Insurance Institute of India

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INSUNEWS

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• Quote for the Week •

"Hatred does not cease by hatred, but only by love; this is the eternal rule."

– Gautam Buddha.

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Insurance Industry

Govt. considering 100 per cent FDI in insurance intermediaries - The Economic Times – 9th May, 2018

The government is considering allowing 100 per cent foreign direct investment (FDI) in insurance intermediaries with a view to give a boost to the sector and attracting more funds, sources said.

Intermediary services include insurance broking, third party administrators, surveyors and loss assessors.

The FDI policy, at present, allows 49 per cent foreign investment in the insurance sector, which includes insurance intermediaries.

Sources said that there is a need to de-link the FDI cap in insurance intermediaries from insurance companies.

Representations have been made to the government that these intermediary services should be treated at par with other financial services intermediaries, where 100 per cent foreign investment is permitted.

Further, industry experts stated that the insurance sector is being impacted due to weak distribution networks.

There is a need to strengthen the distribution network to support the sector as a whole.

Insurance penetration in the country was over 3.4 per cent against the world average of 6.2 per cent.

Back

Banks jolted by record fraud to boost insurance sales in India - The Economic Times – 10th May, 2018

The top insurance broker in India sees an opportunity to increase sales to the nation's banks reeling under a string of recent frauds.

Marsh & McLennan Cos. predicts the premium pool for insurance against fraud, robbery and other losses at Indian banks will climb as lenders bolster protection. The local unit of the New York-based company is seeing a 30 percent jump in inquiries from Indian banks, with some seeking to double their cover.

Cover for banks forms a minuscule revenue source for brokers and insurers -- annual premium payments total about 1 billion rupees ($15 million) -- as lenders would dip into their profits for the smaller frauds that were prevalent. However, while the number of fraud cases has halved over the five years through March 2018, the amount involved has tripled, culminating in the record $2 billion scam that came to light at Punjab National Bank this February.

Local lenders have insurance cover for losses of at most 250 million rupees or $3 million, while it's common to see limits as high as $500 million for similar sized global banks, according to Marsh.

"Looking at the size of operations of Indian banks, limits purchased have been grossly inadequate," said Sanjay Kedia, chief executive officer of Marsh's India unit. "As the recent cases showed, some of the claim values are substantially larger than the cover where there is forgery or alteration."

Higher Premiums

Punjab National Bank pays a premium of about 50 million rupees under which frauds by employees are covered up to 20 million rupees, Times of India reported in February, citing unidentified sources. That means PNB will have to dip into its finances to make good the losses. An email to PNB seeking detail on its coverage was unanswered.

Bank of Baroda, UCO Bank and IDBI Bank Ltd. have also disclosed frauds in 2018.

The recent frauds mean that more insurance cover for Indian banks will come with higher costs. Marsh said they will end up paying higher premiums, which could have been contained if banks maintained a decade-worth of records of losses and remedial actions.

Marsh, which says it works 35 of the top 50 banks in India, declined to share names of banks that are seeking to increase coverage citing confidentiality agreements. The company is also the top insurance and risk solutions broker in India for companies, and earns most of its revenue from these commissions.

Source

There are inquiries for raising the cover for banks manifold and conversations are underway with various lenders, said K. G. Krishnamoorthy Rao, chief executive officer of Future Generali India Insurance Co. Ltd., in an interview at his office last week.

Back

Life Insurance

Good news for senior citizens: Here's how PMVVY can ensure fixed income in old age – Financial Express – 7th May, 2018

Senior citizens can now invest up to Rs 15 lakh in Pradhan Mantri Vaya Vandana Yojana (PMVVY) offered by Life Insurance Corporation of India and get a fixed monthly payout of up to `10,000 for 10 years.

The cabinet has now approved to double the investment limit from `7.5 lakh to `15 lakh under PMVVY, a pension scheme with 8% assured returns. The decision, which follows a Budget announcement on February 1, will help senior citizens to park their retirement corpus in the assured return scheme. With this, PMVVY is now on par with Senior Citizen Savings Scheme (SCSS) of banks and post offices where the investment limit is `15 lakh. The time limit for subscription under PMVVY scheme has been extended from May 4, 2018 to March 31, 2020. The scheme, launched in May last year has benefited 2.2 lakh senior citizens.

Fixed payouts

In this pension scheme operated by LIC for citizens aged 60 years and above, if an individual invests Rs. 15 lakh, he will get a monthly pension of Rs 10,000 for 10 years. If one invests `7.5 lakh, the monthly pension will be Rs.5,000 for 10 years. Income from annuities of pension plans such as PMVVY are taxable. On death of the pensioner during the policy term of 10 years, the purchase price will be paid to the beneficiary.

The subscriber has an option to opt for pension on a monthly or quarterly or half yearly and annual basis. The differential return, i.e., the difference between the return generated by LIC and the assured return of 8% per annum would be borne by Centre as subsidy on an annual basis.

The scheme allows for premature exit for the treatment of any critical, terminal illness of the pensioner or spouse. On such premature exit, 98% of the purchase price will be refunded. One can avail loan up to 75% of purchase price after three years of the policy. The interest for the loan will be recovered from the pension installments.

Returns from SCSS

The SCSS account can be opened in any authorised bank or post office branch. At present (April-June 2018 quarter), 5-year SCSS offers interest rate of 8.3%. An individual of 60 years or more can open the account and deposit up to Rs 15 lakh. An individual above 55 years but below 60 years who has retired on superannuation or under VRS can also open account subject to the condition that the account is opened within one month of receipt of retirement benefits and amount should not exceed the amount of retirement benefits.

Investment under this scheme qualifies for the benefit of Section 80C of the Income Tax Act, 1961. Nomination facility is available at the time of opening and also after opening of account. Any number of accounts can be opened subject to maximum investment limit by adding balance in all accounts. Joint account can be opened with spouse only and first depositor in the joint account is the investor. After maturity, the account can be extended for further three years within one year of the maturity by giving application in prescribed format.

