



भारतीय बीमा संस्थान  
INSURANCE INSTITUTE OF INDIA

# INSUNEWS

Weekly e-Newsletter

3<sup>rd</sup> – 9<sup>th</sup> Nov 2018

Issue No. 2018/45

## QUOTE OF THE WEEK

“Leadership is not about the next election, it's about the next generation.”  
- Simon Sinek

## INSIDE THE ISSUE

IRDAI Regulation .....	1
Life Insurance .....	5
Health Insurance .....	6
Crop Insurance .....	10
Motor Insurance .....	11
Insurance Cases .....	12
IRDAI Circular .....	14
Global News .....	14

---

## INSURANCE REGULATION

---

### ***IRDAI wants Rs 15,000-cr unclaimed amounts returned to policy holders - The Hindu Business Line – 9th November 2018***

With over Rs15,000 crore of unclaimed deposits lying idle with insurers, the insurance regulator is working on a mechanism to return them to policy holders or their beneficiaries.

For amounts stuck in pension schemes, the Insurance Regulatory and Development Authority of India (IRDAI) have asked life insurers to repay them as lump sum payments to policyholders or their beneficiaries.

“There are many reasons why the insurance money is lying unclaimed. The policyholder may have died or there may be other reasons. In pension schemes, it was often the case that the accumulated amount was insufficient to buy annuity from the life insurer,” noted a person familiar with the development.

Sources said that in respect of other schemes where money is lying unclaimed with life insurers, the IRDAI is in discussion to figure out what can be done.

“The issue has been discussed at length, and the IRDAI is keen that the unclaimed amount should be returned to policy holders or their nominees at the earliest,” said the person, adding that the regulator is likely to come out with more measures soon.

Earlier, the IRDAI had asked life insurance companies to provide a search facility on their website so that policyholders or their nominees could find out about the unclaimed amount by citing their Aadhar or PAN. Life insurers are expected to update details and inform the IRDAI about unclaimed amounts lying with them at least twice a year.

According to official data, Rs 15,166.47 crore was lying unclaimed with 23 life insurers as on March 31. Of this, Rs 10,509 crore was with Life Insurance Corporation of India, and Rs 4,657.45 crore with private insurers.

[TOP](#)



Source

### ***Flexible and customer friendly norms for life insurance: Irdai proposes structural changes in linked, non-linked policies – Financial Express – 6th November 2018***

After five years, the insurance regulator is in the process of reviewing the structure of linked and non-linked life insurance products. It has put out a draft paper which, among other things, proposes to make the minimum death benefit seven times for regular premium products and 1.25 times for single premium products. It proposes a definite sum if policyholders surrender the policy after two years. For pension products, Insurance Regulatory and Development Authority of India (Irdai) has proposed up to 60% of the pension maturity amount for commutation. The revival period in case of lapsed policies has been proposed for five years instead of two years at present.

#### **Non-linked products**

For all non-linked individual life insurance products, the minimum sum assured on death during the entire term of the policy shall not be less than seven times the annualised premium irrespective of age for limited/regular products and 1.25 times the single premium for single premium products. For this, the annualised premium will be the premium payable in a year chosen by the policyholder. At present, the minimum death benefit is 10 times of the premium for less than 45 years. For single premium products, it is 1.25 times the premium.

For participating products, in addition to the sum assured on death, the bonus/additional benefits as specified in the policy and accrued till the date of death will become payable on death as part of the death benefit, if not paid earlier. The insurer may pay the death benefit in lump sum or in instalments under the settlement option.

For pension products, on surrender/ vesting the policyholder can get two options: Either utilise the entire proceeds to purchase immediate annuity/deferred annuity from the same insurer at the then prevailing annuity rate, or, commute up to 60% and utilise the balance amount to purchase immediate/deferred annuity from the same insurer. The guaranteed surrender value for non-linked policies would be applicable after two years of premium payment instead of three at present. The guaranteed surrender value will be 35% of total premiums paid less any survival benefits already paid, if surrendered between second year and third year. It will be 50% of the total premium paid if surrendered between fourth year and seventh year.

After five years, the insurance regulator is in the process of reviewing the structure of linked and non-linked life insurance products. It has put out a draft paper which, among other things, proposes to make the minimum death benefit seven times for regular premium products and 1.25 times for single premium products. It proposes a definite sum if policyholders surrender the policy after two years. For pension products, Insurance Regulatory and Development Authority of India (Irdai) has proposed up to 60% of the pension maturity amount for commutation. The revival period in case of lapsed policies has been proposed for five years instead of two years at present.

### **Non-linked products**

For all non-linked individual life insurance products, the minimum sum assured on death during the entire term of the policy shall not be less than seven times the annualised premium irrespective of age for limited/regular products and 1.25 times the single premium for single premium products. For this, the annualised premium will be the premium payable in a year chosen by the policyholder. At present, the minimum death benefit is 10 times of the premium for less than 45 years. For single premium products, it is 1.25 times the premium.

For participating products, in addition to the sum assured on death, the bonus/additional benefits as specified in the policy and accrued till the date of death will become payable on death as part of the death benefit, if not paid earlier. The insurer may pay the death benefit in lump sum or in instalments under the settlement option.

For pension products, on surrender/ vesting the policyholder can get two options: Either utilise the entire proceeds to purchase immediate annuity/deferred annuity from the same insurer at the then prevailing annuity rate, or, commute up to 60% and utilise the balance amount to purchase immediate/deferred annuity from the same insurer. The guaranteed surrender value for non-linked policies would be applicable after two years of premium payment instead of three at present. The guaranteed surrender value will be 35% of total premiums paid less any survival benefits already paid, if surrendered between second year and third year. It will be 50% of the total premium paid if surrendered between fourth year and seventh year.

