as restrictive. By relaxing this provision and thereby permitting subscribers to change the investment pattern freely, anyone willing to take a higher risk could get better returns while those who want to take the safe route would also be protected.

It is also worth mentioning that currently, Tier II contributions are not eligible for deductions and it is available only for Tier I contributions. While there were reports that the government is exploring the possibility of removing this differentiation, it has not yet seen the light of the day. Extending the benefit of deduction to Tier II contributions would be a welcome change that can alter the dynamics for NPS.

Though the list of expectations from the Budget can be endless, it remains to be seen if and what would be fulfilled. With employment levels at a record low and a slowdown in GDP, the government has its task cut out in the Budget. It may be a challenge to provide tax sops that could further dent the exchequer.

The impact on the exchequer in respect of the above proposals would not be immediate and if implemented in the current Budget, could go a long way in making NPS an attractive pension scheme inviting more investments.

(The writers are Saraswathi Kasturirangan and Radhika Viswanathan.)

TOP

Source

India: Regulator seeks to enhance unorganised sector's pension scheme - Asia Insurance Review

The Pension Fund Regulatory and Development Authority (PFRDA) has submitted a proposal to enhance the government backed pension scheme, Atal Pension Yojana (APY), so that it would appeal to a wider subscriber base.

It appears that the age limit may be raised to 50 years while the maximum pension payable may be doubled to INR10, 000 a month, reported Indo-Asian News Service.

The PFRDA proposal is being examined the Ministry of Finance. Expectations are that APY, which targets the unorganised segment of society, may see an overhaul in the 2019-20 Budget to be unveiled on 5 July.

Currently, APY is open to all citizens of India between 18-40 years of age. Only those who have a bank account are eligible to join APY and have to give a mandate for auto-debit APY contributions from their account. Contributions have to be made monthly till the age of 60 after which the government will start providing a lifetime pension to the subscriber.

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GLOBAL NEWS

South Korea: New rules capping insurers' debt issuance take effect on 1 July - Asia Insurance Review

The Financial Services Commission (FSC) has announced an amendment to the Insurance Business Act introducing restrictions on Korean insurers' issuance of hybrid securities that take effect on 1 July 2019.

Under the revised Act, Korean insurers will be permitted to issue hybrid and subordinated debt securities combined up to 100% of their equity capital in the previous quarter. Currently, insurers are allowed to issue subordinated debt securities up to 100% of their equity capital, with no limits on their hybrid debt issuance, says Moody's Investors Service.

In an article in the 26 June edition of "Moody's Issuer Comment", the international rating agency says that the restrictions are credit positive for Korean insurers because the issuance cap will rein in financial leverage, which has been rising and adding to insurers' interest burden since the insurers were given permission to issue hybrid securities in 2016. Hybrid and subordinated debt issuances exceeded KRW3.5tn ($3bn) in both 2017 and 2018. This has added significantly to the industry's financial leverage and interest expense.

In particular, this measure aims to ease pressure on midsized insurers because their weak profitability and limited internal capital generation capability make these insurers more vulnerable to the risk of high financial leverage and interest burden.

There are nine insurers which have issued hybrid securities since 2016, and among them a few midsized insurers are already close to the 100% threshold in their hybrid and subordinated debt issuances. The strong share of hybrids in some issuances warns of additional credit risk from an elevated interest burden. Typically, insurers bear higher interest rates on hybrid securities over subordinated debt to reflect the hybrid securities' structural subordination to subordinated debt and longer maturity.

Capital
However, the issuance cap will challenge insurers' reliance on debt issuance to keep risk-based capital (RBC) compliant to Korea's tightening capital regime. A gradual phased-in implementation of a tighter local RBC regime in 2016-20, and the adoption of International Financial Reporting Standard 17 and the Korean Insurance Capital Standards by 2022, have prompted many insurers to strengthen their capital using the issuance of hybrid and subordinated debt securities. Under the current local RBC regime, both hybrid securities and subordinated debt are recognised as available capital.

