



भारतीय बीमा संस्थान  
INSURANCE INSTITUTE OF INDIA

# INSUNEWS

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## QUOTE OF THE WEEK

“ Every human has four endowments - self awareness, conscience, independent will and creative imagination. These give us the ultimate human freedom... The power to choose, to respond, to change.”

- Stephen Covey

## INSIDE THE ISSUE

Insurance Industry .....	2
Insurance Regulation .....	2
Life Insurance .....	3
General Insurance .....	9
Health Insurance .....	10
Crop Insurance .....	18
Motor Insurance .....	19
Reinsurance .....	20
Opinion .....	22
Interview .....	25
Cases .....	27
Pension .....	28
IRDAI Circular .....	32
Global News .....	33

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## INSURANCE INDUSTRY

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### ***India: Over US\$800m sought to boost solvency ratios of 3 state-owned insurers – Asia Insurance Review***

The Department of Financial Services is seeking a capital infusion of INR60bn (\$826m) in the three to-be-listed state-owned non-life insurers to shore up their weak solvency position.

The Department made the request for the funds in a letter to the budget division of the Finance Ministry, reported Financial Chronicle citing highly placed sources. The Department wants the INR60bn to be provided for in the Budget for the fiscal year starting 1 April 2019 (FY2020) or as a supplementary demand for grant.

“We have written to the budget division recently for capital infusion of INR2,000 crore each in the three insurance entities that are to be merged. It will de-leverage their not-so-strong balance sheets and raise risk capacities. They need strong balance sheets prior or post merger, but before listing, their books should be strong on the regulatory capital side,” said a source.

The three public sector general insurers are Oriental Insurance, National Insurance and United India Insurance. They will be merged and listed as a mega entity. The minimum required solvency ratio is 1.5. United India has a solvency margin of 1.21 while National Insurance's ratio borders on 1.5.

The merger, announced in the FY2019 Budget in February, will be possible only in FY2020 since the process has just begun and it will require rationalisation of workforce, branches, procedures and software integration, sources said.

[TOP](#)

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## INSURANCE REGULATION

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### ***Risk-based capital framework will help in effective functioning of insurers: IRDAI - The Hindu Business Line – 13th December 2018***

The Insurance Regulatory and Development Authority of India (IRDAI) expect the proposed risk-based capital framework to facilitate the effective functioning of insurance companies that are focussed on specific geographies or products. This would also help improve insurance penetration in the country.

According to Nilesh Sathe, Member-Life, IRDAI, the framework, which is likely to be in place by 2020-21, will benefit insurers who are niche players, and can manage their risk well as it will ensure that the additional capital does not remain idle.

Currently, insurance companies need to have paid-up capital of Rs100 crore, irrespective of the sector they operate in.

“Right now there is standard requirement of capital, irrespective of what business you do. But in advanced nations it is not so. If there are some players looking only for regional presence or are looking at some specific line of business, then there is no need to keep aside so much capital. This is what the risk-based capital will address,” Sathe told newsmen on the sidelines of an insurance seminar, which was organised by Merchants’ Chamber of Commerce and Industry here on Thursday.

This might also encourage new players coming into the market with specific offerings, thereby improving penetration of insurance in the country.

#### **Sandbox approach**

The regulator is also working on adopting a sandbox approach to promote innovation, thereby improving the penetration and reach of insurance. IRDAI is likely to come up with the guidelines to this effect soon.

“We have formed a committee, which is looking into this. We will come up with guidelines soon,” he said.

A sandbox approach allows insurance companies to experiment and test certain innovative products even before filing for approval of the same. Apart from promoting innovation in the industry, this would also help contain the impact of failures.

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## LIFE INSURANCE

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### ***Insurance Outlook: Near-term volumes to remain weak - Financial Express - 14th December 2018***

The slowdown in retail investor appetite for capital market investments is reflecting in inflows to the sector. In November 2018, private sector individual APE was almost flat as compared to 17-19% growth over the past three months. Inflows to equity mutual funds declined to Rs 86 billion, the lowest in recent months, largely holding on due to volumes in SIPs. We expect near-term volumes to remain weak though higher growth in the protection business makes topline growth less relevant.

#### **Individual APE slows down across the board**

Private sector individual APE was down 1% year-on-year (YoY) in November 2018 as compared to 17-18% growth over the past three months. Notably, the growth rate had moderated in April-July 2018, but picked up in later months to once again slow in November 2018. HDFC Life reported 20% year-on-year (y-o-y) decline in individual APE post strong (37% YoY) growth in October; ticket size in individual non-single business was down 24% month-on-month(m-o-m) likely indicating that the slowdown was in ULIPs.

The company expects its growth trajectory to remain moderate over the next few months. Max Life also saw a slowdown in momentum and delivered 13% growth in individual APE (27-31% in past two months) likely on the back of higher growth in ULIPs (43% of APE in 1QFY19 from 29% in Q1, FY18).

ICICI Prudential Life's retail weighted premium was down 24% y-o-y for the month (17% decline in October 2018). The company has worked on monthly paying policies, which is one of the reasons for weak growth. According to a company release, its volume was up 0.3% y-o-y taking into account overall (individual and group) adjusted premium, including accrued but not received premium.

SBI Life reported moderate 10% y-o-y growth in individual APE after recording strong growth of >15% for the previous two months. The company has focused on streamlining its processes and increasing its share of the protection business.

Its growth will remain moderate, much below 30%+ levels reported in the past. Birla SL reported 55% y-o-y growth in individual APE and Tata AIA was up 59% y-o-y as they continued to make inroads in HDFC Bank. Birla SL saw 41% y-o-y rise in ticket size in the individual non-single segment, while Tata AIA's ticket size was down 7% y-o-y, the reason for this divergence is yet unclear.

#### **Lowest inflows to equity MFs in recent months**

Mutual fund inflows to equities saw a steep decline, with inflows to `86 billion in November as compared to `97-130 billion since March 2018. This is the lowest inflow since the recent correction in equity markets. Notably, SIPs were stable for the past three months at `79-80 bn; the entire volume for the month of November was practically on account of SIPs. On the positive side, liquid funds recorded strong inflows in November 2018 (1.36 trillion); aggregative inflows in the past two months were about 90% of the outflows in the month of September.

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## **Premium income of life insurers falls 3% in November – Financial Express – 14th December 2018**

The APE of life insurers in November 2017 stood at Rs 5,912 crore. Annualised premium equivalent (APE) of the life insurance industry in November declined 3% year-on-year to Rs 5,733 crore. While private players registered flat APE, Life Insurance Corporation of India (LIC) saw a fall of 7% at 2,701.3 crore, showed data released by Kotak Institutional Equities.

The APE of life insurers in November 2017 stood at Rs 5,912 crore.

The segment had witnessed a 6% APE growth between April and November, while private players registered a 11% growth.

The first-year premium of life insurers in November stood at Rs.14, 857.77 crore, a fall of 12.58% compared to the same month last year. In October, the first-year premium was positive as it grew 11.58% to Rs. 15,480.47 crore. But in September, the life insurance companies witnessed a 16.28% decline to Rs 17,490.68 crore, showed Irdai data.

APE is the sum of annualised first-year premiums on regular premium policies, and 10% of single premiums, written by insurance companies during any period from both retail and group policyholders.

According to participants in the insurance industry, LIC has been facing challenges in its group insurance segment in the current financial year. The Irdai data showed till November in the current financial year, LIC received first-year premium of `83,148.64 crore, against `90,314.25 crore in the previous financial year, a negative growth of around 7.93%. The decline in premium is higher in the group insurance business for LIC.

“The slowdown in retail investor appetite for capital market investments is reflecting in inflows to the sector. In November 2018, private sector individual APE was almost flat as compared to 17-19% growth over the past three months. We expect near-term volumes to remain weak though higher growth in the protection business makes top line growth less relevant,” says the Kotak Institutional Equities report.

Players like Birla Sun Life, Bharti AXA, SBI Life and Tata AIA continued to post positive APE growth in November.

“HDFC Life reported 20% a Y-o-Y decline in individual APE after a strong (37% Y-o-Y) growth in October; ticket size in individual non-single business was down 24% MoM likely indicating that the slowdown was in ULIPs. The company expects its growth trajectory to remain moderate over the next few months,” says the Kotak Institutional Equities.

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## **Insurers can't deny a claim after 3 years of policy issuance – Mint – 13th December 2018**

While buying a life insurance policy, especially term insurance where the sum assured is typically higher, people doubt whether the insurance company will pay the claim to the nominee or not. The concern is genuine, because in some cases claims are denied or get rejected because of various reasons. For instance, as per Insurance Regulatory Development Authority of India (IRDAI), in 2016-17, life insurance companies settled 8.60 lakh claims on individual policies, but repudiated or rejected 12,769 claims.

However, if you make all the disclosures and provide correct information and documents while buying a policy, you need not worry about claim rejection. Also, insurance companies can't deny a claim after the expiry of three years from the date of issuance of the policy, according to a clause in the Insurance Act.

### **The clause**

Earlier, life insurance companies couldn't deny a claim made after two years of policy issuance except on grounds of fraud; the onus to prove the fraud was on the insurer. But after an amendment in Section 45 of the Insurance Act, 1938, an insurer has only three years to call a policy in question. After the expiry of three years, an insurance company cannot deny any claim on any ground whatsoever.