### **Linked products**

A unit-linked policy may only offer the following death benefits: Sum assured as agreed in the policy plus the balance in the unit fund or higher of the sum assured as agreed in the policy or the balance in the unit fund. All individual linked products will have either a guaranteed sum assured payable on death or a guaranteed sum assured to meet the health cover. In case of discontinuance of policy due to non-payment of premium, the fund value after deducting the applicable discontinuance charges will be credited to the discontinued policy fund and the risk cover and rider cover will cease.

All individual pension products will have explicitly defined assured benefit that is payable on death and may have a defined assured benefit payable on vesting. The defined assured benefit will be disclosed at the time of sale. Life insurers will use uniform definitions for charges.

### **Expert's take**

Anuj Mathur, MD & CEO, Canara HSBC Oriental Bank of Commerce Life Insurance says the key theme appears to be to simplify the regulations and provide more flexibility to customer. At the same time, the regulations encourage innovation and nudge the industry towards offering better value to customers via product design. "Changes in product categories such as pensions and group products will allow

customers more choice and flexible options. They would also benefit from changes in surrender value regulations such that for traditional products, particularly longer payment term policies, a surrender value is available to customers earlier during the policy,” he says.

Similarly, Vivek Jalan, head, Insurance Consulting and Technology, Willis Towers Watson, India says, the proposed changes, if implemented, will expectedly make life insurance product structures more flexible as well as customer-friendly—such as increase in revival period, reduction in nil surrender value period from three to two years, longer settlement period, allowance for fund switches; and other flexibilities in term of product structures. “These developments should foster healthy competition in the industry and provide opportunity for smaller players to find niche segments to differentiate themselves,” he says.

A unit-linked policy may only offer the following death benefits: Sum assured as agreed in the policy plus the balance in the unit fund or higher of the sum assured as agreed in the policy or the balance in the unit fund. All individual linked products will have either a guaranteed sum assured payable on death or a guaranteed sum assured to meet the health cover. In case of discontinuance of policy due to non-payment of premium, the fund value after deducting the applicable discontinuance charges will be credited to the discontinued policy fund and the risk cover and rider cover will cease.

All individual pension products will have explicitly defined assured benefit that is payable on death and may have a defined assured benefit payable on vesting. The defined assured benefit will be disclosed at the time of sale. Life insurers will use uniform definitions for charges.

[TOP](#)



Source

***IRDAI panel suggests excluding 17 ailments from medical cover - The Hindu Business Line - 4th November 2018***

In what could be a significant benefit for customers, a panel set up by the insurance regulator has recommended a standardised list of just 17 pre-existing diseases that could be excluded from health insurance policies.

Further, diseases such as Alzheimer’s, Parkinson’s, AIDS/HIV infection, morbid obesity, if contracted after buying a health cover, cannot be excluded.

The standardised list of 17 permanent exclusions include epilepsy, congenital heart disease, cerebral stroke, chronic liver and kidney diseases, hepatitis B, Alzheimer’s, Parkinson’s, HIV and AIDS, loss of hearing, and physical disabilities.

“The proposer’s consent is mandatory so that the proposer may take an informed decision,” said the report of the working group set up by the Insurance Regulatory and Development Authority of India (IRDAI), which has also given the exact classification, or ICD code, to ensure there is no scope for “subjective interpretation” by insurers at the time of claim settlement.

### **Waiting period**

The working group has also suggested a four-year waiting period for inclusion of any ailment in the health cover against the current average two-year waiting period.

However, for conditions such as hypertension, diabetes and cardiac problems, the committee has said that the waiting period should not be more than 30 days. “It is viewed that the clauses are open-ended and not specific,” the report observed.

To ensure that people with serious pre-existing diseases, including those with disabilities, can get health insurance, the committee has also suggested that insurers can include permanent exclusions with due consent of the proposer or customer.

“This could mean that people such as cancer survivors, who find it extremely difficult to get health cover, may now be able to get policies with exclusion for such conditions,” said an insurance company executive.

Significantly, in keeping with medical advances, the panel has also said that new treatments such as balloon sinuplasty, deep brain stimulation, oral chemotherapy, immunotherapy, robotic surgeries, and stem cell therapy may be included in health covers.

IRDAI is likely to come out with its final report by early next year and the benefits could kick in from 2019-20.

[TOP](#)



Source

---

## LIFE INSURANCE

---

### ***How new insurance, pension proposals can impact you - The Economic Times - 5th November 2018***

Insurance regulator Irdai has proposed several changes in pension and insurance plans. Most of the proposed changes are likely to benefit the policyholders.

#### **Higher tax-free withdrawal, partial withdrawals**

The insurance regulator has proposed raising the lump sum withdrawal limit on maturity of pension plans to 60% from the existing 33%. This will provide policyholders the flexibility to employ their money as they deem fit.

Besides higher tax-free lump sum withdrawal, the regulator has also proposed to allow policyholders to make partial withdrawals after the five-year lock-in period. Such withdrawals will be allowed thrice during the policy tenure and be capped at 25% of the fund value at the time of withdrawal. As with other retirement-oriented products, withdrawals will be allowed only for four goals—higher education, children’s wedding, purchase or construction of a house and treatment of critical illness of self or spouse.

#### **Discount based on health score**

Insurers may offer discounts on mortality and morbidity charges for investment-linked plans. This will depend on people’s health situation, monitored via wearable devices. “The insurer may use wearable/portable devices, technology, to capture the health score of the policyholder during the term of the policy,” reads the draft. If the proposal goes through, insurers will factor in the health score to arrive at policy premiums. “Insurance is likely to change from being a product that you purchased once into a service with which you engage regularly,” says ManikNangia, Director, Marketing, and Chief Digital Officer, Max Life Insurance.