Annuity products from life insurers

An annuity is a guaranteed amount paid to a subscriber for lifetime for a lumpsum investment. There is an option to extend the pension to the spouse and even return the corpus to the child, but this lowers effective returns. Typically, annuity products offer interest rates of 6-7%, which is taxable. As a result, annuity products do not account for a high proportion of the insurance business.

Source

In case of bank deposits, for instance, SBI is offering 7.25% to senior citizens if they invest for five to 10 years. So, it makes sense for senior citizens to park a part of their retirement corpus in PMVVY.

Back

Seven 'reformed' Ulips with the lowest charges - The Economic Times – 7th May, 2018

Unit-linked insurance plans (Ulips) have been in the news ever since the Budget reintroduced long-term capital gains tax on equity investments. In the meantime, life insurers have carried out course correction–on the insistence of the insurance regulator–and removed some of the shortcomings that nearly drove Ulips to extinction. Should investors be interested?

The cost advantage

The poor reputation of earlier Ulips had much to do with the high commissions paid to distributors. This prompted sellers to push the products to policyholders who often did not have the ability to take on market risks or stay invested for the long-term. The turning point came with the market crisis in 2008-09 and the Insurance Regulatory Authority of India (Irdai) regulations of 2010. Even then, the share of Ulips in the new business premiums declined from 55% in March 2010 to 12% in December 2017. The caps on Ulip charges and five-year lock-in period came into force in June 2010.

Now, ‘reformed’ Ulips are being presented as products that can help you achieve your financial goals through disciplined investing, market linked returns and lower charges, potentially re-energising this segment.

“What we are seeing are fourth generation Ulips. The second was the revamped version that followed capping of charges in 2010. The 3G Ulips entered the scene in 2015 with an online-only model and zero premium allocation charges. Now the overall charges of products are in the range of 1.5-1.6%,” says Subhrajit Mukhopadhyay, Chief and Appointed Actuary, Edelweiss Tokio Life Insurance.

What policyholders save today are premium allocation charges, primarily commissions paid to distributors, which have been done away with. While some companies launched products with lower premium allocation charges in 2011-12 too, they had hiked policy administration charges,short changing policyholders.

Now, some have done away with policy administration charges along with premium allocation charges. Other features are a bonus. “Using the digital platform, we are able to offer Click2Invest at a very low cost,” says Chinmay Bade, Vice-President, Products, HDFC Life Insurance. Features like return of mortality charges, additional allocations by the company and loyalty additions by some insurers sweeten the deal further. This is in sharp contrast to the earlier era, when some plans charged up to 100% of the first year’s premium as premium allocation charges.

Also giving wings to Ulip enthusiasts is the imposition of long-term capital gains tax (LTCG) on investments in direct equities and equity mutual funds. Ulips have not been affected by this blow as they are treated as insurance products. Moreover, switching between equity and debt fund options in Ulips does not attract any tax either, unlike mutual funds.

These plans score over ELSS too. “Unlike SIPs in ELSS, Ulip investors can redeem the entire amount at the end of five years even if the premium has been paid in instalments. In ELSS, only units that have completed the three-year lock-in can be redeemed,” points out Pankaj Mathpal, CEO, Optima Money Managers.

The incentives for staying invested for a longer period constitute another key departure from the past when Ulips were (mis)sold as three-year policies. Higher initial charges meant that policyholders looking for a decent corpus at the end of three years were left staring at a minuscule fund value.

“Over the long term, Ulips are more efficient. If a customer has an investment horizon of over 10 years, Ulips will offer a better IRR,” claims Manik Nangia, Director, Marketing and Chief Digital Officer, Max Life Insurance.

Some old limitations remain

However, mutual funds score over Ulips in the flexibility they offer. You can redeem investments in an under-performing fund and switch to a better performing scheme. Ulips do not allow such mobility.

Also, you can stop SIPs in case of a financial crunch or if you are dissatisfied with your choice of fund and exit with minimal hassles. However, not servicing your Ulip premiums could result in your policy lapsing and surrendering the policy during the five-year lock-in period will mean shelling out discontinuance charges.

Therefore, Ulips are not suitable for those who are not confident of recurring income over five to seven years or are likely to need their money in the interim. As most low-cost Ulips are offered online, they are better suited for individuals who are tech savvy. Since Ulip returns are linked to market fortunes, you will also need to have the risk appetite to stomach fluctuations. “Risk-taking ability decreases with age, while mortality charges increase with age. Customers in the higher age bracket should take a conscious decision before purchasing Ulips,” cautions Bade.

Even on the taxation front, Ulips are not runaway winners. “Non-equity funds are eligible for indexation benefit after three years. If the returns are below inflation levels, you can claim a loss and adjust against other taxable gains, or carry forward the loss for up to eight years,” says Sudhir Kaushik, Co-founder, Taxspanner. Though equity-oriented funds are not eligible for indexation, the long-term and short-term losses can be adjusted against other gains.

For those who have suffered the consequences of being mis-sold Ulips earlier, it’s a case of once-bitten-twice-shy. “When the agent (or company) comes to me and says I am now reformed— earlier I charged you 60% in the first year and now I will not charge you a penny, and I will do what is in your best interest, my question would be: how and why should I trust them now? I would rather trade taxes for transparency and take a term cover,” reasons Shweta Jain, Founder of financial planning firm Investography.

Despite the ultra low costs of these Ulips, most financial planners still recommend a combination of mutual funds and term insurance. “Nothing can beat a term plan when the objective is protection,” contends Mathpal.

How we did it

For our analysis, we considered the online Ulips with the lowest charge structure. Some Ulips with lower charges have been left out because their overall costs are higher. We then looked at how much would be the maturity value of a 10-year policy bought by a 35-year-old female buyer. It was assumed that the Ulip earned 8%, in line with Irdai rules that allow insurers to use projected returns of 4% and 8% in benefit illustrations. Using the maturity value, we computed the internal rate of return (IRR) of the seven plans. We hope our research will help you identify the best Ulip for your needs.