Remember in case of revival of the policy, the three-year clause will be effective from the date of revival and not from the date of issuance.

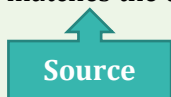
**Full disclosure**

To ensure the insurer doesn't question the policy or the claim in the first three years, disclose all the facts and documents the insurer asks for before issuing the policy. Disclose your correct age, occupation, health condition, income, family history and other details in the proposal form, as well as details of your existing policies and cover. Don't forget to disclose the nominee's name.

Above all, fill the insurance application form yourself. If, say, an insurance agent or banker fills the form for you, go through the form twice before signing the dotted line.

Once you receive the policy document, cross-check the information mentioned in it and make sure it matches the details filled in the form. If there are any mistakes, get them corrected at the earliest.

[TOP](#)



**Insurance pension plans to be flexible, but NPS still cheaper – Mint – 13th December 2018**

Once popular, now forgotten, pension plans offered by life insurance companies may become attractive once again if the latest product regulation draft by the Insurance Regulatory and Development Authority of India (Irdai) is implemented. The draft makes the design of unit-linked pension plans (ULPPs) more flexible and puts it squarely in competition with the National Pension System (NPS). But an important drawback remains: ULPPs continue to be more expensive than NPS. We tell you how the two compare.

**On product structure**

ULPPs are much like unit-linked insurance plans (Ulip), except that they do not offer insurance currently. Your money gets invested in the funds of your choice and just like Ulips, ULPPs come with a lock-in of five years.

NPS vs ULPPs In terms of cost and flexibility, NPS emerges the clear winner against ULPPs. NPS has the tax advantage too	National Pension System		Unit-linked pension plan	
	Current rules	Proposed rules	Current rules	Proposed rules
Investments	Market linked	Market linked	Market linked	No change
Lock-in*	Till 60 years of age	Five years	Five years	No change
Partial withdrawals	Permissible after 3 years	Not permissible	Not permissible	Permissible after 5 years
Number of partial withdrawals	3	Not allowed	Not allowed	3
Amount that can be withdrawn partially	25% of own contribution	Not allowed	Not allowed	25% of the accumulated corpus
Commutable corpus on maturity	60% of the corpus	33.33% of the corpus	33.33% of the corpus	60% of the corpus
Tax treatment on maturity	60% of corpus that's commuted is tax-free from FY20	33.33% of the corpus is tax-free	33.33% of the corpus is tax-free	60% likely to be tax-free
Fund management cost	0.01% of the corpus	1.35% of the corpus	1.35% of the corpus	No change
<b>if ₹1 lakh is invested per year, at 8% return, the corpus at the end of 15 years will be:</b>	<b>₹29 lakh</b>			<b>₹24 lakh</b>

\*Early withdrawals are discouraged by committing a chunk of the corpus into buying annuities. The cost list is not exhaustive for both products, but serves as an example of comparison. Source: Mint research

The similarity with Ulips ends here though. Being a pension plan, ULPPs' product construct discourages early withdrawals. They don't allow partial withdrawals and if you choose to liquidate your investments before the policy term, you can only keep one-third of the money. The balance needs to be annuitised on withdrawal, (an annuity product pays regular income). Or, you can use the balance to buy a single-premium pension policy. Even on maturity, you can keep only one-third of the corpus; the rest needs to be annuitised.

In NPS, you need to contribute a minimum sum every year and it doesn't allow you to liquidate all your money before turning 60 years old. If you do, it annuitises 90% of the corpus, allowing only 10% to be taken as lump sum.

But it allows partial withdrawals. After staying invested for about three years, you can withdraw up to 25% of your

contribution for emergencies such as child's education, marriage, buying a house or treatment of a critical illness ailment. You can make up to three partial withdrawals during the tenure and this puts NPS

a notch above ULPPs. At the time of maturity, when you are 60 years of age, you can keep up to 60% of the accumulated corpus and annuitise the rest. In ULPPs, you can only pocket 33.33% of the corpus.

The draft on ULPPs proposes to increase withdrawable corpus to 60% and allow partial withdrawals after the lock-in period, which will make ULPPs similar to NPS.

### **On investment pattern**

ULPPs don't offer pure equity funds because they are currently mandated to offer a minimum non-zero positive return on the investment, on maturity or on death of the policyholder. In NPS, you can invest up to 75% in equity. But this story is set to change for both.

The draft on ULPPs mandates capital guarantee only on death and not on maturity; this will allow insurance companies to offer more aggressive funds. "The draft has made it optional to offer capital guarantee on maturity which would enable customers to invest in more aggressive funds which is ideal for building corpus over a long term," said Manik Nangia, director marketing and chief digital officer, Max Life Insurance Co. Ltd.

In case of NPS too, as per the G.N. Bajpai Committee report, a 100% allocation to equities is recommended, and PFRDA has already increased the equity allocation from 50% to 75%.

### **On costs**

Cost is the significant differentiator between the two. NPS can charge only 0.01% as investment management fee—this may undergo some revision in the near future—whereas ULPPs come with a fund management charge of up to 1.35% and distribution costs of 7.5% of the premium in the first year and 2% subsequently. Under NPS, the distribution fee is capped at 0.25% of the contributions to a maximum of Rs25,000.

After factoring other sundry costs in both products as well, NPS emerges the winner. For example, as per the benefit illustration of an online ULPP, where the only costs are fund management cost and charge of capital guarantee, at an 8% growth rate, an annual investment of Rs1 lakh for 15 years will return around Rs24 lakh. At the same rate of return and equal investment, NPS would return around Rs29 lakh.

### **Which is better?**

In terms of cost and flexibility, NPS emerges the clear winner and now it also has a tax advantage. "(In NPS), you get an extra deduction of Rs50,000 under Section 80C and now the 60% corpus that one can withdraw is also tax-exempt. In fact, you also don't pay any GST (goods and services tax) when you buy an annuity product through NPS whereas you pay a GST of 1.8% of the corpus when you buy annuity through a pension plan," said Sumit Shukla, chief executive officer, HDFC Pension Management Co. Ltd.

In case of ULPPs, you are currently allowed to withdraw up to 33.33% of the corpus tax-free. However, according to C.L. Baradhwaj, executive vice-president (legal and compliance) and company secretary, Future Generali India Life Insurance Co. Ltd, if the draft proposal is implemented, even 60% of the corpus will be tax-exempt. "Income tax exempts the entire commutable corpus under Irdai-approved pension policy," he said.

NPS continues to score due to low costs which over the long term can magnify into a huge advantage, but financial planners advice caution. "The annuity income remains taxable and under both the products, 40% has to be annuitised. This is not suitable for a retired individual who continues to be in the highest tax bracket. Plus, locking in the corpus to an annuity rate applicable in the future is taking a huge risk," said Suresh Sadagopan, founder, Ladder7 Financial Advisories. "I would recommend not more than 20% of one's money in NPS and the remaining in a mix of Public Provident Fund, exchange-traded funds and mutual funds," he added.

NPS is a low-cost product, and that doesn't change even if the Irdai draft proposals are implemented, but both products suffer limitations and, therefore, can't be the main vehicle for building a retirement corpus.

[TOP](#)

  
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## ***How to make that tax-free switch in Ulips as well as NPS – Mint – 12th December 2018***

A unit linked insurance plan is an investment product wrapped with an insurance cover. It's a market linked product that lets you invest in a range of investment funds ranging from pure equity to debt. You can also switch between funds to ensure you maintain your asset allocation. The same is also true for the National Pension System (NPS). What's more is switch in both the products is completely tax-free.

### **In the case of Ulips**

When you buy a Ulip, you are typically offered an array of funds to invest in, you can choose to put your money all in one fund or distribute your money in any of the funds offered by the policy. If you are not happy with the performance of the fund, you can always make the switch, but keep in mind you can only switch between funds offered by the Ulip.

Moving to another insurer or fund that's not offered by the product means you have to discontinue your policy and then re-invest. In terms of switching, most companies give you a limited number of free switches in a year, after which you pay a charge that's deducted from the fund value. This charge on switching can cost anywhere between Rs100 and Rs500. Some insurers may also need you to switch a minimum amount.

You can make the switch online by accessing your account through the user-ID and password or by approaching the insurer and filling up the switch form. You will need to fill out information such as the funds you have invested in and the funds you want to switch to and how much. Typically if the request is processed before 3PM, the insurer switches the amount on the same day's NAV, else NAV of next working day applies.

### **In the case of NPS**

The product construct of NPS works differently. There are four funds under the NPS namely equity fund, in which you can't put more than 75% of your money, government securities fund, corporate bond fund and alternative asset class fund where you can't put more than 5% of your money. There are eight fund managers under the NPS that offer each of these funds.

You have an option to change your fund manager once and change your funds twice in a financial year. You can switch between funds, under the same fund manager up till the permissible limit.

For instance, you can't put more than 75% in equities but you can put all your money in the government securities fund. Again, you can opt for the online mode to make the switch free of cost. Offline, a transaction charge of Rs20 will apply. Keep in mind that when you place a request for a switch, it doesn't reach the fund manager immediately; it first goes to the central record keeping agency and then to the fund manager. This means that the funds switch can take 2-3 days to complete.