The new rules will limit these channels and potentially increase pressure on some weaker insurers to keep their RBC ratio above the recommended 150% threshold as the capital regime tightens further. For those insurers whose ratio of subordinated debt and hybrid to shareholders' equity is close to 100%, Moody's expects them to have to raise equity capital, lower shareholders' dividend payout or slow down their growth if they would need to strengthen their capitalisation to meet capital requirements.

The FSC said that if an insurer encounters difficulty meeting the regulatory minimum capital level because of the new restrictions, it could treat the case as a special circumstance and grant a waiver to the insurer until 2022. The article was written by Young Kim, analyst; Gil Jo, associate analyst and Sally Yim, associate managing director, all from Moody's Financial Institutions Group.

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Electric cars & AI will usher in a new era of motor insurance - Asia Insurance Review

The introduction of electric cars will be the single biggest change to the motor industry in the near future, said Ventures One Asia CEO Anthony Hob row, who chaired the 7th Asia Motor Insurance and Claims Management Conference which opened yesterday in Bangkok.

“It is forecast that with the dominance of electric cars, oil demand will drop by 58m barrels a day,” he said while delivering his opening address. He added that the electric cars which have been sold to date alone are saving 350,000 barrels of oil a day.

“My feeling is that electric cars will become the norm and will be the only socially accepted transport vehicle,” said Mr .Hob row. He also said that the use of electric cars in the future will give rise to autonomous ride sharing fleets and commercial trucking.

Asia – the growing motor powerhouse
In his welcome address, Thai General Insurance Association executive director Kheedej Anan siriprapha talked about how much Asian markets have changed in the last decade or so and how the region has taken a large portion of market share when it comes to car sales and production.

He added that Asia has surpassed Europe in car sales and is now responsible for more than 50% of global car production. Mr .Anansiriprapha also talked about autonomous vehicles (AV). Despite reports claiming that AVs are generally safer than human driven vehicles, he suggested that the results would vary by region.

He said that AVs would run into far more problems when attempting to navigate traffic in some Asian countries like Thailand as opposed to the road conditions found in the US or Europe. Mr.Anansiriprapha also spoke of some other challenges facing the Asian motor insurance industry.

Many Asian countries will face, or are already facing, the issue of an ageing population. He said that eventually, motor insurance will need to take into account the number of elderly drivers on the road. He also talked about the need to address insurance fraud in order to stem the tide of shrinking profitability in motor insurance.

Digitising claims management

One method of minimising losses from fraud incidence that has been gaining traction over the last few years has been the use of AI in claims processing. Merimen Technologies (Thailand) director of Thailand operations Ms. Bussakorn Thonglop said the use of AI, in addition to digitising the entire claims process, could speed things up, reduce customer complaints and lower operational costs.

She said that traditional methods of claims management require steps like the surveyor going on site to assess the damages of an incident. She added that this is very time consuming and could be costly, particularly in cities like Bangkok, where traffic congestion is commonplace. MsThonglop talked about how the use of remote access video and photos to assess the situation in real time could save time and cost as the surveyor would not need to battle through traffic.

She also said that most manual methods lack consistency. These manual systems rely on people and because everyone is different, there will inevitably be a lack of consistency. She added that it was important to digitise systems because people come and go, but the system can stay in place.

Saving money and saving lives

The importance of education when it comes to road safety and motor-related risks was also on the agenda. Reducing the incidence and severity of motor accidents could increase GDP growth, according to International Federation of Red Cross and Red Crescent Societies, Global Road Safety Partnership, Asia Pacific programme manager Blaise Murphet.

During his keynote address, Mr. Murphet said that road crashes are the number one cause of death globally for youths between the ages of 5 – 29. While loss of life is always tragic, the loss of life of young people due to road crash deaths arguably takes away a greater number of potentially productive years which could ultimately affect GDP growth.

Mr. Murphet went on to emphasize the need for proper education at a young age to make people more aware of the risks involved when being on the road. He said that the power of technology, alongside public-private partnerships would be essential in educating communities on importance of understanding and managing these risks.

The two-day conference, organised by *Asia Insurance Review*, has for its theme "The Bread and Butter of Motor Insurance - From the Old World to the New Era". The conference is sponsored by Merimen, which is a Software as a Service (SaaS) provider for the motor insurance industry.