WEALTH PLUS Edelweiss-Tokio Life Insurance

Amongst the latest entrants in the sphere of low-cost Ulips, Edelweiss Tokio’s Wealth Plus has done away with premium allocation as well as policy administration charges.

The core expense from a policyholder's point of view is the fund management charge, in addition to mortality charges for providing the life cover. The life insurer allocates additional units at the rate of 1% in the initial five years as an incentive, which is enhanced to 3%, 5% and 7% in subsequent five-year blocks to get policyholders to stay invested for the longterm.

For instance, if your premium is Rs 1 lakh, the insurer will contribute an additional Rs 1,000 (extra allocation) annually during the first five years. This amount will go up to Rs 3,000 and Rs 5,000 (premium boosters) from years 6-10 and 11-15 respectively.

Without mortality charges, which are linked to age, the total expense ratio for the product comes to 1.14%, according to the company. On the flipside, remember that you cannot rely entirely on this product to meet your insurance needs . Even if you pay a premium of Rs 5 lakh a year, your life cover will be limited to Rs 50 lakh, which is likely to be highly inadequate.

As per the thumb rule, your protection cover should be at least 10 times your annual income. Also, the onus of evaluating its suitability rests with the insurance-seeker, as this is an online-only plan sold through the company's website and at Policybazaar.com.

GOAL ASSURE Bajaj Allianz Life Insurance

A constant gripe of investors is that they have to shell out mortality charges under Ulips even if their sole objective is investment. With a product that 'returns' the mortality charges at maturity, Bajaj Allianz Life's Goal Assure would appeal to such investors. The Ulip does not impose any premium allocation charges, though policy administration charges are levied. Like most new-age Ulips, this one too sets out to reward policyholders for a long-term commitment.

Return of mortality charges apart, investors staying the course will benefit from fund boosters (20-60% of annual premiums for 10-20 year tenures) and loyalty additions (0.5-1-1.5% of annual premiums for 10-20 year tenures) that will enhance the total corpus.

However, the requirement of staying put for at least 10 years means that those who have to surrender in the medium-term due to liquidity needs or an emergency will lose out on key benefits of this product.

The Ulip offers a life cover of 10-20 times the annual premium. Therefore, those looking at this product to meet both insurance and investment needs will have to pay a much higher premium to get adequate life cover, which should ideally be 10-times one's annual income. Alternatively, policyholders could consider adding a pure risk term insurance policy to their protection portfolio to meet life cover requirements. This, again, means an additional premium outgo.

ONLINE SAVINGS PLAN Max Life Insurance

Max Life's Online Savings Plan is aimed at tech-savvy customers who can invest based on their own research.

The Ulip comes in two variants. Under the first plan, you can opt for a higher sum assured of up to 20-times the annual premium, while the second one is more child-focussed.

The Ulip offers a monthly 'Family Income Benefit' of 1% of sum assured that will be paid out to meet a child's recurring expenses like school fees in the event of the parent-policyholder's death. It will also fund the future premiums. The overall expense ratio of this product is low at 1.35% (without mortality charges, assuming an 8% return), while the minimum premium payable is Rs 36,000. However, it is meant for well-heeled customers — the insurance company does not recommend this product for lower income groups.

While it does offer the option of higher cover under variant 1, someone paying an annual premium of Rs 1 lakh will be eligible for a life cover of only Rs 20 lakh. The policyholder will have to look at a term cover to boost her protection portfolio. Also, more features leave scope for complications and confusion, thus necessitating robust research beforehand. You cannot exit a Ulip as easily as a regular equity fund scheme.

CLICK2INVEST HDFC Life Insurance

Amongst the first movers in the online-zero premium allocation charges space, HDFC Life launched Click2Invest in 2014. For this Ulip, the policyholder only has to pay fund management and mortality charges. While many insurers pitch Ulips only for high networth individuals, this product comes with a minimum premium of Rs 12,000 per annum or Rs 1,000 per month, making it affordable for all, especially in the context of asset management companies promoting the idea of small, yet regular, investments through SIPs in mutual funds.

However, unlike its newer competitors, it does not offer any additional benefits like return of mortality charges or fund boosters, though investors turned off by complications in the Ulip structure could see this as a positive. Simpler policies leave little scope for disappointment later as investors are more likely to be conversant with such products. Like other online Ulips, this product is also sold only through the digital platform, which calls for additional homework by the buyers. The potential policyholder has to be digitally and financially savvy enough to be able to navigate the process of evaluation and purchase.

eWEALTH SBI Life Insurance

Launched in 2015, eWealth Assurance is one of the cheapest Ulips available in this space as it does not come with premium allocation or policy administration charges. With a minimum yearly premium of just Rs 10,000, it is also within the reach of customers looking to make small, but regular investments.

On the flipside, however, the maximum premium under the product is capped at Rs 1 lakh – a dampener for those with higher investible surplus. It offers two plans – growth and balanced – with the former investing largely in equities (maximum 80%) in the initial policy years. The latter is meant for more conservative investors as the allocation in equities is relatively lower (maximum 75%).

However, policyholders are also likely to be constrained by the limited choice—once selected, the policyholder is not allowed to switch between plans. Thus, it could be better suited for investors who are conservative and yet want to partake of marketlinked returns or do not mind letting the fund manager take charge of their asset allocation strategies. It also works for individuals who are looking for simple products.

MERA WEALTH PNB Metlife Insurance

With policy administration charges of 5.5-5.6% per annum, Mera Wealth is not the cheapest new-age Ulip in the market today given that many of its peers have completely done away with this charge. The product, however, offers several customisation options. Policyholders can choose a limited premium pay term of five or 10 years, and also the option to receive the maturity proceeds in instalments. This could be of help for a nominee who may not be financially savvy and hence not capable of deploying the huge lump sum judiciously.