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## ***Term plan premiums – Mint – 10th December 2018***

Life insurance is not about investing your money to earn a return on it, it's about financial protection for your loved ones. The most efficient way to do that is through a term insurance policy. You pay only for insurance and after the policy term ends, you don't get any money back. But on death during the policy term, it pays a huge corpus to the nominees. Look at the premium (cost of the term plan) and the claims settlement record of the insurer.

We list premium rates for some policies of a sum assured of Rs1 crore across three age categories for policy terms are 30, 25 and 20 years. The list of 15 policies has been sorted on the basis of claims settlement rate. The claims settlement rate is measured by benefit amount or the sum assured, as a lower settlement rate is indicative of high ticket-size policies being rejected.

Name of the insurer	Plan	Premium in ₹ as per age (yrs) of policyholder			Claim settled (% , FY17)
		30	35	40	
Life Insurance Corporation of India	e-Term	17,145	21,122	26,550	96%
Max Life Insurance	Online Term Plan Plus	8,378	10,384	13,334	94%
AEGON Life Insurance	item	7,497	9,512	12,717	94%
Canara HSBC Oriental Bank of Comm. Life Insurance	iSelect Term Plan	7,379	8,849	11,464	94%
Exide Life Insurance	Elite Term	9810	11680	14343	91%
Birla Sun Life Insurance	Protect@Ease	9,328	11,363	14,266	91%
Tata AIA Life Insurance	Life Insurance iRaksha Supreme	8,510	10,695	14,720	90%
ICICI Prudential Life Insurance	iprotect smart	9,740	11,919	15,252	89%
IDBI Federal Life Insurance	iSurance FlexiTerm	9,251	11,257	14,089	87%
Bharti AXA Life Insurance	FlexiTerm	8,260	10,384	13,570	87%
SBI Life Insurance	eShield	11,092	13,228	16,154	86%
Kotak Mahindra Life Insurance	Kotak e-term Plan	8,702	10,826	14,838	86%
Aviva Life Insurance	i Term Smart	7,886	9,662	12,409	84%
Edelweiss Tokio Life Insurance	mylife+ : term	8,496	10,042	12,826	84%
Bajaj Allianz Life Insurance	e touch	10,371	12,531	15,895	83%

Date of birth has been assumed to be April 1 in the respective year for each age group. Rates are for a male, non-smoker, Delhi-based. Claims information is for FY2016-17 for individual deaths by benefit amount value as per IRDAI's Annual Report. Claims Paid/Total Claims. In ICICI Prudential and Bajaj Allianz, waiver of premium of disability is included. Premium includes GST of 18%.

**VIPUL SHARMA/MINT**

[TOP](#)

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### ***Is reduction in death benefit good for you? – Mint – 9th December 2018***

Unlike health insurance, there was no significant change in the life insurance segment this year, besides reduction in death benefit and increase in withdrawal limit in pension plans. Here is a look at whether you will benefit from these moves this year:

#### **Change in minimum death benefit**

In life insurance, the regulator has reduced the minimum death benefit requirement for younger age brackets to 7 times your premium from 10 times, for regular premium products. This will need tax change as well. For example, say you pay an annual premium of Rs 10,000. Earlier, the insurer was mandated to give you at least Rs1 lakh as death benefit. As per the key changes proposed to the current regulations, the insurer may give you a minimum death benefit of Rs 70,000.

“The only suggestion for this change is that there should be some sync between income tax regulations and IRDAI,” said Rushabh Gandhi, deputy chief executive officer of India first Life Insurance Company Ltd. The Income Tax Act allows you a tax benefit if the minimum death benefit is 10 times your premium, but if IRDAI’S change is implemented and the relevant change is not done in the income tax regulations, customers will not benefit,” explains Gandhi.

#### **Higher limit**

In case of pension plans, the regulator has allowed the insured to withdraw 60% of the amount on maturity and convert the rest into annuity. Earlier, the customers were allowed to withdraw an amount up to 33% of the maturity corpus.

In case of traditional plans, the regulator has raised the surrender value for the customer. The value has been raised from 30% to 35% of the policy value, he added. Also, in a traditional participating plan, if a

customer has paid the premium for at least two years, she will get some amount even if the policy lapses owing to non-payment, said Gandhi. Earlier, the required payment period was three years.

### **Impact on digital plans**

Like the banking and mutual funds industry, the Supreme Court rule which barred private companies from using Aadhaar for know your-customer (KYC) has also impacted insurance sector. “The discontinuance of online Aadhaar based KYC has a significant impact on digital plans of insurance companies,” said Abhijit Gulanikar, president of business strategy, SBI Life Insurance Co Ltd.

The insurers will soon start monitoring your health wearables. “The draft regulations have also proposed that the insurer may provide a discount to the customer on the back of good health habits,” said Gandhi. Meanwhile, life insurance companies are using chat bots for customer service. Another digital initiative is the premium payment facility through apps.

[TOP](#)

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## **GENERAL INSURANCE**

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### ***Will celebrity marriages give wedding insurance a lift? - The Hindu Business Line - 7th December 2018***

Celebrity weddings attract attention for many reasons — from clothing to jewellery to the destination and even the venue. The current buzz is wedding insurance. Though not new, the niche idea made headlines after Deepika Padukone-Ranveer Singh wedding venue at Lake Como was insured. Insurance agents are hoping that this idea will take off in a big way. The insurance could be anywhere between 0.75 per cent and 2 per cent of the total wedding cost depending on the inclusions.

#### **Category less grown**

Wedding insurance was launched in India a few years ago but didn't really catch on. Puneet Sahni, Head, Product Development, SBI General Insurance, agrees that wedding insurance as a category has not grown. “It is mostly the high-profile weddings that drive traction,” Sahni said.

And what exactly does a wedding insurance cover? it usually includes cancellation or postponement of the ceremony, any public liability, and burglary and theft. It can cover accidental death or disablement of a set of people. While some include postponement due to natural disasters such as floods, others don't. Jewellery and clothing can also be covered. Yet, not many opt for insurance in part due to lack of awareness.

M Raghavendra Rao, Head of Retail Sales, and Future Generali India Insurance, said: “A great deal of money is spent in weddings. What people don't understand is that when a calamity strikes or when something untoward happens, people can recover the financial loss. It is a great value proposition.”

The major issue, he says, is the mindset. Weddings in India are sacrosanct and taking insurance is not something majority of the people think about. “This mindset needs to change,” Rao said.

#### **Destination weddings**

However, things are changing, though gradually. “Awareness is high, especially among the younger generation,” he said. Also, as people are increasingly opting for destination weddings, willing to splurge, the market for wedding insurance could grow as well. The Indian wedding market is seen at Rs. 1 lakh crore.

Rao agrees that to push the product there is a need for better marketing. Earlier, the companies reached the market through wedding planners and brokers. “But now we are looking at different distribution channels such as social media to popularise the product,” he added.

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[TOP](#)

## ***Govt may infuse Rs 2,000 Cr in loss-making non-life PSUs - The Economic Times - 7th December 2018***

The government is likely to come out with a proposal for recapitalisation of loss-making public sector non-life insurance companies. The department of financial services has been asked to prepare a plan, which sources said would require about Rs 2,000-crore infusions in the near future.

The issue of the government-owned insurance companies incurring losses and how they were finding it tough to be in the business was raised at a recently held meeting chaired by Prime Minister's principal secretary Nripendra Mishra and officials from IRDAI and other departments. "There is a fear that if corrective steps — including pumping in of fresh capital — are not taken, these companies may have to reduce the scale of their business," said a source.

In his February 2018 budget, finance minister Arun Jaitley had announced the merger of three non-life insurers — United India Insurance, National Insurance and Oriental Insurance — to create the largest non-life company.

The merged entity was subsequently expected to go for a listing. The companies had invited proposals from consultants for the merger. However, sources said that shortfall of capital was an impediment. The government had last year listed New India Assurance and GIC Re, and raised over Rs 17,500 crore by way of disinvestment.

According to guidelines issued by the sector regulator IRDAI, insurance companies need to maintain a solvency ratio of 1.5 times, which is a statutory requirement. Two out of the four government-owned insurance companies — Oriental Insurance and New India Assurance — were compliant with the norms at the end of the first quarter of 2018-19.

United India has a solvency margin of 1.21, which is an improvement from 1.1% during the previous financial year, but it's still lower than regulatory requirements. The insurance company has managed to reduce capital requirement by shrinking business with premium income falling 15% in the first quarter.

The other public sector insurance firm, National Insurance, has claimed a solvency ratio of 1.43, but it has not been cleared by IRDAI. New India Assurance, the only listed company among the four, is the most comfortable in terms of capital with a solvency ratio of 2.66. Oriental Insurance has a solvency ratio of 1.65%.

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[TOP](#)

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## **HEALTH INSURANCE**

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### ***National health insurance: 5 data analytics firms in race for fraud detection job - The Times of India - 13th December 2018***

Five IT firms, including three prominent global players, will use data analytics to detect frauds and red-flag suspicious transactions in the Centre's health insurance programme, Ayushman Bharat that has catered to almost 5 lakh patients across India within 80 days of its launch.

At least 14 IT majors had been vying for the job since the scheme, touted as the world's largest government-funded health initiative, was announced.