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Australia: Govt sets out priorities in superannuation reform - Asia Insurance Review

The Australian government has prioritised its response to two separate reviews of the superannuation system by focusing on recommendations from the two exercises that overlap, said Ms Jane Hume, who became Assistant Minister for Superannuation, Financial Services and Financial Technology in May.

For example, the government has accepted the recommendations to realign the roles of the superannuation regulators and to make Australian Securities & Investments Commission (ASIC) the lead conduct regulator in superannuation, and the recommendation that people should only have one default account, she said in her address at the SMSF Association Investor Expo last week. The SMSF Association is an independent, professional body representing Australia's self managed super fund sector.

The reviews were carried out in recent years by the Productivity Commission and the Financial Services Royal Commission.

The Productivity Commission Inquiry report, which says the superannuation system as a whole has served Australians reasonably well, contains 31 recommendations. Some key recommendations include:

- one default superannuation account for each person
- elevated outcomes tests for all APRA-regulated funds to remove persistently underperforming products;
- an independent superannuation member advocacy body; and
- changes to the role of the regulators.

The Financial Services Royal Commission has made 15 recommendations, and one additional measure, specifically for the superannuation industry. These include:

- clarifying ASIC and APRA's regulatory roles and powers in superannuation, with ASIC becoming the primary conduct regulator.
- protecting members by clarifying and strengthening the anti-hawking provisions and limiting the deduction of advice fees.

So far, the government has passed legislation to fully enact two recommendations of the Royal Commission relating to superannuation.

The government is continuing to address the remaining recommendations and will be consulting with relevant regulators and industry throughout the year. It is considering the Productivity Commission's recommendations for improving outcomes for default members.

Ms Hume said that it is incumbent on the government to make sure the compulsory superannuation system - where nearly $1 in $10 is quarantined for as much as 40 years—is working in the best interests of members—first and foremost.

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China: 20% of auto insurance claims reportedly fraudulent - Asia Insurance Review

Fraud leakage in China's motor insurance sector is about 20%, according to the 2019 China Insurance Industry Intelligent Risk Control White Paper" jointly issued by the Insurance Institute of China and the FinTech SaaS provider One Connect.

Motor insurance represents the largest line of business, accounting for over 50% of total non-life premiums.

The paper highlights other major issues in the Chinese insurance industry. These are:

- The comprehensive cost ratio is high, with the average comprehensive cost ratio of property insurance companies as high as 100.1%. For small and medium-sized property insurance companies, the average ratio is as high as 109.0%. The high ratio is attributed to commission rates and management costs.
- Agent turnover rate is high with the one-year retention rate being less than 50%, and talent management is a challenge.
- Weak customer interaction with the frequency of contact with customers averaging 1-2 times a year.

The white paper says that developing InsurTech would help insurance companies develop their business and manage risk. The application of InsurTech has expanded to all aspects of insurance operations, including product, marketing, underwriting, claims and customer services.

However, small and medium-sized insurance companies face challenges in adopting InsurTech because this involves large investments, a long development cycle and rapid technology changes and such insurers lack funds, talent and capabilities.

The paper points out that small and medium-sized insurance companies could turn to third-party InsurTech providers and use cloud services to quickly and effectively build and enhance their risk management capabilities. At the same time, they could establish industry alliances to share data resources.

The white paper stresses that technology itself is insufficient. The industry and authorities must crack down on and deter insurance fraud, establish industry standards for risk management and build a shared database.

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China: Agricultural insurance business shows rapid growth - Asia Insurance Review

China's agricultural insurance premium income has maintained a steady and positive growth in recent years, rising to CNY57.3bn ($8.3bn) in 2018 from CNY30.7bn in 2013. Data compiled by *Beijing Business News* show that in the 2013-2018 period, agricultural insurance premium income was as follows:

Year	Premium CNY bn	Change over previous year
2013	30.7	27.4%
2014	32.8	6.3%
2015	37.5	15.1%
2016	41.8	11.4%
2017	47.9	14.7%
2018	57.3	19.5%

Despite the growth, agricultural insurance experts say that there are still difficulties faced in this line of business. One issue is difficulty in determining agricultural insurance premium rates. This is attributed mainly to the lack of basic data and the strong voice of local governments in pricing.