It offers loyalty additions from the sixth year as an incentive to policyholders to stay invested over the long term. In-built options apart, a Ulip is not as flexible as a combination of mutual fund and term plan as it provides no scope to switch in case the fund options underperform. Also, a plethora of variants could end up confusing, rather than aiding, an investor who is looking for easy-to-understand products.

iMAXIMIZE Aegon Life Insurance

Aegon Life's iMaximize plan was the second online no premium allocation charge Ulip launched, soon after HDFC Life's Click2Invest. This Ulip too is costlier than some of its competitors in the space as it features policy administration charges of Rs 100 per month, irrespective of premium paid. It offers two death benefit options.

Under option 1, in case the Ulip holder dies, the nominee will receive the higher of the sum assured, the fund value or 105% of total premiums paid. The second option is aimed at parents whose goal is to protect their child's financial future. Under the second plan – the Triple Benefit option – in case of death of the life assured during the policy tenure, the nominee will receive the following: higher of sum assured or 105% of total premiums paid, which is immediately paid The life insurer will fund the future premiums due. The nominee

will also receive an annual payout equal to the yearly premium from the date of the life assured's death till end of policy tenure.

This is meant to act as an annual income for the nominee in the life assured's absence. However, given that the maximum sum assured under the policy is 10 times the annual premium paid, the policyholder might have to look at adding a term policy to ensure adequate life cover. Also, policyholders will have to choose between options one and two right at the outset as the product does not allow modifications later.

Source

Back

General Insurance

New insurance product to the rescue of real estate developers – The Hindu Business Line – 4th May, 2018

With the Real Estate (Regulation and Development) Act, 2016 (RERA) fastening liability for any structural damage to buildings on to real estate developers, reinsurers such as General Insurance Corporation of India (GIC Re), along with other industry players, are seeking to develop a product to cover this risk.

The Act, which aims at protecting the rights and interests of consumers and promoting uniformity and standardisation of business practices and transactions in the real estate sector, has opened up a new line of business for direct (general) insurers and indirect (reinsurance) insurers, say industry experts.

According to RERA, any structural defect or defects in workmanship, quality or provision of services, or any other obligations of the promoter (real estate developer) as per the agreement for sale, is brought to the notice of the promoter within a period of five years by the allottee (buyer) from the date of handing over possession, and it is the duty of the promoter to rectify the defect without further charges within a period of 30 days.

And in the event of the promoter failing to rectify such defects within such time, the aggrieved allottees will be entitled to receive appropriate compensation in the manner as provided under the Act.

Usha Ramaswamy, General Manager, GIC Re, said her company, along with a few reinsurers, has worked on and designed a 'latent defect (insurance) policy'. It will cover the 'defect liability' of promoters of residential real estate projects as specified in RERA.

The product will be launched once the Insurance Regulatory and Development Authority of India (IRDAI) gives its approval.

Since a couple of States are looking at increasing the time period of the promoters' liability clause from five years to 10 years, the 'latent defect policy' could be tweaked accordingly, said Usha.

Source

While general insurance companies will sell the 'latent defect policy' to players in the real estate sector, reinsurers will provide reinsurance to the former.

Back

PM's crop insurance plan gets hi-tech helping hand, app to assess crop loss – Hindustan Times – 5th May, 2018

The agriculture ministry is bringing hi-tech to the Pradhan Mantri Fasal Bima Yojana (PMFBY), the National Democratic Alliance (NDA) government's flagship crop insurance programme, and making structural changes to address systemic hurdles in its implementation.

Delayed payments to farmers have marred the scheme, which was launched in 2016-17 with the promise of lower insurance premiums, higher risk coverage and faster payouts.Timely claims settlement is critical to its success.

Tussles between states and insurance companies over estimates of crop losses and computation of claims are a key bottleneck. Often, insurance companies suspect fudging of data by claimants, a senior official familiar with the matter.

For a transparent estimation of crop losses, the ministry has developed an android app and harnessed satellite technologies, such as remote sensing. A centralised web-based management information system, like the one

used for the Mahatma Gandhi National Rural Employment Guarantee Scheme, is now being used to monitor agricultural activities real time.

The number of farmers who opted for insurance fell 17% to 47.9 million in 2017-18, from 57.4 million in 2016-17. Area coverage under the scheme rose to 57.1 million hectares in 2016-17, the initial year, from 52.4 million hectares in 2015-16, when a different insurance regime was in force. However, in 2017-18, the area insured fell to 47.5 million hectares. Of the total premium of Rs 19,000 crore paid in the kharif (summer crop) season of 2017, payouts have been made to the tune of Rs 14,000 crore. Farmers pay between 1.5-2% of the total premium. The rest is shared 50-50 between the Centre and the states.

Crop losses are estimated through so-called crop-cutting experiments, which involve cutting and weighing of crop samples. It is this step that lacked transparency, officials say, and the android app would help remove the opacity. Revenue officials are being required now to use “CCE Agri”, a Google-based android app linked to the central portal, to record yields. To skirt Internet outages in rural areas, the app can record data even offline. Cherry-picking, or the practice of insurance firms selectively bidding to insure low-risk areas, is a problem. Pointing out drawbacks in the PMFBY, a committee set up to identify ways of doubling farmers’ income. In a report titled ‘Risk Management in Agriculture,’ said last month that the “number of bidders in the drought-prone rainfed areas have been relatively lesser, resulting in premium rates as high as 25%”. The premium rates are usually between 15-20%.

To tackle this, the unit of the insured area is being widened to clusters which will include both low-risk and high-risk areas. Earlier, bidding was done at the district level. “This change will lead to more competitive bidding,” said Ashish Kumar Bhutani, a joint secretary in the agriculture ministry. Remote sensing is also being used to analyse area profiles and eliminate discrepancies between the area insured and the area sown. “States have been notifying only select crops. This means risk cover is not available for all crops. To increase area coverage it is important to notify as many crops as possible,” said Satish Giri, an expert who analysed the scheme recently.