#### **Minimum cover to be 7-times the annual premium**

Currently, insurers are required to offer a minimum cover of 10-times the annual premium to those under 45 and 7-times to those over 45. Now, the onus will be on policyholders to negotiate a cover that is at least 10-times the annual premium—a must to gain Section 10(10D) tax benefits. “Lower life cover does not make sense as insurance is a protection product and high life cover should be its integral feature,” says Suresh Sadagopan, Founder, Ladder7 Financial Advisories.

Keeping the premium same while lowering the cover and investing part of the premium that would have otherwise gone into mortality charges may not lead to higher returns. “If people don’t get tax benefits, due to noncompliance with the Sec 10(10D) provisions, the post-tax returns will be poor,” says Sadagopan.

#### **Buy annuity from the insurer of your choice**

Reversing its decision on purchasing the annuity and the deferred pension plan from the same insurer, Irdai has now proposed to offer greater choice to policyholders. “This move will ensure that the pension segment takes off after a lull,” says Anil Kumar Singh, Chief Actuarial Officer, Aditya Birla Sun Life Insurance. Choice apart, policyholders may benefit from better returns too. “Making it an ‘open market’ will mean more competition, which will lead to better interest rates offers by the insurance companies,

given the risk of losing a portfolio to somebody else,” says Santosh Agarwal, Associate Director and Cluster Head, Life Insurance, Policybazaar.com.

Increased competition could also result in better products with innovative features. “Returns will always be the most important factor but there could be other value additions as well,” says Kapil Mehta, Co-founder, and Securenow.in. The key to developing the market substantially, though, lies with the policymakers by making annuities tax-free in the hands of the annuitants.

### **Shorter lock-in for getting the surrender value**

From the existing three years, the lock-in period to get the surrender value from traditional endowment plans has been proposed to be cut to two. “The penal surrender value factor should not be a tool to ensure persistency. Rather, persistency should be maintained through the right product construction and benefits along with selling the products suitable to customer needs,” says Sadagopan.

The proposed norms also state that the maturity value cannot be less than the premiums paid, which had been an issue with some products bought by those in higher age brackets. “The surrender value of non-linked products has been increased in the early years of the policy and clearly specified in later years at 90% of the premiums paid. This is beneficial for policyholders who want to exit,” says Mehta.

[TOP](#)



Source

---

## HEALTH INSURANCE

---

### ***Health Insurance may become more consumer friendly: IRDAI panel calls for removing these exclusions - Financial Express – 12th November 2018***

In order to make health insurance more customer friendly, a working group set up by the insurance regulator has recommended that diseases such as Alzheimer’s, Parkinson’s, AIDs/HIV acquired after the policy inception should not be excluded. It has recommended that there should not be any permanent exclusion in the policy wordings for any specific disease, whether it is degenerative, physiological or chronic in nature.

The Insurance Regulatory and Development Authority of India (Irdai)’s working group report for standardisation of exclusions in health insurance contracts has recommended that waiting periods for any specific disease can be a maximum of four years. However, waiting periods for conditions such as hypertension, diabetes, and cardiac cannot be for more than 30 days.

The panel had initially recommended a list of 17 conditions for which insurers can incorporate permanent exclusions if they are pre-existing at the time of underwriting. It also suggested that a standard format of consent letter to be given by the proposer may be specified. Sub-limits or annual policy limits for specific diseases in terms of amount, percentage of sum insured and number of days of hospitalisation will be part of the policy design.

### **Non-disclosed conditions**

Non-declaration or misrepresentation of material facts is a major concern in health insurance. The working group has recommended that after eight years of continuous renewals, claims cannot be questioned based on non-disclosure or misrepresentations when taking policy. The policy will be incontestable in terms of application of any exclusions except for proven fraud as well as permanent exclusions specified in a policy contract.

### **Standardisation of exclusions**

The panel has recommended that exclusions because of alcohol or substance abuse must be reviewed and standardised. This exclusion will be modified to exclude only treatments for alcoholism and drugs or substance abuse unless associated with mental illness. It has also recommended formation of Health Technology Assessment Committee, which will examine and recommend inclusion of advancements in medical technology as well as new treatments/ drugs for coverage under insurance.

It has also recommended that “no exclusions” should be permitted for any advancement in technology or advance treatments if these are in the list approved by this committee. However, insurers can either incorporate co-payments for such treatments or subject them to the usual, customary and reasonable clause. Insurers cannot deny coverage for claims of oral chemo therapy and peritoneal dialysis.

The panel suggested that insurers start adopting an Explanation of Benefits in their prospectus and policy schedule which would be understood by customers.

The panel has also said that new treatments such as balloon sinuplasty, deep brain stimulation, oral chemotherapy, immunotherapy, robotic surgeries, and stem cell therapy may be included in health covers.

In case of migration to another policy because of product withdrawal, the policyholder will be given credit to the accrued gains of pre-existing diseases waiting period to the extent that is permitted either in the porting out product or porting in product, whichever is less.

In order to make the pricing structure transparent, the panel has suggested that every insurer publish the list of items which will not be billed separately and make it available to the insured either in the policy contract or as a link on the website.

[TOP](#)

  
Source

***Inclusive health policies: Pricing should be updated to cover patients under all types of scenarios – Financial Express – 10th November 2018***

Until August of this year, health insurance policies did not cover mental illnesses. But then, the Insurance Regulatory and Development Authority of India (Irdai) asked insurance companies to make provisions to cover mental illness, in a circular dated 16 August.

The circular was a step in the right direction as it increases the scope of health insurance coverage for a large section of the population. As per the National Mental Health Survey of India for FY16 conducted by the National Institute of Mental Health and Neuro Sciences, nearly 15% of Indian adults are in need of active intervention for one or more mental health issues and the WHO estimated 56 million people suffer from depression and 38 million from anxiety disorders in a report released earlier this year.