Currently, 60% of the 15,800 empanelled hospitals are from the private sector. Dr.Indu Bhushan, CEO of Ayushman Bharat, told TOI on Wednesday that frauds can't be entirely prevented, but they will not be tolerated. "It hampers sustainability, brings bad name and once that happens we also lose political support," he said, underlining that data will be the scheme's biggest armour. The scheme is expected to cater to 50 crore beneficiaries, which translates into that many patient files.

He said data analysis has already allowed them to spot unusual patterns such as 77 cataract surgeries being performed in one centre in a single day, or oddly male patients undergoing “hysterectomies”. “The hysterectomies turned out to be a coding error but it shows the potential of data,” DrBhushan said. He added that special teams visited suspicious centres once they were red-flagged by the data team. Around 2% of cases will undergo medical audits.

Over a period of six months, data solution companies LexisNexis, Optum, SAS, MFX and Greenjojo will vie to detect frauds and the one with maximum results will get the job. “These are some of the best companies in the world,” he told TOI on the sidelines of Sankalp Global Summit.

Dr.Bhushan lamented that none of the big private hospitals from Mumbai has come on board. Contrary to that, he said in states like Tamil Nadu, big hospital chains have joined the scheme. “In Tamil Nadu, they have divided hospitals into five grades and developed rate cards accordingly.

We can perhaps look at such a model in Mumbai,” he said. Discussions on rate revision have also begun at the Centre but changes may not be implemented before six months for insurance purposes.

“This is not a scheme for poor people going to poor quality hospitals. We want them to have the option of best. We have initiated talks with the management of several hospitals. In Delhi, we have had success with Dr Naresh Trehan’s Medanta,” he said. In Maharashtra, where both Ayushman Bharat and Mahatma Phule Jan ArogyaYojana coexist, there are attempts to integrate them.

[TOP](#)

  
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### ***Ayushman Bharat: Bengal, Bihar, Chhattisgarh top beneficiaries - Financial Express - 13th December 2018***

West Bengal, Bihar and Chhattisgarh emerged the largest beneficiaries of Ayushman Bharat, Narendra Modi government’s flagship healthcare insurance scheme. The government has spent Rs 798.34 crore on the scheme till November end, minister of state for health and family welfare Anupriya Patel informed the Rajya Sabha on Wednesday.

West Bengal was allotted a total of Rs 193.34 crore including Rs 16.78 crore administrative expenses, while Bihar got an allocation of Rs 188.27 crore, and Chhattisgarh Rs 114.43 crore, the minister stated while answering a question by BJP MP Amar Shankar Sable.

Pradhan Mantri Jan ArogyaYojana (PMJAY) under Ayushman Bharat offers up to Rs 5 lakh annual hospitalisation coverage for poor families. The scheme is targeted to benefit more than 50 crore people. Ayushman Bharat is benefiting more than 10,000 people daily at present. The number is expected to go up to 30,000 soon.

The scheme is funded by the central and state governments in the ratio of 60:40. For Northeastern and Himalayan states, the centre will bear 90 per cent of the expenses towards the scheme. The scheme has benefited more than 5 lakh patients since its launch in September this year.

The scheme seeks to improve access to healthcare facilities for the poorer sections of the society. It also targets a reduction in out-of-pocket expenditure on health, which is estimated to be 60 per cent of the health care cost in the country.

The government has also shortlisted five analytics firms to identify frauds in Ayushman Bharat, according to a newspaper report. These companies are entrusted with the work of detecting malpractices by private hospitals in the implementation of the scheme.

However, many of the top private hospitals in big cities have kept themselves away due to low package rates offered under the scheme.

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### ***PM-JAY covers five lakh in less than 80 days of its launch - Financial Express - 13th December 2018***

Over five lakh beneficiaries have availed themselves of free hospitalisation benefits worth a total of `700 crore in less than 80 days of the Pradhan Mantri Jan ArogyaYojana (PMJAY), which offers `5-lakh-a-year free health cover to 10.7 crore households.

Going by the trend, the average hospitalisation cost per person works out to be around Rs.15, 589, higher than Rs 10,000 estimated by the Niti Aayog. State governments and the National Health Agency have empanelled over 15,000 hospitals to provide hospitalisation services under the scheme. This is even as efforts are on to empanel more branded specialty hospitals under the scheme.

As the scheme matures and payments are streamlined, greater percentage of hospitals in PMJAY would be branded, Ayushman Bharat CEO InduBhushan told FE recently. Medanta in Gurugram, Apollo in Chennai and Narayana Hrudayalaya in Bengaluru are some of the top branded and super specialty hospitals which are already empanelled after the scheme was rolled out on September 23.

NHA plans to issue about five crore beneficiary cards to inform people and generate hospitalisation demand from rural population. So far, about 20.74 lakh cards have been issued.

The hospitalisation and treatment cost are shared in 6:4 ratios between the Centre and states. The cost of the scheme would be much lower in FY19 as half of the year is over. For 2018-19, the PMJAY might cost the Centre about Rs 4,000 crore (including one-time investments on IT) and the states about `1,600 crore.

The scheme might provide hospitalisation benefits to 25 lakh in the current fiscal year. So far, bulk of beneficiaries is from Gujarat, Tamil Nadu, Chhattisgarh, Karnataka and Maharashtra, the states which had prior experience of similar schemes.

[TOP](#)

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### ***India to increase public health spending to 2.5% of GDP: PM Modi - The Economic Times - 12th December 2018***

India is set to increase its public health spending to 2.5 per cent of its gross domestic product (GDP) by 2025, Prime Minister Narendra Modi said on Wednesday, asserting that women, children and the youth will continue to remain at the heart of every policy, programme and initiative of the government.

Addressing the 2018 Partners' Forum here, Modi said the high out-of-pocket expenditure incurred by families to avail medical care in India worried his government and to address the issue, it launched the Ayushman Bharat Yojana, which has a two-fold strategy.

The Pradhan Mantri Jan ArogyaYojana provides cashless health insurance cover up to Rs 5 lakh per family per year, covering 500 million poor citizens.

"This number is almost equal to the population of Canada, Mexico and the US taken together. We have already provided free treatment worth Rs 700 crore to 5 lakh families under this scheme within 10 weeks of its launch," Modi said.

The other arm of Ayushman Bharat, Modi said, is the provision of providing comprehensive primary care at a facility near the community, for which the Centre will start 1.5 lakh health and wellness centres by 2022.

The community will also be able to receive free screening and care for common diseases including hypertension, diabetes and three common cancers -- of breast, cervix and oral. The patients will receive free medicines and diagnostic support close to their homes, he said.

At the event, Modi said the government is set to increase its spending on public health to 2.5 per cent of the GDP. As of now, the country spends 1.15 per cent of the GDP on health.

"This will mean an actual increase of 345 per cent over the current share, in just eight years. We will continue to work for the betterment of people. Women, children and youth will continue to remain at the heart of every policy, programme or initiative," he said.

Modi informed that India's immunization programme, "Mission Indradhanush", will be featured as a success story, among 12 others from all over the world, in the two-day forum. Under the "Mission Indradhanush", he said the government reached 32.8 million children and 8.4 million pregnant women over the last three years while the number of vaccines has been increased from 7 to 12.

He said India's story was one of "hope. Hope that roadblocks can be overcome. Hope that behavioural change can be ensured. Hope that rapid progress can be achieved".

The PM said that India was one of the first countries, to advocate focused attention on adolescence and implement an extensive health promotion and prevention programme for adolescents.

Modi said when his government assumed office in 2014, "India was losing more than 44,000 mothers". The Centre then launched the "Pradhan Mantri Surakshit Matritva Abhiyan", as part of which doctors pledged one day of service per month to this campaign and 16 million ante-natal care check-ups were performed.

"The country has 25 million newborns. Our robust facility-based newborn care system, which provides care to more than 1 million babies through 794 state-of-the-art special newborn care units, has served as a successful model. As a result of our interventions, 840 additional lives of children under five are being saved each day in India as compared to four years ago," he said.

Modi said that to deal with the issue of malnutrition among children, the government has launched "POSHAN Abhiyan" and is also implementing "Rashtriya BAL Swasthya Karyakram", which has provided 800 million health screening check-ups and free referral treatment to 20 million children in the last four years.

"Some states and districts have performed at par with developed countries. Others have their work cut out. I instructed my officials to identify 117 'Aspirational Districts'. Each such district has been entrusted to a team that works across sectors like education, water and sanitation, rural development with top-most priority to health and nutrition," he said.

About the government's work in the women health sector, Modi said more than half of Indian women did not have access to clean fuel for cooking till 2015. The "Ujjwala Yojana" provided cleaner cooking options to 58 million women.

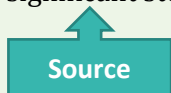
He said that the sanitation coverage in rural areas has increased from 39 to 95 pc in the last four years after the launch of the "Swachh Bharat Mission" which aims to make India open defecation free by 2019.

"We all know the saying: If you educate a man, you educate an individual; but if you educate a woman you educate an entire family. We have translated that into 'Beti Bachao Beti Padhao', a programme that focuses on the girl child and on giving her the best quality of life and education.

"In addition, the government has devised a small deposit savings scheme for girls called 'Sukanya Samriddhi Yojana'. With more than 12.6 million accounts opened, this scheme is helping secure the future of the girl child," he said.