For instance, determination of premium pricing requires price data, production data, and information about the relationship between income and price. However, the prices of bulk agricultural products are controlled by the state, resulting in a lack of market-oriented price information. In addition, output data are not very accurate.

Some agricultural practitioners said that at present, policy-backed insurance products account for more than 90% of agricultural insurance business. Thus, underwriting, claims and pricing are decided by relevant government departments and insurance companies.

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Sri Lanka: State owned insurer declares record bonus for life policyholders - Asia Insurance Review

State owned Sri Lanka Insurance Corporation (SLIC) has declared its biggest life insurance bonus of LKR7.7bn ($43.6m) for the year 2019 to its life insurance policyholders, chairman Mr K A Vimalenthirarajah, says in the company's annual report for 2018.

SLIC said the amount is also the largest life insurance bonus ever to be declared in the insurance industry of Sri Lanka. The annual report said, "SLIC has declared almost LKR50bn in total as life insurance bonuses since 2009. This is ample evidence of the company's commitment to providing the highest returns while protecting its policyholders through wise investment management."

The composite insurer's life insurance business grew by 5.59% to LKR13.217bn last year, compared to 2017. The retail channel contributed 90% to life business. The general Insurance business experienced a slight decline of 3% to LKR18.56bn in terms of GWP.

Profit from both lines of business after tax was LKR5.2bn in 2018 against LKR4.5bn in 2017. The value of the Life Fund increased by LKR6.8bn to reach LKR105.4bn, a growth of 7% over 2017. The general insurance technical fund saw a growth of 4%, an increase of LKR678m to reach LKR17.8bn.

Strategy

Mr. Vimalenthirarajah said, "The strategy we drive now is to expand the market for younger people who seek to purchase insurance. Our strength has been our heritage and brand value that has thus far appealed to a large and long-standing customer base.

"Thus, we launched a rejuvenated look with a fresh new logo that still respects our heritage. Our online insurance portal meets the needs of younger customers for user-friendly products that they can interact with in real-time. Customers can now purchase and manage their insurance policies and pay their insurance premium payments through the portal."

He added, "Our new strategies will see us identifying and tackling the parts of our business that are not performing optimally, taking corrective measures to boost their value addition to the Company. We will identify gaps that exist in the market that can be addressed with innovative new products and modify existing products to better suit the changing needs and lifestyles of our customers that we serve."

He also said, "As we move forward, there are developments taking place in the market right now that we need to be mindful of. Changing lifestyles, emerging market patterns, the impact of globalisation, the Internet and communications technology – all of these will have deep and long-lasting effects on how we conduct business in the marketplace that will require us to re-engineer ourselves. New opportunities are emerging in areas such as trade, marine, and real estate (such as the increase in apartment buildings) where we can meet the demand for new relevant insurance products.

"Furthermore, we will explore a fresh approach to government and corporate institutional business. We hope to see changes to the regulatory environment that are more accommodating of the unique situation of our country and its people. A new tax regime and regulatory mechanisms together can help to ensure a level playing field in the industry."

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Malaysia: Central bank to regulate insurance aggregation platforms - Asia Insurance Review

Insurance and takaful aggregation business will be regulated by the Bank Negara Malaysia (BNM) as a new category of registered business under the Financial Services Act (FSA), the central bank said in a statement released last week.

Once this new category of registered business comes into effect, insurance and takaful aggregators approved by the Bank under the Financial Technology Regulatory Sandbox and persons intending to become a registered insurance and takaful aggregator will be required to be registered under the FSA to carry on insurance and takaful aggregation business.

BNM has issued an exposure draft which sets out the proposed requirements and guidance for the registration of a person intending to carry on insurance and takaful aggregation business and the obligations to be observed by a registered insurance and takaful aggregator at all times.