According to the circular every insurer needs to make provisions for medical insurance for treatment of mental illness on the same basis as is available for treatment of physical illness and stated that insurers will need to comply with these provisions with immediate effect.

However, the circular only states that there should be no discrimination between the two illnesses, mental and physical. That doesn't change anything for the insurers in terms of their underwriting decisions. Even now, the insurer can altogether deny health insurance to a person suffering from a physical illness, say cancer or heart disease, as per its underwriting norms.

The same underwriting criteria would then have to apply to individuals with a pre-existing mental illness. To this effect, according to recommendations of a panel set up by Irdai, a list of 17 diseases, including chronic kidney disease, Hepatitis B, Alzheimer's, epilepsy and HIV and AIDS, would be excludable from health insurance policies, but only if they are pre-existing.

Although the present situation is better than a complete ban on coverage of mental health illnesses, in order to ensure adequate health insurance coverage, insurers should be able to price policies and premiums appropriately enough to enable them to cover all types of scenarios and situations when it comes to the health of individuals. Only then will the penetration of health insurance increase.

[TOP](#)

  
Source

### ***In Delhi, private hospitals may offer Modicare - The Economic Times - 10th November 2018***

In a move to ensure advanced super speciality care for beneficiaries of Ayushman Bharat, the Centre plans to directly empanel Delhi-based private hospitals which have so far been out of the purview of the scheme as Delhi government has not signed onto the initiative.

The National Health Agency (NHA) – responsible for implementation of the Pradhan Mantri Jan Arogya Yojana – is in the process of empanelling private hospitals, including big corporate chains offering super-specialty care. But the deal will benefit patients from neighboring states seeking advanced medical care but not Delhi residents.

“We are in talks with these hospitals, including Apollo and Max. They are willing to participate in the scheme but since the Delhi government is not on board, these hospitals are losing out on business which they can get through the scheme. We also need these hospitals to have a strong pool for patients. So, we are working out a mechanism to have them on board,” a senior official told TOI.

However, only beneficiaries from other states will be able to seek hospitalisation in Delhi’s hospitals under PMJAY with their respective states footing the bills, Delhiites themselves will be deprived of the benefits under the scheme.

This is significant because many patients from Uttar Pradesh, Rajasthan, Haryana, Bihar and Madhya Pradesh come to Delhi seeking hospitalisation for speciality care with major public as well as private hospitals having advanced tertiary care facilities here.

According to the Association of Healthcare Providers (India), private sector alone has over 1,000 hospitals in Delhi, of which nearly 140 are over 100-bedded facilities including corporate hospitals. The total capacity under the private sector in Delhi is estimated to be around 30,000 beds. Out of this 30% are under-utilized or remain vacant.

Apart from this, central government hospitals like All India Institute of Medical Sciences, Safdurjung Hospital, Ram Manohar Lohia Hospital and Lady Hardinge Hospital have over 9,000 beds. Delhi government itself has 39 hospitals accounting for 11,000 beds.

“The government needs more and more super speciality care hospitals to make Ayushman Bharat a success and only hospitals with more than 100 beds can provide such advanced treatment and care. Therefore, Delhi plays a very important role because patients from across the country come here to seek tertiary care,” says AHPI director general Girdhar Gyani.

PMJAY, dubbed as Modicare, aims to cover nearly 50 crore beneficiaries from 10.74 crore deprived families with an annual cashless health cover of Rs 5 lakh per family. PMJAY is the secondary and tertiary care arm of the government’s flagship Ayushman Bharat scheme, which also includes plans to open health and wellness centres across the country to cater to people’s primary healthcare needs.

Discussions between the Centre and Delhi government are stuck over differences on the scheme’s name. Delhi government wants the scheme to be called ‘Mukhya Mantri Aam Aadmi Swasthya Bima Yojana Ayushman Bharat’ for implementation in Delhi.

[TOP](#)

Source

### ***What is personal accident insurance; how do you claim it? - Mint - 5th November 2018***

The Insurance Regulatory and Development Authority of India (Irdai) has constituted a working group to deliberate on the concept of periodic payment of the insurance claim amount in case of personal accident insurance and defined benefit health insurance plans. Defined benefit health plans pay a lump sum to the policyholders in the event of the insured ailment or medical procedure. A critical plan, for instance, is a defined benefit health plan, whereas the regular health insurance plan that you buy is an indemnity product as it only pays for the hospital bills and not a pre-decided or a defined amount.

Personal accident is also a defined benefit plan that pays a pre-determined sum assured in the event of death or disability. But instead of paying a lump sum, if the policy is allowed to pay the claim benefits in instalments, the beneficiary can make better use of the payments over an extended period of time.

In life insurance, term insurance plans popularly break up the claim benefit as periodic instalments so that the chances of misuse are minimal and beneficiaries get the money over an extended period of time. The same concept is now being mulled for defined benefit policies such as a personal accident insurance, but what is a personal accident policy?

### **What is IT?**

A personal accident policy insures you against death, permanent total disability, permanent partial disability and temporary total disability in case of an accident. Typically, on death and permanent total disability, the policy pays the sum assured and terminates thereafter. In case of permanent partial disability, the policy pays a percentage of the sum assured depending upon the severity of the disablement, whereas in the case of temporary total disability, the policy provides weekly compensation. Usually in the case of permanent partial disability and temporary total disability, the policy is renewable.

Since a personal accident policy is seen as an income protection plan, your income and profession determine the maximum cover that you can get and the premium that you will need to pay. Typically, the maximum cover you can get is 10 times your annual income and the premium is decided by your profession. The riskier the profession, the more expensive is the policy.