Modi said that the Pradhan Mantri Matru Vandana Yojana is expected to benefit more than 50 million pregnant women and lactating mothers. The scheme enables direct benefit transfer to their bank accounts to compensate for wage loss, enable better nutrition and adequate rest before and after delivery.

He also talked about increasing the maternity leave to 26 weeks, from the 12 weeks earlier, as a significant step towards improving women's health.



[TOP](#)

## ***What exactly is Co-Pay feature in a health insurance policy? – Financial Express – 11th December 2018***

With the rapidly-increasing healthcare expenses in India, a health insurance cover has become a basic necessity. As per several reports, the country is home to roughly 17.5% of the world's total population and accounts for over 25% of all neonatal deaths. Moreover, the nation even accounts for over 20% of the global load of diseases along with over than 20% of all child deaths. With all this and most importantly, expensive hospital facilities and treatment, it is not possible for everyone to take treatment at swanky hospitals.

To reduce the burden, insurers have started offering health insurance so that everyone can take the best available treatment in the country. However, with the rising healthcare cost, the cost of health insurance covers is also getting higher. In order to cater to the rising health insurance cost, the insurers have introduced a co-pay element in the health insurance plans.

### **What Exactly Is Co-pay?**

Most of the times, the terms and conditions page in a health insurance policy seems to be confusing for most of the policyholders. However, it is very important to have a proper understanding of all the mentioned terms in order to make a better, evolved and informed decision. One such and very important term is Co-pay. Under a co-pay plan of the health insurance cover, the policyholder agrees pay a proportion of the total insurance claim. While the proportion of the co-pay lies anywhere between 10 and 25 per cent, the policyholder pays his/her share of the claim and the rest is paid by the insurer.

To understand it better, let's take an example. Suppose Mr. X has a health insurance cover of Rs 10 lakh with a 20% co-pay plan. During a medical emergency, Mr. X files a claim of Rs 2 Lakh with the insurer. Now, in this case, Mr. X will have to pay Rs 40,000 as co-pay while the remaining Rs 1, 60,000 will be paid by the insurer.

### **Different Types of Co-pay**

Most of the insurance companies apply co-pay plan in different ways depending on various scenarios. Let's talk about some of the very common scenarios where co-pay is applicable.

**# Non-network Hospital:** In case of medical treatment outside network hospital, a few health insurance plans require co-pay feature. While taking medical treatment it is always advised to be very careful while selecting the hospital. If you do not find a network hospital nearby, you must always try to contact your insurer before getting hospitalized in a non-network hospital.

**# Hospitalisation in Different City:** It is quite apparent that hospitalisation cost in metro cities is much higher than that in smaller cities. While most health insurance plans do not require the co-pay feature in case of hospitalization in non-metropolitan cities, co-pay is applicable in case of hospitalisation in a metro city. In simpler words, the co-pay feature is applicable when a policy purchased in tier II city is applied for a claim in Tier I city. However, claims from policies issued in Tier I city do not have any co-pay element.

**# Pre-existing Disease:** None of the insurers covers pre-existing diseases in the health insurance policy till a pre-defined waiting period. The policy holder can avail treatment for the existing disease only after the waiting period is over. However, many insurers offer required treatment only after applying the co-payment feature. Moreover, it entirely depends upon the insurer if he wants to apply co-pay or not.

**# Treatment in Expensive Hospital:** Even while taking medical treatment at network hospital, some insurers categorise certain specified hospitals as highly expensive and treatment in all such hospitals demands higher co-pay. This is usually because of the higher room rents and surgery charges in various hospitals. Generally, restrictions on room rent and surgery cause proportional reduction of claims payment. It also equally depends upon the various rules of the insurance policy. As a policyholder, it is always advised to confirm with the insurer about the share of co-pay before taking treatment in a swanky hospital.

### How good is Co-pay for You?

The co-pay feature is more of a cost and benefit analysis. While people who expect claims in the near future may not find value in co-pay, however those who are not expecting claims in the near future may find great value in taking a health cover with a co-pay feature. Youngsters are advised to opt for the co-pay feature in their health insurance plan as it will help them save on premiums and within a few years, the cost saving can be quite great. Senior citizens are advised not to choose the co-pay feature in their health insurance policy as in old age, the cost of their medical expenses will be quite high and it will directly increase the co-pay amount for them.

No doubt, co-pay is a great way to save on the premium amount, but you must always check the pros and cons of your individual health insurance cover with the co-pay feature before buying a policy. This will help you in better understanding the different requirements of the co-payment clause.

[TOP](#)

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### ***6 lakh beneficiaries enrolled by CSCs for Ayushman Bharat scheme in J&K - Business Standard - 10th December 2018***

As many as six lakh beneficiaries have been enrolled by Common Service Centres (CSCs) for Ayushman Bharat scheme in Jammu and Kashmir, an IT Ministry official has said. Nearly 3,500 Common Service Centres (CSCs) -- a network that is a part of the government's rural outreach programme for delivery of digital services -- have been roped in for registration and verification of Ayushman Bharat beneficiaries, the official added.

The ambitious healthcare programme of the NDA Government - Ayushman Bharat - was launched in J&K recently with a target of covering over 31 lakh poor and vulnerable families in all 22 districts. When contacted, CSC CEO, Dinesh Tyagi said that so far around six lakh beneficiaries have been enrolled by CSCs, of which over 2.5 lakh applications have been cleared (by the state authorities).

Maximum registrations have been reported from districts like Anantnag, Baramulla, Badgam, Pulwama, Kulgam, and Ganderbal. Tyagi said that apart from registration of beneficiaries, CSCs are carrying out publicity and advocacy work for the universal health programme, mobilising people to get registered, and getting necessary documentation done for registration of beneficiaries.

"Due to this, there has been major rush for registration under Ayushman Bharat scheme. CSCs have become a single window service provider for Ayushman Bharat in J&K... In many cases, CSC workers are even visiting homes of sick and feeble people to get their registrations done," he said.

Prime Minister Narendra Modi, in September, launched the Ayushman Bharat- Pradhan Mantri Jan Aarogya Yojana, which aims to provide a coverage of Rs 5 lakh per family annually, benefiting more than 10.74 crore poor families for secondary and tertiary care hospitalisation through a network of empanelled health care providers.

CSCs, said Tyagi, have become major platform for registrations under Ayushman Bharat schemes across India. So far, 20 lakh pan-India registrations in 13 states have been facilitated by CSCs. Top registrations have been reported from Jharkhand, J&K, Gujarat, Madhya Pradesh, Uttar Pradesh and Bihar.

[TOP](#)

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### ***Ayushman Bharat scheme safety net for the very poorest, says Gates Foundation - The Times of India - 10th December 2018***

India's policy on financial inclusion and sanitation are models for other countries to follow, whereas the government's flagship health insurance scheme Ayushman Bharat has the potential to transform the country's healthcare scenario with the key challenge of turning potential into reality, says Mark Suzman, Chief Strategy Officer and President, Gates Foundation.

“India’s policy on financial inclusion with regards to Payment Banks, Jan DhanYojana and other such payment structures are models that other countries are copying. We have taken a lesson from how India is implementing these policies and think the rest of the world can learn from it,” Suzman, who is on a visit to meet global delegations from Europe, Africa and other countries to deliberate on such policies, told TOI.

Calling government’s flagship health insurance programme Ayushman Bharat as a “safety net for the very poorest”, Suzman said the scheme has the potential to bring in a major change to the country’s health scenario as it not only complements the government’s initiatives in primary healthcare such as immunisation, sanitation and maternal care, but also fills in a major financial gap for the poor making tertiary care accessible for the poor.

“The scheme is providing certain resources, which historically might have bankrupted certain families while paying for emergency care. This is very important because it helps in poverty reduction and provides a safety net for the very poorest,” Suzman said.

Through Ayushman Bharat, the government is targeting to increase healthcare accessibility while reducing out-of-pocket expenditure on health, which constitutes over 60% of health financing in India with many still deprived of tertiary care because of its high cost.

Latest government data shows, nearly 5 lakh patients have sought complex tertiary care procedures including surgical oncology, radiation oncology, cardiac bypass and total knee replacements under Ayushman Bharat since its launch in September.

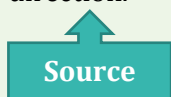
The scheme, implemented by the National Health Agency, has also created a strong database and information technology backbone with national statistics on patients, disease burden and health infrastructure, which forms an important component to address the needs through an overarching policy, Suzman said.

Praising Prime Minister Narendra Modi for his initiative to address the problem of sanitation, Suzman said, “It has been an encouraging partnership overall with PM Modi and his government starting with the Swachh Bharat programme where we have been significant partners. Sanitation is a major priority for the Gates foundation. Its been rare and unusual to find a global leader who is ready to make sanitation a national priority but we understand he has.”

However, the country needs to adopt modern methods like faecal sludge management to address the problem, he said.

Suzman also stressed the need for the government to ramp up investments to meet the targets set by it. “India still spends comparatively less proportion of its GDP – a little over 1% of its GDP – on health, which is lower than many other countries with similar capital returns and so we would certainly like to see more investments in that space but also more effective investment,” he said.

He added, the government needs strong commitment to tackle the burden of communicable diseases and malnutrition which continues to pose a significant challenge for the country, despite its progress in the direction.