Among the various proposed requirements, the exposure draft says that a registered insurance and takaful aggregator:

- must be a company incorporated under the Companies Act;
- must disclose adequate information to facilitate consumers' understanding of its status, role and nature of business;
- must provide adequate information on the insurance or takaful products and present them in a manner that will help consumers make a comparison and informed decisions;
- must ensure transparent and impartial presentation of insurance or takaful products to avoid systematic bias that could lead to consumers making suboptimal choices;
- must undertake secure coding practices as well as intelligence-led system penetration testing for prevention against hacking and malware attacks;
- should deploy automated fraud detection system which has the capability to conduct heuristic behavioural analysis;
- must fully understand the inherent risk of adopting cloud services. A risk assessment needs to be conducted prior to cloud adoption, which considers the inherent architecture of cloud services which rely on sharing of resources and services across multiple tenants over the Internet.

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Vietnam: Insurance regulator spells out busy work agenda for 2H2019 - Asia Insurance Review

Vietnam's insurance regulator has outlined the tasks it would undertake in the second half of this year to promote the development of the industry.

Mr. hung Ngoc Khanh, general director of the Ministry of Finance's Insurance Supervisory Authority (ISA), said that in the next six months, the regulator would focus on completing the revised Law on Insurance Business as well as regulations to guide the implementation of the law according to Vietnam's commitments in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) as well as other free trade agreements that the country has signed.

The ISA will also draft policies on microinsurance, compulsory motor third party liability insurance, disaster risk insurance and public property insurance and submit them to the government for approval, reported *Vietnam News*.

In addition, the ISA will encourage the development of new products, as well as social insurance products.

1H performance

Vietnam's insurance industry saw total revenue surge by 24.35% in the first half of this year to nearly VND71.15trn ($3bn), the ISA has announced.

Mr Pham Thu Phuong, ISA’s deputy director, said besides maintaining a high growth rate, the financial status of insurance firms also improved in the period with total assets rising by 19.01% to VND423.42trn.

“During the period, insurance companies re-invested nearly VND342.87trn into the economy, marking a rise of 26.17% year-on-year. They also paid out VND18.65trn to customers, with the payouts rising by 19.61% compared with the corresponding period last year," he said.

Vietnam currently has 64 insurance entities, including 30 non-life insurers, 18 life insurers, two reinsurance companies and 14 insurance brokerage companies. There are up to 850 non-life insurance products and 450 life insurance products sold on the Vietnamese market.

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Philippines: Regulator wants insurers to hit the ground running on REITS - Asia Insurance Review

The Insurance Commission (IC) is now allowing insurance firms and pre-need companies to invest in real estate investment trusts (REIT), widening their investment channels in a bid to increase returns.

Insurance Commissioner Dennis Funa issued a circular which qualifies REITs as admitted assets for insurance companies and mutual benefit associations (MBA), and as allowable investment for pre-need companies, according to a statement issued by the regulator.

Despite the fact that a decade has passed since the REIT was passed by law as an investment vehicle, no Philippine REIT has been established.

“This can be attributed to the claim of market players that legal and administrative requirements have made investment in the Philippine REIT market difficult,” Mr. Funa said. “However, we deemed it necessary to issue the new regulation on investments in REIT by insurance and pre-need companies.”

He said the issuance of the new rule is “timely” as it ensures that insurance and pre-need industry players are well prepared, considering the amendments to the implementing rules and regulations of the REIT law, and the “Build, Build, Build” programme of the Duterte administration.

“The new regulation will allow the insurance and pre-need companies to hit the ground running as early as the first listing of a Philippine REIT,” he said. “While the Insurance Code specifically allows insurance companies to invest in REIT, it is not a self-executory provision. In other words, there is a need for the issuance of implementing rules and regulations,” Mr. Funa explained.

Under the new regulation, for investments in REITs to be treated as admitted assets of an insurance or pre-need company, the REITs must have the prior approval of the Securities and Exchange Commission and shall be limited to publicly-listed REITs only.

Mr Funa said that the aggregate placement in REITs should not exceed 10% of the total admitted assets of a life insurance company and MBA; or 20% of the total net worth of non-life insurance company or professional reinsurance firm. For pre-need companies, investments in REIT should not exceed 15% of their total trust fund.

Moreover, investments of insurers on REIT shall be subject to a risk-based capital charge of 25%, pursuant to the amended risk-based capital framework.

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