Personal accident policies often come as bundled covers along with credit cards or as riders with life insurance policies. In case of auto insurance, for instance, personal accident cover is mandatory, although it covers accidents only when they happen at the time the policyholder is in the vehicle. You can also opt for it while taking home insurance.

### **How to make a claim**

In case of death, your beneficiary will need to submit the death certificate mentioning the cause of death. In case of permanent disability also you will need a medical certificate.

In the case of temporary disability, in addition to the medical certificate, the insurer will also need an absent from work certificate from the employer given that personal accident policy is meant to act as an income supplement plan since a disability will impair your ability to work.

[TOP](#)

  
**Source**

### ***Month on, Gujarat biggest beneficiary of Modicare - The Tribune - 5th November 2018***

Prime Minister Narendra Modi's home state Gujarat is leading the beneficiary charts under the month-old Pradhan Mantri Jan Aarogya Yojana (PMJAY) that provides financial health protection up to Rs 5 lakh to each poor family that seeks hospitalisation in any empanelled facility.

All 10.74 crore families listed in the Centre's socio economic caste census are beneficiaries under the ambitious programme. The PMJAY data reviewed by The Tribune reveals the following are the top six states when it comes to beneficiaries admitted to hospitals — Gujarat, Chhattisgarh, Tamil Nadu, Maharashtra, Assam and West Bengal. The most-sought-after procedure is ophthalmology in the single-specialty segment and general medicine and general surgery in the category of multiple specialties.

Dinesh Arora, Deputy CEO of the Ayushman Bharat Mission which is monitoring the scheme progress, said, "General surgery is the most used so far. In this segment, people are being admitted to empanelled hospitals for hernia, appendicitis and trauma care. In the single-specialty section, eye procedures are topping the charts. The other three most-sought procedures are orthopedics, obstetrics and gynecology and cardiac operations. That's not to say other surgeries are not taking place, but the ones mentioned are the most performed under the scheme so far."

[TOP](#)

  
**Source**

---

## CROP INSURANCE

---

### ***India's flagship crop insurance scheme a big leap, but needs fixes – Hindustan Times - 4th November 2018***

The Pradhan Mantri Fasal Bima Yojana (PMFBY), India's flagship crop-insurance scheme which is counted as the world's largest, is a big improvement over older schemes, but its improved features haven't made it any easier to implement or motivated all states equally.

These are some of the key findings of two first-time reviews of the scheme that tracked its performance since its launch in 2016. If the scheme is to achieve its most critical goal — timely payouts to farmers — it can't fly without a raft of high-end technological fixes, from drones to an entirely new constellation of satellites for accurate crop assessments, experts say.

PMFBY has achieved a better design by merging multiple insurance schemes into one, simplifying norms and cutting down premiums, the evaluation shows. Its performance has varied widely between states. A more dramatic finding is that its success rates have varied even among districts within a state, pointing to local hurdles.

Insurance is critical to protecting farm incomes in a country where 54% of the sown area lacks irrigation and 12 million hectares, on average, suffer annual weather shocks. It is also a literal life-saver at a time when parts of the country are in the grip of an agrarian crisis which has resulted in widespread protests and which could be one of the most significant issues in the coming state and general elections. The Narendra Modi-led government will likely tout the benefits of PMFBY as well as its efforts to double farm incomes by offering a support price for crops that is at least 50% over the state-calculated cost of production.

The first study, "Governance Analysis of the PMFBY" by the Centre for Management in Agriculture of the Indian Institute of Management Ahmadabad (IIM-A) tracked the scheme till May 2018. The second by economists Ashok Gulati, Prerna Terway and Siraj Hussain of the Indian Council for Research on International Economic Relations (ICRIER) analysed it until 2016-17.

India will need more cloud-penetrating satellites for faster crop-loss estimates. Setting up such a constellation of satellites would likely cost Rs 2,000 crore, assuming an average cost Rs 400 crore per satellite, according to Gulati's calculations.

First off, the NDA government's crop insurance scheme scores for correcting a key flaw — capping of sum insured — in an earlier scheme, resulting in very low payouts but high premium, Gulati and his colleagues show in their work "Supporting Indian Farms the Smart Way". Sum insured is the maximum amount an insurance firm is liable to pay.

Removal of this cap has significantly increased sum insured in certain districts. For instance, in UP's Gorakhpur, the actuarial (premium) rate for maize in 2015 (before PMFBY) was 57%, while sum insured was Rs 8,415 per hectare. When PMFBY was implemented, the actuarial rate dropped to 4.22% and sum insured went up to Rs 12,096 per hectare. Still, the IIM-A review found little improvement in time-bound payments.

Both ICRIER and IIM-A studies throw up state and district level disparities. Farmers in states that adhered to cut-off dates in rolling out the scheme each season experienced timely payments. But, Bihar, Gujarat, Rajasthan and Maharashtra, which delayed the process till July, ended up paying higher premium rates of 20%.

Bihar made a glaring error. It floated tenders when the state was already experiencing flooding in July 2016. "As a result, the companies quoted very high actuarial rate of 17%," the section on crop insurance in Gulati's "Supporting Indian Farms the Smart Way" revealed.

  
Source

[TOP](#)

---

## MOTOR INSURANCE

---

### *Trouble renewing your car insurance? You can save money by going digital - Business Standard - 3rd November 2018*

Most people give a lot of thought to purchasing a vehicle but not so much to buying auto insurance. This lack of interest could be due to the perception that insurance is complex, lack of information, paucity of time, or a negative experience associated with claims.

The auto insurance industry has taken cognizance of these challenges and has revamped its offerings by going digital for a hassle-free experience. Digitisation empowers policyholders to make an informed choice, choose the best-suited policy, and also save money in the process.