[TOP](#)

### ***Are health cover premiums fair? – Mint – 10th December 2018***

How do you know the industry is charging you more than it should? In insurance, one of the yardsticks is the claims ratio, which is the ratio of claims paid to premiums received. A ratio of over 100 means the company is paying more claims than it is receiving premiums and vice-versa. The claims ratio for the public sector is over 100%, about 84% for the private sector and about 58% for standalone insurers, as per Irdai’s annual report for FY17. We ask experts whether this indicates overcharging by insurers?

### **Not okay to look at claims ratio alone**

Overall loss ratio of a health insurance company is the sum of the claims ratio and the expense ratio. Both are dependent on aspects including mix of business, portfolio size, demographic profile, tenor, persistency, claims management, fraud management, tariff management with network hospitals, pricing revision duration of various products, among others.

Hence, it may not be appropriate to look at claims ratios alone. Typically, in the initial years of a health insurance company, expense ratio is higher than the claims ratio and as the company matures, the reverse happens.

The reasons why standalone health insurance companies have lower claims ratio as compared to general insurance and public sector insurers are tenure of the business, better underwriting and claims management.

Also, general insurance companies have been in the market for a longer duration and have more mature portfolios, where the effect of waiting periods would have worn off at the portfolio level. I believe, loss ratio of more than 100% is not good for customers since such a business may not be viable in the long term leading to increase in the premium.

—MayankBathwal, CEO, Aditya Birla Health Insurance Co. Ltd

### **Claims settlement rate main metric**

Comparing the overall claims ratio across insurers can be misleading because it combines retail and corporate claims. A proper analysis would be to compare retail claim ratios across insurers, but this information is not available in the public domain.

From a customer's perspective, the main metric to look at is claim settlement rate. It measures the percentage of total claims that are settled. It indicates the probability of a customer's claim being paid. Unfortunately, this information is also not available separately for the retail business.

If both claim ratio and claim settlement rate are low, then there is a customer issue. If claim settlement is high but claim ratio is low, it suggests that non-claim costs are a large part of pricing. This could be because of intense competition resulting in high customer acquisition and renewal costs that get built into the premium, but is not reflected in claims paid.

Buyers should focus on claim settlement and the industry needs to share more detailed data so that customers can make informed choices.

—Kapil Mehta, co-founder, SecureNow.in

### **Tightening cost can improve claims ratio**

Pricing is liberal in group insurance as they are based on volume and also due to higher discounts offered based on the client's total insurance account. Insurers also "buy" this portfolio to increase their topline. This has resulted in high claims ratio in the segment (currently, more than 100%). Prices are more stable in individual portfolios. Individual policies are better priced and more in line with medical inflation. Premiums are based on factors like health condition, family medical history and pre-existing conditions. Claims ratio depends on control on claim costs like uniform treatment or procedure costs in hospitals and underwriting discipline. If you manage the selection of risks and tighten costs in the healthcare ecosystem, you can have a good claims ratio. So, a lower claims ratio doesn't mean premiums are overpriced as you are operating in a competitive market. To keep premiums sustainable, it's important to standardise treatment cost across hospitals. Regulatory intervention will help insurers tackle pricing dilemma.

—Warendra Sinha, MD and CEO of IFFCO Tokio General Insurance Co. Ltd

### **Retail customers bearing the burden**

The health insurance segment of the non-life sector has been growing at a healthy rate of 20% over 10 years. The overall portfolio comprises three customer segments: retail, group and government mass business that's underwritten by three sets of insurers: public, private non-life insurers and standalone insurers. Retail customers and standalone health insurers (that largely do retail policies) have registered the lowest claims ratio (premium received is much higher than claims paid), indicating that retail

customers are being made to bear the burden of bleeding portfolio of group and government businesses that are not priced appropriately.

While a higher claims ratio indicates unsound underwriting, inadequate pricing, poor management of risk and inefficiencies in claims management, a low loss ratio like 58% in the case of standalone insurers indicates selective underwriting practices and elements of over pricing.

Also, the health segment generates the second highest number of grievances for the industry. I think it's only a matter of time before we start debating the acceptable minimum claims ratio if health insurance premium is to remain fair and reasonable.

—MaltiJaswal, senior consultant, World Bank, and consultant, Ayushman Bharat

[TOP](#)

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### ***Over 4.6 lakh people benefited under PMJAY so far: Ayushman Bharat Mission CEO - The Economic Times - 7th December 2018***

Over 4.6 lakh people have availed the benefits of the Pradhan Mantri Jan ArogyaYojana (PMJAY) in the first 10 weeks of the implementation of the scheme, for which over Rs 600 crore has been authorised so far, Ayushman Bharat Mission CEO InduBhushan said on Friday.

Addressing the '5th India Health & Wellness Summit, 2018,' here, he said over 10,000 people are getting benefits of the scheme daily and once it is well placed, the number will go up to 30,000. "Out of the 4.6 lakh beneficiaries, over two-third went to private sector hospitals. The amount authorised so far is over Rs 600 crore and this number is going up exponentially," Bhushan said.

The PMJAY, touted as the world's largest government-funded healthcare programme, was launched by Prime Minister Narendra Modi in Ranchi, Jharkhand, on September 23. Under the scheme, over 10 crore families will be provided health insurance worth Rs five lakh each, every year.

Highlighting the "meaningful engagement" of PMJAY with the private sector, Bhushan said out of the 14,000 empanelled hospitals over 8,000 are private ones. "We are providing benefits to more than 10,000 beneficiaries everyday. Once the scheme is well placed and deeply rooted in the system, this number will go up to 30,000 per day," he said.

In an outreach initiative to create awareness about the scheme, the prime minister has written letters to all the 10 crore intended beneficiaries, out of which five crore have been dispatched so far, Bhushan said. The Ayushman Bharat Mission CEO said PMJAY will prove to be a giant leap towards universal healthcare in the country because of its scale, demand side financing focusing on poor people, collective bargaining, and the role of the private sector in it.

So far, more than 10 lakh calls have been received at the toll free number of the scheme and everyday around 10,000 to 30,000 callers seek information about it, Bhushan said, adding the website of the scheme has got three million unique hits since it was launched.

[TOP](#)

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## CROP INSURANCE

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### ***Ministry of Agriculture Highlights Substantial Reduction of Premium of PMFBY - Business Standard - 12th December 2018***

Under Pradhan MantriFasalBimaYojana (PMFBY) and Restructured Weather Based Crop Insurance Scheme (RWBCIS), the premium payable by farmers has been substantially reduced and simplified and there is one premium rate on pan-India basis for farmers which is maximum 1.5%, 2% and 5% of sum insured for Rabi, Kharif and annual horticultural / commercial crops, respectively.

Crop insurance is a major risk mitigation tool for the benefit of farmers. Insurance is all about spreading the risk over the period and over the area. Insurers save premium in good seasons/years and pay high claims, if any, in bad years from the savings made in the good years. As against the premium collected from farmers amounting to Rs.4216.04 crore in 2016-17, claims of Rs. 16279.25 crore have been paid to farmers. Similarly, claims of Rs.16967.92 crore have been paid during 2017-18 (Kharif 2017) against premium collected from farmers amounting to 3038.70 crore.

[TOP](#)

  
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## MOTOR INSURANCE

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### *What new motor insurance rules mean for you – Mint – 8th December 2018*

#### **Two big changes**

If you've bought a new car or a two wheeler this year, you should know about two major changes. "The Insurance Regulatory and Development Authority of India (IRDAI) directed general insurance firms to offer only long-term third party cover for new cars and two-wheelers effective from 1 September 2018," said Shreeraj Deshpande, principal officer, Future Generali India Insurance Co Ltd. Meanwhile, IRDA also instructed insurers to increase the sum insured under compulsory personal accident cover to Rs 15 lakh, said Anup Rau, chief executive officer, Edelweiss General Insurance Co Ltd.

#### **Long-term motor cover**

The regulator issued the directive after the Supreme Court passed an order on 6 July 2018, mandating a three-year third party cover for new cars and five-year cover for new two wheelers.

"It removes the hassle of renewing the policy every year, which at times results in the break-in and loss of the no-claim bonus," said Gurneesh Khurana, president and country head, Motor Business, Bajaj Allianz General Insurance Co Ltd. However, there are some concerns around increasing cost burden on consumers and potential lack of freedom of choice, Rau added.

#### **Personal accident cover**

The regulator directed an increase in the personal accident sum insured cover for the owner driver in the motor policy to Rs 15 lakh from the current cover of Rs 1 lakh for two wheelers and Rs 2 lakh for four wheelers, said Deshpande. The corresponding premium has been increased from Rs 50 for two wheelers and Rs 100 for four wheelers to Rs750 across the segment, he said.

This was implemented by all general insurance firms in October and is compulsory for the policy's first year, Deshpande said. This move ensures appropriate cover and financial support in case of disablement or death, Khurana added.

  
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[TOP](#)

### *India: Regulator eases personal accident insurance rules for vehicle owners – Asia Insurance Review*

The insurance regulator has announced that car and two-wheeler owners can replace their bundled compulsory personal accident (CPA) cover on expiry with a standalone one starting 1 January 2019.

In its statement, the IRDAI said that after consideration of existing personal accident covers of owner-drivers and that one may own more than one vehicle, it would be rational if he/she would not have to buy different CPA policies for different vehicles.