Source

Back

Why you should not claim insurance for minor accidents - The Economic Times – 9th May, 2018

Rs 10,000 is the limit up to which motorists choose to opt for an out-of-court settlement in the event of an accident, say police. When an accident happens and it is reported to police, an entry is made in the General Diary (GD) of the police station, which is sufficient for claiming insurance, officers said.

A settlement is the best option if the damages are less than Rs 10,000. “A GD entry can be made on any issue. However, if the entry is used to make a claim then it will affect the insurance claim when a major accident happens. If the insurance has already been used for minor accidents, then it would affect the claim when an accident happens causing a major damage of over Rs 1 lakh,” said Ernakulam North sub-inspector Vibin Das.

The fact that minor claims would affect the no-claim bonus itself is a reason to not make such a claim, they said. “A discount on premium of up to 50% is available as bonus if there is clean history of no claims. The percentage of discount varies and increases as the no-claim period goes up. It is always better to make a claim only if it is above the amount that could be saved by maintaining a clean record and getting the no-claim bonus,” said an officer.

Explaining the process of settlement, the officer said: “Both parties would be summoned to the police station and we would try to make an amicable settlement. Sometimes, people are reluctant to pay.

There are also instances where a GD entry is made and a small sum is given as part of settlement so that the person who has suffered a loss can make an insurance claim if needed,” said the officer.

Officials said that marking a GD entry is not a tedious process either. “We don’t ask people not to get the GD entry done. To make an entry, the damaged vehicle must be brought to the police station and the concerned officers would record the damages to the vehicle before making an entry about the same. In most cases it can be done within a day. However, if many accidents happen in the same day it could take up to two days,” said an officer.

According to city cops, there are people adamant about making a GD entry even if the damage is just over Rs 500. “The only point of booking a GD entry is to claim insurance.

Source

For such low amounts, it is not logical to go for a claim, yet some people approach us to make an entry," said an officer with the North police station. "Recently, there was an incident of a man's car getting scratched using a stone. There was no major damage yet he approached us to make a GD entry," said the officer.

Back

Impact of US sanctions on Iran: It's deja vu for oil refiners – The Hindu Business Line – 9th May, 2018

US President Donald Trump's decision to pull out of the Iran nuclear accord and reinstate sanctions against the regime, including its shipping industry, could spell trouble for India, which is Iran's top oil customer after China.

India will have to re-introduce ways it adopted to deal with the situation when the Western nations imposed sanctions on the Persian Gulf nation between July 2012 and January 2014 against its controversial nuclear programme, according to shipping industry executives.

India, the world's third biggest oil buyer, imported 4.46 million barrels per day (bpd) of oil in the year to March 2018. Of this, 458,000 bpd of oil was purchased from Iran, India's third biggest supplier after Iraq and Saudi Arabia.

During the fiscal year that began in April, state-run refiners were weighing plans to raise Iranian oil imports on the back of freight discounts offered by Iran that increase as more barrels are purchased. Iran hopes to sell 500,000 bpd of oil to India during 2018-19, its Minister of Petroleum Bijan Zangeneh said in February during a visit to India.

Trump's decision could torpedo the plans.

India struggled to get tankers and insurance for transporting oil from Iran after the US and the European Union imposed sanctions in 2012, forcing western insurers to stop insuring ships hauling crude from Iran. The sanctions led to the emergence of new, untested insurance providers.

Following the 2012 ban, the National Iranian Tanker Company's tankers were deployed to deliver crude to Tehran's customers in India.

Iran produces almost 4 million bpd of oil and exports 2.4 million bpd. Tehran's exports dropped to 1 million bpd during sanctions, down from a peak of almost 3 million bpd in 2011. Iran was India's second biggest oil supplier before economic sanctions hampered its trade relations. India was one of the few countries willing to do business with Iran during the sanctions.

Following the sanctions, London-based International Group of Protection and Indemnity Clubs (IG Clubs) stopped providing third party liability cover to ships hauling Iranian crude. The IG Clubs, a 13-member group, insures around 95 per cent of the world's tankers, placing a $1-billion limit on individual claims that involve pollution damage and wreck removal.

Two-pronged strategy

India adopted a two-pronged strategy to deal with the EU ban. It allowed state-run oil refiners to buy crude with ships and insurance arranged by Teheran on a case-to-case basis. It also asked state-run insurer United India Insurance to provide cover to Indian ships hauling Iran crude for state-run oil refiners.

United India Insurance launched a $50-million third party liability cover against pollution damage, wreck removal and personal injury claims for Indian flagged ships transporting Iranian crude. The firm also agreed to extend a separate $50-million cover for hull and machinery to protect local ships against physical damage.

Both the strategies met with very limited success mainly because the National Iranian Tanker Co didn't have enough ships that were suitable to call at Indian ports while local tanker owners said that the United India cover was inadequate for them to travel to Iran to lift the crude.

Source

India also approved two Iranian ship underwriters — Kish P&I Club and Qita P&I Club — to provide insurance for container, tanker and bulk vessels calling at Indian ports.

Back

Health Insurance

Modicare: NHPS premium may exceed Rs 1082 – Financial Express – 7th May, 2018

Insurance premium for the National Health Protection Scheme (NHPS), to provide an insurance cover of around Rs 5 lakh to 10 crore families, will not be capped at Rs 1,082 or thereabouts as was indicated earlier. At a meeting with insurance/reinsurance companies held last week, the government indicated that the ceiling has not been fixed as yet, but if it is, say Rs 1,100 and the insurance bid is for Rs 1,700, the difference will be picked up by the state government. This was a key concern of insurance companies that had pointed out the cap being talked of was too low and any scheme based on this would run into large losses.

The government may relax the eligibility criterion in order to bring in more competition.

Insurers argued against the reverse bidding clause, but government officials said this was to create competition among the bidders. One official present at the meeting said, "We explained that tender document demands a certificate from actuary along with the initial pricing to ensure that a sustainable price is being quoted but the reverse bidding method defeats the whole purpose of such certification. Additionally, there is a profit refund clause in the tender and therefore there is no need for a reverse bidding."