**Digital is convenient, cheaper:** With insurers going digital, auto insurance has become simple and convenient. You can purchase or renew auto insurance from either an insurer's website or from a web aggregator. The process is similar to shopping for an item on your favourite e-commerce platform. Online policies are priced lower without compromising on the scope of the cover. Some insurers also offer exclusive offers. Companies are able to sell their policies cheaper online as these are direct sales that do not involve a middleman, and they also save on operational costs. Insurers transfer a part of their savings to customers, making the online product cheaper for them.

**Review your existing coverage:** First-time car and bike owners generally purchase the insurance policy that the vehicle dealer suggests. At times, a dealer may offer discounts on the vehicle or free accessories on the condition that the buyer purchases his insurance policy at the showroom. In most cases, the cover purchased from the dealer is expensive and may also lack certain essential features. You may have been offered unnecessary add-ons while essential add-on could be completely missing.

When your policy comes up for renewal, review its coverage. There is no need to go for riders that are not going to be beneficial to you. For instance, if you mostly travel alone, insurance covering a co-passenger is inconsequential. Such add-ons further increase the cost of insurance. Opt only for add-ons that are useful. A zero-depreciation cover, for example, can save you money in case of claims.

**Don't forget the no-claim bonus:** Vehicle owners are rewarded with a no-claim bonus (NCB) by insurers for not raising a claim during the policy period. NCB is offered as a discount on auto insurance premium while renewing the policy. This NCB is incremental in nature and can go as high as 50 per cent, provided you do not raise a claim for five consecutive years. Even when changing your insurer, the new company will consider the entire NCB and offer a discount on the premium.

**Opt for renewal in advance:** If you are changing the insurer, the new one might want to inspect the vehicle before issuing the policy. Don't start searching for insurance close to the expiry date. Do it in advance so that you have enough time to finish the formalities. If the insurance cover is renewed after expiry, in certain cases you could even need to shell out a higher premium. If you do not renew your policy within 90 days after its expiry, you will lose out on the accumulated NCB as well.

**Install an anti-theft device:** Installing an anti-theft device on your car can not only act as a precautionary measure against theft but can also reduce your auto insurance premium. Insurance companies usually provide a discount on premium if you have installed such a device. Make sure that the installed device is certified by the Automotive Research Association of India. Only then will you be able to avail of the discount.

**Automobile Association membership:** Some insurance companies offer a discount on car insurance premium to members of the Automobile Association of India. The membership comes with several benefits such as breakdown assistance, car battery installation with doorstep service, and several others. Check out on the internet all the benefits of becoming a member and then decide whether you want to purchase the membership.

**Voluntary deductible:** Two types of deductibles are associated with auto insurance – compulsory and voluntary. Compulsory deductible is the amount you contribute in case of a claim. Voluntary deductible is the amount over and above the compulsory deductible. If you opt for it, you convey to the insurance company that you are willing to contribute a certain, pre-decided amount in case of a claim.

As a result, the insurance company reduces the insurance premium space. Choosing a voluntary deductible means that you will receive a lower claim amount. As the entire point of insurance is to minimise losses, keep in mind the financial implication of the voluntary deductible on you before making this choice. Note that this process varies from insurer to insurer.

**A few more handy tips:** The tips mentioned above may or may not be communicated upfront by insurers on their websites. You can, however, get in touch with a company executive to know more about discounts. Insurers, for example, do not advertise that they provide discounts for installing anti-theft devices. But they might provide a discount if you request them for it by calling them or sending them an email.

Make an informed choice when renewing your insurance. Clarify all your doubts with the insurer. Understand the inclusions, exclusions and the extent of coverage. Driving a vehicle without a valid insurance policy is a punishable offence. An expired auto insurance policy is considered invalid. Renew your policy ahead of the deadline. But above all, compare what's available before you write a cheque.

#### **Add-on covers that work**

- **Zero depreciation:** Provides full claim on the value of the parts that have to be replaced after an accident.
- **Engine protect:** Covers damage to the engine. Handy in areas that are prone to flooding. Also called as hydrostatic lock cover or engine and gearbox protector.
- **Roadside assistance:** Useful for those who frequently travel long distances. You get assistance in case of mechanical breakdown, including on-site battery jumpstart, tyre replacement, refilling of fuel and towing service.

Source

[TOP](#)

---

## **INSURANCE CASES**

---

### ***Pay Rs 20,000 to policy holder, insurance firm told – The Hindu – 12th November 2018***

Holding United India Insurance deficient in services, a consumer disputes Redressal forum here has directed the insurance company to compensate a policy holder by paying over Rs20,000 for “wrongly repudiating” a claim.

Stating that the insurance company’s contention that the policy holder’s claim was under the “exclusion claim”, the consumer panel said, “This forum is of the opinion that the ailment or disease of the complainant is not covered under [relevant] clause of the policy and the opposite party has wrongly denied claim. Thus, holding guilty of deficiency in services, we direct [insurance company] to pay Rs 20,000 as compensation for harassment and mental agony.”

Complainant Kaushlender Ojha had alleged that despite having a mediclaim policy, the insurance company had refused to pay the claim of over Rs 31,000 raised by him.

“The complainant alleged that on account of... severe pain in the stomach, he approached Jaipur Golden Hospital through emergency and remained in the hospital and took treatment for [the] ailment,” read the complaint in the order.

Further it was alleged that despite sanctioning the amount, the insurance company “unlawfully declined the payment of the claim” later.

The insurance company had however contended that resolving appendicitis “did not warrant hospitalisation” and hence, the complainant was not entitled to a refund of the claim.

Dismissing the insurance company’s contentions, the consumer panel has directed the company to compensate the policy holder by November 26, failing which an interest of 10% per annum will be levied.