The IRDAI said that it has been decided that standalone compulsory personal accident cover would suffice for all vehicles owned by a single individual. Thus, with effect from 1 January 2019, vehicle

owners can opt for CPA cover as a part of the package policy as it exists today or purchase a standalone one, in which case, the package policy shall be deleted.

In October, the regulator had directed insurers to provide owner-driver vehicles (both cars and two wheelers) with a minimum cover of INR1.5m (\$20,900) as compulsory personal accident cover. Earlier, the minimum coverage was INR100,000. The move led to increases in premiums for vehicle owners.

The IRDAI said that various quarters had pointed out that many owner drivers already have existing general Personal Accident covers. Also, the fact that an owner driver may own more than one vehicle needs to be taken into consideration in a more rational manner so that the he/she does not have to buy a separate CPA policy for each vehicle owned.

[TOP](#)

  
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## REINSURANCE

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### ***GIC Re to retail 'first right of refusal' status: Irdai - [www.moneycontrol.com](http://www.moneycontrol.com) - 12th December 2018***

The order of preference for reinsurance contracts has been retained in India. In the final regulations on reinsurance, Insurance Regulatory and Development Authority of India (IRDAI) has said that the order will be first General Insurance Corporation of India followed by foreign reinsurance companies operating in India via branches will now be allowed to bid for reinsurance contracts.

IRDAI has said that insurers will be free to obtain best terms for reinsurance protection of domestic risks. In all contracts, GIC Re is given the first right of refusal in reinsurance contracts. If it declines to accept the risk, only then it would be given to foreign reinsurer's branches.

Reinsurance refers to risk cover taken by insurance companies. They take this cover for protection against financial liabilities of large projects. In case there is a huge claim from an insured loss, the reinsurance cover provides financial assistance to insurance companies.

IRDAI said that reinsurance renewals will have to be done at the beginning of every financial year. No insurer will seek terms from any Indian insurer, not registered with the authority to transact reinsurance business.

IRDAI has said that every Indian insurer has to maintain the maximum possible retention in commensuration with its financial strength, quality of risks and volume of business. In life insurance, IRDAI has said insurers should retail at least 25 percent of sum assured under pure protection and 50 percent for other categories of products.

Seven global reinsurers operate in the Indian reinsurance market through their branches. These include Munich Re, Swiss Re, SCOR SE, Hannover Re, RGA Life Reinsurance Company of Canada, XL Insurance Company SE, Gen Re and AXA France Vie. Specialist insurance market Lloyd's of London has an India branch as well.

Foreign reinsurers had earlier expressed concerns about not getting equal treatment and held discussions with the Finance Ministry on the matter. However, the idea here is to give more rights to the domestic reinsurers. The size of the reinsurance market in India is about Rs 45,000 crore and only a negligible portion of it is contributed by branches of foreign reinsurers.

The amendment in the insurance laws in 2015 through the Insurance Act (Amendment) Act had said that foreign reinsurers will be allowed to set up branches in India. However, the first preference rule was added later to give a boost to Indian companies first before giving away business to foreign entities.

[TOP](#)

  
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## ***India: Foreign reinsurers' branches can now compete along with domestic rivals – Asia Insurance Review***

Foreign reinsurers' branches (FRBs) in India will, in a breakthrough move, now be able to bid for reinsurance contracts along with Indian reinsurers. At present, GIC Re is the only active Indian reinsurer.

The much-awaited IRDAI (Reinsurance) Regulations, 2018 issued by IRDAI on 12 December 2018 allow GIC Re to retain the right of first refusal. However, in instances where FRBs offer rates lower than GIC Re and GIC Re cannot match those rates or GIC Re does not exercise its right, FRBs can win those reinsurance contracts.

The new reinsurance regulations come into effect on 1 January 2019 and will lead Indian reinsurers and FRBs to compete for business on equal terms.

A clause in the regulations reads, "Every cedant, shall be free to obtain best terms for its reinsurance protection of domestic risks, subject to the following:

"Cedants shall seek terms at least from all Indian reinsurers, who have been transacting reinsurance business (other than emanating from obligatory cession) during the immediate past three continuous years and at least from four FRBs."

Under the existing reinsurance regulations, reinsurance contracts could be offered to the FRBs only if GIC Re did not exercise its right and refused the business.

According to the new regulations, the reinsurance renewals will have to be executed at the beginning of every financial year. Also, insurers cannot seek quotes from any Indian insurer not registered with the IRDAI to transact reinsurance business.

### **Focus on maximising retention within the country**

The new regulations lay down the following objectives for the reinsurance programme of every Indian insurer.

1. Maximise retention within the country, subject to proper and adequate diversification of risks;
2. Develop adequate technical capability and financial capacity;
3. Secure the best possible reinsurance coverage required to protect the interest of policyholders and (retro)cedants at a reasonable cost;
4. Simplify the administration of business.

The new regulations also stipulate that all Indian insurers are to maintain the maximum possible retention commensurate with their financial strength, the quality of risks and volume of business.

In life insurance, IRDAI has said the insurers should retain at least 25% of sum assured under pure protection and 50% for other categories of products.

India's reinsurance market is estimated to be worth around INR50,000 crore (\$7bn) and most of it is catered by the state-owned Indian reinsurer GIC Re. It is expected that keeping in view the current rate of growth of the Indian insurance industry, the country's reinsurance market will double within next 10 years.

Currently, 10 global reinsurance entities operate in the Indian reinsurance market through their branches. These include Munich Re, Swiss Re, SCOR, Hannover Re, RGA Life Reinsurance Company of Canada, XL Insurance Company, Gen Re, AXA France Vie, Allianz Global Corporate & Specialty, and Lloyd's of London.

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## OPINION

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### *Global lessons from natural calamities – Mint – 10th December 2018*

The real cost of floods across Kerala in August may never be really known. Hundreds dead, thousands displaced, millions lost. The scale of damage from any natural disaster can never really be measured because of the long-term ecological and psychological effects. The spread of diseases, such as cholera, malaria, and leptospirosis, may impact flood-hit communities beyond the crisis for years to come.

We react every time there is a disaster. We band together and raise funds, help victims and volunteer time to clean up and rebuild.

The task before us is to move from a reactive stance to proactively preparing for such natural disasters. The fact that more people are moving into more densely populated cities and towns only means that the impact of a similar-scale event 20 years ago would have caused much less damage than it would do today. India faces numerous such perils and needs to be better prepared.

In 2017, Swiss Re counted 183 natural catastrophes and 118 man-made disasters across the globe. India alone is projected to have seven megacities—defined by a population of more than 10 million—by 2030, the World Economic Forum said last year. This confluence of climate change, natural disasters, and human density could lead to more Kerala-like images.

Governments and insurers pushing for solutions can model, prepare and transfer risk to insurance markets. The end goal: Rebuild societies in the event of any natural catastrophe and to minimize any long-term impact by reducing the gap between economic losses and available funding, known as the protection gap.

The cost of recovery and reconstruction in Kerala has been put at Rs 31,000 crore, according to a UN report in October. The annual allocation by both state and central authorities to Kerala's disaster relief fund is a mere Rs214 crore, the government said in August.

While there may be additional funds from the central government's National Disaster Response Fund, this isn't a guarantee and the amount can be contentious depending on negotiations between the state and centre. Then, there are commercial and private insurance claims, but the current estimate is believed to be no more than Rs 2,500 crore.

That means, in this scenario, the protection gap is upwards of Rs 25,000 crore. This shortfall—and how Kerala and its citizens recover—will fall on the shoulders of the state government. This situation will not be unique to Kerala and neither will it be the last time that this happens.

The GST Council has now been asked to examine the feasibility of a disaster levy to finance disaster-related reconstruction. This will not be easy. States will need to agree on a common rate, as well as the goods and services that will bear the proposed levy. We don't believe a state levy will sufficiently incentivize states to improve their disaster risk management.

One solution is to transfer disaster risks over to the insurers or reinsurers. Immediate payouts are made through parametric solutions based on the amount of rainfall or the intensity of a drought, for example.

The benefit to governments would be transparency over funding; the benefit to citizens is almost immediate payouts; the benefit to everyone affected would be food, clothes, medicines and temporary shelter without having to appeal for funds.

Is this too far-fetched? Can this be done in India? There are numerous examples for Kerala—and India—to follow. For example, America's National Flood Insurance Program, the Caribbean's 16-country hurricane, earthquake and rainfall risk insurance fund and Mexico's FONDEN programme, which is a comprehensive disaster-risk financing strategy comprising reserve funding, reinsurance and catastrophe bonds.

Closer to home, China's provincial Guangdong and Heilongjiang governments have purchased insurance against natural disasters as a means of fiscal budget protection—the idea being that a disaster will hit multiple areas of a budget beyond the core. Several of these programmes have responded with timely payouts following recent natural disasters.

There is another compelling reason. Ratings agencies are increasingly looking at the impact of natural disasters on the financial health of a government. Both S&P and Moody's said that mitigating the financial impact of natural disasters will improve the credit rating of a government. This is especially relevant in India's developing environment of competitive federalism, where state governments are expected to rely less on federal assistance, especially when it comes to funding post-disaster reconstruction.

A peculiarity of India's disaster relief mechanism is the focus on immediate relief and rehabilitation, and the secondary focus on the restoration and rebuilding of infrastructure. Again, insurance purchased on the government account will serve to plug this gap in reconstruction financing.