Under this clause, 85% of the profit insurance firms make has to be returned to the government. Insurance companies also pointed out that a 15% margin was too low and should be raised.
Also, given how the claims ratio rises over a period of time, insurers asked that this profit calculation be done at the end of the contract period, usually two to three years.

Given their experience with fraud in various health insurance schemes across the country, the insurers wanted more powers to empanel and de-empanel hospitals registered for the scheme. They wanted to decide the parameters for empanelment/de-empanelment, and one suggestion that came up in the meeting was that hospitals being investigated for fraud should be temporarily suspended. The government said that de-empanelment could not be done by in insurance companies alone and that this was better done by a panel in which there was one representative of the insurance company.

Source

Insurers also pointed out that too many insurance packages were on the pre-approval list and this weakened the control they had on the scheme. Insurers have been asked to submit the list of the packages they feel are most prone to abuse, based on which the government will take a call.

Back

Health Insurance: Debunked! Top 5 myths about health plans – Financial Express – 11th May, 2018

Health insurance should be part of the savings portfolio that one builds to ward off any financial emergency. Here, we will discuss certain myths that surround health insurance.

Health insurance is not important at an early age

There are strong reasons to go for health insurance at an early age. First, there is a mandatory minimum 30 days waiting period in all health policies, and two to four years waiting period for pre-existing diseases. Since most critical diseases surface all of a sudden, the waiting period becomes a major hurdle in getting insurance money. It is always advisable to buy health insurance when one is young and can pass the waiting period in good health. Health insurance premium is directly related to age—the younger you are the less premium you have to pay.

Hospitalisation expenses are covered from Day 1

All health policies have a minimum 30 days period of waiting, barring cases of accident. If you need to get hospitalised soon after buying a health policy, don't expect any help from your insurer. Health policies have two to four years waiting period for pre-existing diseases and some exclusions as well. So, it is imperative to compare online different health policies available in the market and then decide on the most suitable one. That way, you will be aware of all the terms and conditions of your policy from Day 1, and would not have to face disappointment after making a claim not allowed in your policy.

Minimum 24 hours of hospitalisation must for claim

This was true earlier, but not now. Due to the advancement of medical sciences, more than 100 types of treatments can be done within a few hours and the patient can go home the same day. These are called day-care treatments and include cataract surgery, lithography, dialysis and chemotherapy. Therefore, almost all health insurance companies now allow claims for treatments which require less than 24 hours hospitalisation. Some insurance companies also allow the claim for treatments which fall under Out Patient Department (OPD) such as dental care, but there are certain limits to such claims.

All pre-existing diseases are covered after waiting period

All health insurance policies cover pre-existing diseases, some cover after 24 months, some after 48 months. However, coverage of pre-existing diseases depends upon your honesty. It is paramount to disclose all your medical conditions at the time of buying the insurance policy. If you are unaware of any disease that you have and announce yourself medically fit, your insurance will cover such diseases after the prescribed waiting period. But if the insurer suspects that you did not disclose your medical conditions honestly and willingly at the time of buying the health policy, your insurer will decline your claim. So, you must give whatever information your insurer wants at the time of applying for a policy so that you can be spared of any embarrassment later.

Insurer pays full amount of hospital bill

A health policy is supposed to pay the actual amount incurred on treatment of an ailment. But, in reality, this is not the case and your insurer will honour only partial claims. One reason for this is that consumables are not covered by your health insurance policy. These consumables are oxygen mask, thermometer, nylon gloves, crepe bandage, face mask, etc. Some policies have certain predefined sub-limits. For example, some policies have a cap on room rent, while some others pay the actual room rent without any limit.

So, if your policy has a room rent cap at Rs 4,000 day, and you take a room of Rs 4,500 day, then Rs 500 will have to be paid by you, while the rest of the amount will be paid by your insurer. Similarly, some policies have limits on some other hospital expenses and, in fact, may exclude certain kind of medicines from the claim list. So, it is important to know right from the beginning the non-admissible list of expenses. It is always better to be aware of your entitlements rather than face embarrassment at the time of making a claim.

Source

Back

NHPS rollout set to fail May date – Financial Chronicle – 11th May, 2018

The central government has set its premium contribution of Rs 1,500 per family towards the national health protection scheme (NHPS) that envisages Rs 5 lakh cover for 10 crore families.

The Centre has asked st¬a¬tes to start the tendering pr¬ocess for the insurance firms this month, though industry experts are doubtful about meeting the deadline.

The central government will provide Rs 1,500 per fa¬mily for the Rs 5 lakh health cover under NHPS. The st¬a¬te governments, which wo¬u¬ld be choosing the insurance companies on the basis of auction, will have to shell out whatever is the remaining amount quoted as premium by firms. If the premium is lower than the national ceiling, savings of the central portion will be given to states as incentive for improving public infrastructure/IEC/ ad¬ministration cost.

“For a floater policy of Rs 5 lakh for a family of five, the commercial rate is not less than Rs 10,000. The private insurers will not be able to quote a premium, which is closer to Rs 1,500. In that case, onus of providing heal¬th cover will fall upon the public sector insurance fir¬ms,” said an industry expert.

The premium will be tra¬n¬sferred in dedicated escrow accounts in three trenches. If Centre/state /Union Territory do not deposit its share, there will be a penal interest of 1 per cent per week. If the state didn’t release premium due to the insurer, there will also be a penal interest of 1 per cent per week.

If claim payment to the hospital is delayed beyond defined period of 15 days, an interest of 1 per cent has to be paid for every 7 days of delay. The premium will be refunded if claims ratio is less than 85 per cent. Both Centre and state will share excess claims in case claims ratio exceeds 115 per cent.

The government also has asked to open the tendering process to determine the insurance provider by this mo¬n¬th. “This doesn’t look poss¬ible. We are already into May. The state governments have to empanel

hospitals and put in place the necessary IT infrastructure. It will take at le¬a¬st 3 months to get things in order. Most probably, the sc¬heme will be rolled out only in the BJP-ruled states by August 15," said the expert.