[TOP](#)

  
Source

***Insurance firms can't be liable to pay compensation to those who travel in goods carriers: Madras HC - The Economic Times - 9th November 2018***

The Madras High Court Friday held that insurance companies cannot be made liable to pay compensation to accident victims who travel in goods carriers. Justices K Sasidharan and R Subramanian said that in the light of the categorical pronouncements of the Supreme Court in various accidents, Motor Accidents Claims Tribunals are not right in directing insurance companies to pay the compensation and recover the same from the vehicle owner.

The bench gave the ruling while passing orders on a batch of appeals from Bharati AXA General Insurance Company Limited in Bengaluru, challenging a September 23, 2014 order of the Motor Accidents Claims Tribunal in Dharmapuri, on October 24. On September 1 2011, a 16-member marriage party from Kottapatty village had engaged a goods carrier to go to Soolakurichi to attend the event. On the way back, the van turned turtle, killing some people and injuring others.

They moved the tribunal, which in September 2014 awarded various amounts. The tribunal directed the insurance firm to pay the amount and recover it later from the vehicle owner. Aggrieved, the insurance company moved the court.

The court said it was no doubt true that in many cases, the claimants may not be able to realise the award amount from the owners of the vehicles involved in the accident. "But the said factual situation alone cannot impel us to do something against the provisions of the statute and the decisions of the larger benches of the Supreme Court," the bench added.

  
Source

[TOP](#)

***Zirakpur firm fined for overcharging insurance premium - The Tribune - 5th November 2018***

The District Consumer Disputes Redressal Forum has penalised a movers and packers firm and an insurance company for overcharging insurance premium. While the premium was just Rs 116, Allied Movers and Packers India Limited, Zirakpur, charged Rs 3,000 and Future Generally Insurance, Chandigarh, also did not provide a solution to the consumer.

The complainant, Dr Rajesh Kumar, a resident of Chandigarh, now living in Kasauli, stated that on his transfer from the city to the Himachal Pradesh town in December 2016, he hired the services of the movers and packers firm for transporting his household goods. He stated that he was charged Rs 12,650, along with Rs 1,897, for transport and packing and Rs 3,000 towards insurance premium.

However, on receipt of the invoice-cum-premium receipt, he came to know that the insurance premium was only Rs 116 and thus requested the opposite parties to refund the excess amount taken, but to no avail. The complainant also exchanged a protracted correspondence with both the parties but in vain. He thus approached the consumer forum.

The insurance firm admitted that the premium was Rs 116 under the “Specific Marine Insurance Policy” that was issued in connection with the case. Documents showed that the insurance firm had charged only Rs 116 but the movers and packers firm charged Rs 3,000 from the complainant. However, no one appeared for the said firm and it was allowed to be proceeded against ex parte.

A perusal of various email communications of the complainant with the insurance firm revealed that the complainant gave various reminders to it regarding illegally charging of the insurance premium by the movers and packers firm. However, there was no concrete solution provided by the insurance firm. Hence, Future Generally Insurance was also liable “by giving shelter to the movers and packers firm and not highlighting its fault before the appropriate authorities”, observed the forum.

Both the firms were thus directed to refund Rs 2,884 to the complainant along with Rs 10,000 as compensation on account of deficiency in service and causing mental and physical harassment. The two firms were also told to pay Rs 5,000 as cost of litigation.

[TOP](#)

  
Source

---

## IRDAI CIRCULAR

---

List of corporate agents registered with the authority as on 31st October 2018 is available on IRDAI website.

[TOP](#)

  
Source

---

## GLOBAL NEWS

---

### ***Australia: Actuaries launch quarterly climate index – Asia Insurance Review***

The Actuaries Institute yesterday launched a climate index, an objective measure of extreme weather conditions and changes to sea levels, to help policymakers and Australia's businesses assess how the frequency of weather extremes is changing over time.

The Australian Actuaries Climate Index, which includes a number of sub-indices, tracks changes in the frequency of extreme high and low temperatures, heavy precipitation, dry days, strong wind and changes in sea level, mainly concentrating on the 99th percentile of observations. The components of the index were chosen due to their link to risk, an area of expertise for actuaries, and because extremes have the greatest potential impact on people and, often, the largest cost to the economy.

The index is the culmination of an extensive research and implementation process. It is the result of consultation with Australia's Bureau of Meteorology, Commonwealth Scientific and Industrial Research Organisation (CSIRO), leading insurance and natural hazard scientists and regulators. “The index is designed to help us understand how extreme weather, and hence risk levels, may be shifting as a result of climate change,” said Mr. Tim Andrews, a principal at Finity Consulting.

Mr. Andrews, who has 30 years of actuarial experience, collated the index, using data from the Bureau of Meteorology’s extensive network of weather stations and tide gauge facilities. The data was collected nationally and grouped into 12 climatically similar regions.

Actuaries Institute president Mr. Barry Rafe said, “Actuaries are skilled at summarising and presenting complex data, and the assessment and management of the financial consequences of risks.” “This project aims to help big and small corporations better understand the changes in weather extremes across Australia. It is one way to bring science and business together.”

Actuaries Institute chief executive Elayne Grace said: “This work will assist businesses to assess and report risks from climate change, and Australians more generally will be able to look at the data and see what’s going on.” Australian financial institutions can reference the index to help them meet their commitments to adopt international risk reporting measures, Ms Grace said. The Financial Stability Board’s Taskforce on Climate-Related Financial Disclosures in 2017 wrote recommendations for a single international cross-industry standard for disclosing those risks.

## Reactions

The Australian Prudential Regulation Authority (APRA), which last year warned that the risks of climate change were “foreseeable, material and actionable now”, has welcomed the new index. APRA executive board member Geoff Summerhayes said, “APRA has a longstanding working relationship with the Actuaries Institute, collaborating on financial risk metrics and standards. We believe this initiative is a positive step towards helping regulated entities to understand and manage the potential impact of climate risk on their businesses.”

CEO of the Investor Group on Climate Change (IGCC), Emma Herd, said: “The effects of climate change are here and now, and getting worse.” “Australian investors are looking for the tools they need to better assess and mitigate physical risks for their investments. The Australian Actuaries Climate Index is a welcome new tool for managing climate risk.”

The IGCC represents Australian and New Zealand institutional investors with around A\$2trn (\$1.46trn) in funds under management, and others in the investment community concerned about the impact of climate change on investments.

## First index report out on 12 Nov

The very first Australian Actuaries Climate Index report, to be issued on 12 November, and which covers the period 1981 to 2018, shows the frequency of extreme conditions in autumn 2018 was higher than the historical extremes for autumns in the baseline period from 1981-2010. In fact, the frequency in the baseline period has been exceeded in every season but one since 2010.

The results are compared to a 30-year reference period, mostly focusing on the 99th percentile of observations. The index will be updated each quarter. The Actuaries Institute plans to develop more explicit measures of risk and the climate index represents the first phase of that work.

“This is a first step,” Ms Grace said. “We hope to build on this index by attaching risk data, such as damage to property and health statistics, in order to understand the relationship between weather extremes and risk, enabling more explicit risk indices to be developed.”

[TOP](#)

 Source

## **Bangladesh: Low returns obtained from insurance fund investments – Asia Insurance Review**

The insurance sector's returns on investments, including securities and fixed assets such as land and buildings, have been minimal. Thirty-two life insurance companies invested BDT139.49bn in government securities, from which the return was 2.62%, or BDT3.65bn, in the first quarter of this year, according to a report in *The Daily Star* citing the Insurance Development and Regulatory Authority (IDRA).

In the first quarter of the year, life insurance companies invested BDT24.7bn (\$294m), or 8.48% of their total funds in fixed assets. The return was only BDT100m, which is 0.40% of the investment. Life insurance companies had a total BDT291.18bn invested in a range of different sectors. The highest portion of the insurance funds— about 48%—was invested in government securities as insurers are mandated to invest at least 30% of their funds in such instruments, said Mr. MohammodiKhanam, CEO of Prime Insurance.

Life insurers had also placed BDT90.28bn in fixed deposits, which was 31% of their total funds as of March this year. The return from the investment was almost 2% in the January-March quarter. The life insurers had invested BDT24.2bn in the stock market, from which the return was BDT130m, or 0.54%, in the first quarter. These returns have left the regulator concerned and it has asked insurance companies to invest policyholders' money wisely and boost the return on investment.

[TOP](#)

 Source

## ***Australia: Insurers float plan to help drought hit farmers – Asia Insurance Review***

The Insurance Council of Australia (ICA) has said it supports the removal of stamp duties on agricultural insurance products nationwide as a key measure to improve the uptake of farm income and crop insurance for primary producers.

ICA CEO Rob Whelan said the insurance industry was examining ways to expand insurance coverage for primary producers. He said access to better data, removing unfair taxes and introducing incentives would play a significant role in improving outcomes during droughts or following extreme weather such as floods or cyclones.

“Government support should be directed at encouraging the take-up of crop and farm income insurance,” he said.

“The abolition of stamp duties for agricultural insurance products is one of five measures that insurers believe would help primary producers in times of drought and protect an important sector of the economy.” Several states have already implemented stamp duty concessions for primary producers.

### **The other proposals raised by the ICA are:**

- Running a census on every primary producer to collect and publish critical data. More information is required on the agricultural sector to support underwriting of existing covered crops and expansion into livestock and non-cereal crops.
- Introducing tax reductions or offsets for farm income and crop insurance products. This incentive would help encourage greater take-up of these products and ultimately reduce dependence on government support.
- Starting a government-guarantee facility for insurers offering farm income and crop insurance for 25% of losses at the declared 1:60 to 1:100 year drought. This would assist insurers to maintain reinsurance cover in the global market.
- Changing government lending criteria through the Regional Investment Corp. It should be dependent on the primary producer holding adequate farm income or crop cover, in the same way that a private market lender will not lend unless the asset is protected by insurance.

Mr Whelan said state taxes and levies on insurance were unfair and highly inequitable, and contributed to the low uptake of farm income and crop insurance products. He said any stamp duty concessions on insurance introduced for the agricultural sector should quickly be applied to the whole community.

Data show that this year has so far been among the hottest and driest years on record for parts of Australia. The months from January to October were some of the driest on record for New South Wales, Victoria and the Murray Darling basin regions, despite the recent rainfall.

**TOP**

  
**Source**

#### **Disclaimer:**

‘Newsletter’ is for Private Circulation only intended to bring weekly updates of insurance related information published in various media like newspapers, magazines, e-journals etc. to the attention of Members of Insurance Institute of India registered for its various examinations.

Sources of all Cited Information (CI) are duly acknowledged and Members are advised to read, refer, research and quote content from the original source only, even if the actual content is reproduced. CI selection does not reflect quality judgment, prejudice or bias by ‘III Library’ or Insurance Institute of India. Selection is based on relevance of content to Members, readability/ brevity/ space constraints/ availability of CI solely in the opinion of ‘III Library’.

‘Newsletter’ is a free email service from ‘III Library’ to III Members and does not contain any advertisement, promotional material or content having any specific commercial value.

In case of any complaint whatsoever relating ‘Newsletter’, please send an email to [newsletter@iii.org.in](mailto:newsletter@iii.org.in).

To stop receiving this newsletter, please send email to [newsletter@iii.org.in](mailto:newsletter@iii.org.in)