As per the stipulations for the tendering process, three lowest bidders will be allo¬w¬ed to participate in NHPS.

The benefits for the ins¬u¬r¬ed would include hospitalis¬ation expense, day-care su¬r¬geries, follow-up care, pre- and post-hospitalisation expense and newborn child/ children expenses. Twenty-two specialties, including ca¬r¬diology, oncology, ophthalmology, ENT and dental, and 1,341 packages of different procedures will be covered under NHPS.

Source

Back

Regulations

Subhash C Khuntia assumes charge as IRDAI chief – The Hindu Business Line – 8th May, 2018

Subhash C. Khuntia has taken charge as Chairman of the Insurance Regulatory and Development Authority of India (IRDAI).

A Karnataka cadre IAS officer of 1981 batch, Khuntia has vast administrative experience of working in several departments at the Central Government, including the Ministry of Finance (department of Economic Affairs); Ministry of Human Resource Development (School Education and Literacy) and Ministry of Petroleum and Natural Gas.

In the Karnataka Government, he worked in departments of finance, revenue, personnel, urban development, public works and ports. He has served as Secretary to Government of India, Department of School Education and Literacy and retired as Chief Secretary to Government of Karnataka.

Khuntia holds a Doctorate in Economics and a Post Graduate degree in Economics, Computer Science, Physics, Sociology, Political Science and Philosophy.

He is also a Graduate in Law. He is an alumnus of Ravenshaw College, Cuttack, Indian Institute of Technology, Kanpur and London School of Economics.

Source

Back

IRDAI relaxes norms for empanelled actuaries – The Hindu Business Line – 9th May, 2018

Faced with a continuing shortage of actuaries, the Insurance Regulatory and Development Authority of India (IRDAI) has eased norms for empanelled actuaries, allowing them to undertake valuation of more than one insurer every quarter.

The move comes as insurers were facing difficulty in getting actuaries for the mandated valuation of their liabilities in every quarter of the financial year.

Life, general insurers

Actuaries for life and general insurers will continue to remain separate. However, the IRDAI has allowed each actuary for general insurers to work with as many as three firms in each quarter. This can include one standalone health insurer, one general insurer and one general insurance business of a reinsurer.

Similarly, actuaries undertaking valuations of life insurers are now allowed to work with one life insurer and one life insurance business of a reinsurer in each quarter.

"This has been done to enhance the availability of actuaries from the panel and ease the process of utilising the services of such actuaries," said the IRDAI in a circular, adding that it had received requests from many insurers on the issue.

Under the original guidelines issued in February 2017, the insurance regulator had said that each panel actuary would not be involved in the annual statutory valuation of more than one insurer during any financial year.

The IRDAI had selected the panel last year to help insurance companies use their services in case they could not appoint their own actuary.

The panel actuary is expected to vet products and estimate reserves and solvency margins of insurers every quarter and at the end of every financial year. Additionally, the actuary could also investigate the finances of an insurer or look into their valuation on the direction of the regulator.

At present, there is a panel of eight actuaries for the general insurance sector, and four for life insurance players.

Insurers and actuaries welcomed the IRDAI's latest relaxation and said it would benefit the industry.

"There is a big shortage of actuaries in the non-life sector and this will prove to be useful," said an executive with an insurance company.

Source

"The idea behind appointing panel actuary by IRDAI was to fill in the shortage as there are not too many actuaries. This will definitely ease the pressure," said Nasrat Kamal, Director and Actuary, Numerica Group.

Back

IRDAI lists 16 cross-border reinsurers for FY19 – The Hindu Business Line – 10th May, 2018

The Insurance Regulatory and Development Authority of India (IRDA) has released the list of Cross Border Reinsurers (CBR) for the year 2018-19.

On the basis of the submissions and recommendations made by reinsurers, the authority had granted special approval for the 16 CBRs, according to a circular issued here.

According to guidelines on cross-border insurers issued by IRDAI, CBR refers to those reinsurers who do not have any physical presence in India and do reinsurance business with Indian insurance/reinsurance companies.

Source

The CBRs, which have been granted approval, include Republican Unitary Enterprise, Belarus; Asian Reinsurance Corporation, Thailand; HDFC International Life and Re Company Ltd, UAE; and Iran Insurance Company.

Back

Interview

Lack of data is a challenge for crop risk insurance: Lloyd's of London – The Hindu Business Line – 9th May, 2018

Lack of data, on exposure, historical crop yields and insured losses, pose a challenge in insuring Indian crop risk, according to Lloyd's of London, global insurance and reinsurance specialist.

A probabilistic crop risk model of the crop insurance market must reflect the way crop insurance is administered, according to Shankar Garigiparthy, Country Manager & CEO, India, Lloyd's of London.

In an exclusive interview to BusinessLine on the occasion of release of the Lloyd's report 'Harvesting Opportunity: Exploring Crop Reinsurance in India' in association with Risk Management Solutions (RMS), a catastrophe risk modelling company, he said the Pradhan Mantri Fasal Bima Yojana (PMFBY) has helped by reducing premiums for farmers and expanding the coverage of crop insurance.

There are discussions to cover more crops and increase the cropped area coverage to 50 per cent by March 2019 which are great steps to strengthen the scheme further. The typical short tenures may be one area which is going to change in the future," he added. Excerpts:

What are the desirable attributes of a probabilistic crop risk model for the Indian crop insurance market?

We think this should include the following attributes: Major drivers of crop yield variability, nation-wide coverage for most perils, model for insurance clusters, attritional and catastrophe losses, impact of irrigation, separate models of different crops for Kharif and Rabi seasons and models for PMFBY and weather-based crop insurance scheme, modelling for historical and probabilistic simulated losses and exposure management

functionality. A strong crop risk model will provide a valuable tool in understanding and accounting for uncertainty.

The States have been allowed to set up their own insurance companies for PMFBY. Will that be too many ?

We believe that more players in the market is good for the industry and for the farmers. There will be wider participation and we see it as a step in the right direction to increase coverage and protection for farmers.

The national crop insurance data portal requires a greater wealth of data to fully meet the reinsurance market needs. Gathering detailed and real-time exposures at the time of planting (such as crop variety, planting dates, irrigation levels) and better monitoring via remote sensing will help to improve crop risk modelling.

With the availability of better quality data, crop models can become more sophisticated to consider the impact of different managerial practices (such as seed varieties and the use of fertilisers).

Models can also evolve to allow in-season loss prediction by applying forecast weather data to crop yield models, as well as estimating crop yield and loss behaviour under different climate scenarios.

Since no crop is free from threat of weather damage, should not PMFBY re-adjust its goal posts with respect to take-up rates?

The Indian crop reinsurance market is unique. It remains crucial to ensure there is better quality of data input and more risk transparency.

Much of the framework to ensure smooth implementation of the PMFBY is already in place; seamless implementation will ensure greater accuracy and stronger adherence to timelines.

We are confident that the risks of moral hazard and adverse selection are being minimised by the processes set up in PMFBY.

What does PMFBY need to do to reduce the protection gap and ensure financial stability to farmers?

A strong technology-backed platform could help ensure more accurate claim information and claim settlement procedures for farmers. There is also opportunity to increase awareness about the benefits of PMFBY across villages. Wider inclusion of more farmers in the PMFBY net will help reduce the protection gap.

Source

Overall, we feel the industry's approach to the PMFBY is supportive, and this is evident in the immense growth of the crop insurance market since the scheme's introduction in 2016.

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Circulars

Source

Cross Border Reinsurers (CBRs) granted approval under guideline no. 6 of the Guidelines on CBRs ref. IRDAI/NL/GDL/RIN/017/01/2016 – 9th May, 2018

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Source

First Year Premium of Life Insurers for the Period ended 30th April, 2018 – 11th May, 2018

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Global

Hong Kong:Securities and Futures Commission issues guidance on corporate use of instant messaging – AIR – 9th May, 2018

Hong Kong's Securities and Futures Commission (SFC) has issued a circular to intermediaries to provide guidance on the statutory and regulatory requirements for the use of instant messaging (IM) applications to receive orders from clients.

The use of IM technology poses new supervisory and record-keeping challenges, noted the SFC. Most IM service providers do not provide users with tools to save, retrieve or monitor IM communications.

The 4 May circular encourages firms to take adequate measures to ensure compliance with the requirements, which include keeping proper records of messages relating to client orders and ensuring they are accessible for monitoring and audit purposes, as well as validating client identities and maintaining adequate safeguards to prevent unauthorised account access and cybersecurity attacks.

Under current rules, intermediaries are required to keep the records for no less than two years.

The circular also highlighted that clients should be made aware of the security risks of using instant messaging applications and their features and limitations. Firms should also inform clients about their contingency plans to cope with disruptions affecting instant messaging services.

"Brokers should put in place adequate measures to ensure the security and reliability of instant messaging applications used for receiving client orders," said SFC deputy chief executive officer and executive director of intermediaries Ms Julia Leung.

"Investors should fully understand that using instant messaging to place orders exposes them to potential risks such as phishing, account theft and impersonation."

SFC said that intermediaries should prohibit their staff members from receiving client orders through IM applications if the above requirements are not fully met. It added that it may take regulatory action against firms which receive orders through instant messaging applications without taking sufficient measures to ensure compliance with the regulatory requirements.

Source

Back

Takaful: Training and public education needed in Islamic insurance sector – AIR – 6th May, 2018

Public awareness of the features of Islamic insurance and its differences with conventional insurance should be raised, according to a new survey by the Bahrain-based General Council for Islamic Banks and Financial Institutions (CIBAFI).

There may be government support to raise awareness of the Islamic insurance, but in many cases this will fall to the industry itself, while working with religious groups, reports Anadolu Agency citing the survey results.

The survey also shows that takaful companies recruit mostly in local markets, saying: “It is therefore likely that regulators or other national bodies will need to take action to support training.”

The CIBAFI Global Takaful Survey 2018 reflects the perspectives of the heads of 55 takaful companies from 24 countries worldwide.

“Takaful companies are optimistic about growth, and expect it to be slightly stronger than for insurance as a whole. It is the takaful firms in newer markets which are most optimistic about growth, but they face in a more acute form the problems reported by many takaful companies across the world,” the survey said. It adds that the sector struggles continually to establish its position in a market largely dominated by conventional insurers, and often in areas where overall insurance penetration is relatively weak.

The survey says takaful companies tend to be locally focused and seek organic growth in their domestic markets rather than mergers and acquisitions or cross-border activity.

It adds there is a risk that takaful firms will be left behind by technical developments in the conventional business.

Source

Back

UAE: Insurance sector wants fire insurance to be added in tenancy agreements – AIR – 8th May, 2018

Executives and managers of insurance companies have proposed including fire insurance cover in home contents and civil liability insurance as a term and condition in rental agreements in light of the weak demand for this product.

The lacklustre demand is due to the low level of awareness and poor marketing for this line of business, reports Emirates Today. This means that most homes are still not covered by fire insurance, with one estimate being that 90% of residential units lack fire insurance.

Mr Jihad Faitrouni, CEO of Dubai Islamic Insurance & Reinsurance (AMAN), said, "The level of demand for fire insurance policies for homes and for third party liability cover is still very weak." He added that third party liability insurance is important because a fire in an apartment may spread to or damage other apartments.

Mr Musa Al-Shawahin, CEO of My Partners, an insurance and risk management consultancy, said that while demand has increased for fire insurance following a series of fires in residential towers in recent years, the level of demand is still low relative to the number of residential units.

He pointed out that a large part of these insurance policies are acquired for residential villas, suggesting that an insurance policy is included as a provision in leasing out such units.

Source

He said that insurance companies lack organised marketing plans for home fire insurance. In addition, intermediaries fail to pay much attention to this class of business because the incentives are not sufficiently attractive to them.

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