One immediate measure to encourage states to adopt risk financing tools would be an enabling provision that allows them to pay for insurance premiums from the disaster relief fund allocations. This will not only promote greater financial autonomy at the state level, but also has the advantage of requiring no additional budgeting by New Delhi.

*(The author G. Satish Raju is CEO, Swiss Reinsurance Company Ltd, India branch, Mumbai.)*

[TOP](#)



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### ***Make insurance part of plan B - Financial Chronicle - 10th December 2018***

Financial planning is a journey to realise dreams. With the help of financial planners, we can create the blueprint of a journey like investing in various assets classes and in different proportions. We review it periodically and accordingly adjust the same. This is our plan A.

It's understood that most of the time the focus is on plan A. But we also need to have a plan B, which could be insurances.

The day we complete our studies and start earning, we need to have life insurance. When it is life insurance; it's a term plan. At every stage of life while buying insurance, we need to keep in mind the sum insured and the term. In a term plan, premium increases if the tenure chosen is longer. Also, at this stage we need to think of our dependents like parents and must take the insurance amounting to the bank fixed deposit interest income, enough to the household living. This is the simple method and a good starting point too. The tenure can be the expected life of parents.

Further, insurances need to be purchased at all stages of life like when getting married, starting the family and any other liability like housing loan.

As insurances are like plan B, it should be taken considering the objective for which it is tagged and accordingly the term. For example, for a girl child we need to consider the cost of education and marriage. Thus the insurance amount should be decided accordingly and the tenure must cover the marriageable age.

In consultation to the financial planners, one may use the immortalisation tool and reduce the sum insured. But it's not advisable as during the journey of life you need to increase the sum insured and not reduce it.

Many a times I find people buying insurance for the longest term and even agents of insurance companies suggest the same. To my opinion, insurances are not for profit making but a tool to ensure that during the journey of financial planning if something goes wrong to the bread-winner the plan B comes into picture and makes the financial journey of the family smooth.

Second it's important to buy medial/health insurance. Many times the employer provides the health insurances. It's important to check the terms and condition as there are many variants available for

group health insurance. In the era of job switches it's necessary to have your own standalone family floater policy. The advantage of this policy is if you are enjoying the sabbatical between two jobs it will help you. Further, after retirement the employer insurance will cease and due to higher age and existence of ailment, you may be denied any health insurance. So, keep a cushion to fall back upon.

Further, you need to review the amount of insurance regularly. Always keep in mind the cost of medical expenses and the life after retirement. Currently, the cost of medical treatment is rising by around 12 per cent. Again, it's important to review the insurance at regular intervals as well as various stages of life.

Personal accident insurance is probably given the least weightage even when one is looking to the insurance as plan B. Personal accident insurance cover should be of 10-15 times your income. Though the word accident reflects mostly vehicle accident, but it also includes accidental fall or even an animal bite.

One important coverage available with personal accident policy is the total or partial disability. Due to an accident we may have permanent loss of a limb, which may impact the future earning capacity and in turn affect the financial planning journey. Personal accident policy also covers this loss.

The most important coverage provided in personal accident policy is of total or temporary disablement. If a salaried person is bedridden, he will have a loss of pay in terms of debit of sick leave. For self-employed or businessman, it hampers income to large extent. Under this coverage, the insurer compensates the average weekly income.

Critical illness policies are called 'fixed benefit' plans. Assume one is diagnosed with cancer, and then irrespective of the cost of treatment, an insurance company pays a lump sum amount. In many cases of critical illness, you may not need hospitalization, but could be bedridden and under pressure to meet family obligations. Thus a lump sum amount would certainly be a big help. The major critical illnesses are a heart attack, cancer or a stroke. Hence to compensate the work loss due to critical illness and to financial burden of children's education and financial commitments, you need a product that can compensate your losses.

Critical illness covers diseases where the insured is diagnosed for the illness listed at the time of purchase of the policy and the payment is done immediately to the insured depending on the policy conditions.

*(The author is CFP & CEO of Mega Financial Planners)*

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### ***Ulips: Here's all you need to know - Mint - 8th December 2018***

Unit-linked insurance plans (Ulips) have been rightly bashed by financial planners for their cost structure. No wonder their share in the total new premium declined to 12% in 2017 from 54% in 2010. However, in 2018 there has been renewed interest in new online Ulips that promise to be low cost. Zero commission and low charges: Ulips are known to be loathed for huge charges and commissions in the product structure. However, the online Ulips have either reduced it to minimal or completely removed charges, except fund management cost (also charged in mutual funds) and charges for the insurance cover (mortality charges). IRDAI mandates a fund management charge of 1.35% or less on Ulips.

Instant rebalancing: Ulips allow you to spread your money across multiple funds, based on your risk appetite allowing you to instantly balance your portfolio through the switching option.

This is a benefit where it scores above mutual funds where you have to sell units in a particular fund and wait for the settlement in your account, maybe attract exit load and taxation, before you are able to refactor your portfolio.

Lock-in period: The lock-in period of Ulips is five years, compared with zero to three years applicable in mutual funds. This is a dampener for investors looking for short-term investments.

However, it is a non-issue for investors looking at long term investments, and encourages them to pay and stay instead of getting lured or influenced by market movements.

Comparable fund performance: Though the objective of a fund under Ulip was similar to its corresponding mutual fund, the fund performance was not comparable because the calculation of returns on Ulips did not subtract any charges, apart from fund management charge. With the removal of charges in a set of online Ulips, the fund performance has now become more comparable.

Waiver of premium: At a certain extra charge (around 0.40% to 0.60% on the annual investment), Ulips can provide protection to one's investment instalments in case of death.

No long-term capital gain tax: Investors are liable to pay 10% long term capital gain tax on profit above Rs1 lakh (without any indexation benefit) made from the sale of equity or equity mutual fund schemes held for over a year. Ulips have not been affected by this tax, giving a significant amount of tax saving to the investor.

Lower flexibility: Mutual funds provide better flexibility over Ulips. You can pause your systematic investment plans (SIPs) in case of a financial crunch or stop your investment if you are not happy with the fund performance.

Ulips will lapse if you do not pay premiums in a disciplined manner. Hence, it works only if you are strongly committed to the investment for more than five years.

Not portable: The investment in Ulip is not portable. Though you can rebalance your portfolio within the investment, you cannot port to another insurer altogether if you are not happy with the fund manager's performance till five years of lock-in.

Higher mortality charges than term insurance: Every Ulip comes with a life insurance cover that is 7-10 times of the annual premium. The life insurance cover embedded in the investment plan is deducted from the accumulated units.

These charges in most cases could be almost three times higher than what you would pay for the same life cover, taken through a term life insurance plan.

Hence, if the investor's primary goal is protection, they should not consider Ulips as an option at all.  
Mahavir Chopra is director health, life and travel insurance, Coverfox.com

[TOP](#)

  
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## INTERVIEW

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### ***IRDAI proposals on life covers will help buyers: Ashish Vohra, Reliance Nippon Life Insurance - The Economic Times - 10th December 2018***

Irdai's proposals on linked and non-linked life insurance product structures will allow more flexibility, besides reviving the pension space, Ashish Vohra ED and CEO, Reliance Nippon Life Insurance tells ET Wealth.

**How will the proposed changes in the structure of life insurance products affect policyholders?**  
The proposals, if implemented, could make the till-now rigid life insurance product design space a lot more flexible. For one, policyholders will not be tied to one insurer while buying annuities. This way we could see a revival in the pension space.

Surrender rules in case of non-linked policies, too, would be eased—the policies could then acquire surrender value after two years instead of the current three years. The changes would be in favour of customers.

**Won't reducing minimum death benefit from 10 times the annual premium to seven be a step backwards, given that protection is the core of the life insurance business?**

The current rules for minimum cover are cumbersome and restrictive for product innovation. The proposed regulations have simplified the rules to provide more scope for offering flexible protection benefits to the customers such as 'whole life' flexible protection plans.

They can start with low or medium protection covers when they are single and increase it when they start a family. They can also reduce it when they are closer to retirement to increase the savings component in the product. In addition, seven times is the minimum cover limit, companies are free to offer higher cover multiples.

**Won't it put tax benefits out of the reach of policyholders?**

The minimum cover required to avail of tax-free status for maturity proceeds under Section 10 (10D) will be brought down to seven times. Past experience shows that tax benefits usually get aligned to the minimum cover prescribed by the regulator.

**What is your current product mix?**

Ulip sales have gone up after the imposition of long-term capital gains (LTCG) tax on equity investments. Ulips now account for 30% of our portfolio, while traditional plans make up the balance.

**Insurers often contend that Ulips allow individuals to switch in and out of debt and equity without attracting tax, but how often do policyholders use the switch funds option?**

Consumers do find the switch option attractive when buying a Ulip policy, however the percentage of consumers who use the feature is limited. For instance, in our case, the percentage of Ulip customers who switch or opt for top-up is less than 1% of our in-force Ulip customer base.

**Do you intend to focus more on the protection side, like your peers?**

Given the shift in the industry towards a higher protection share, we are also shifting focus towards increased protection. We are in the process of launching a digital term insurance cover, which assures protection at economical cost to a large segment. Last year, we introduced several riders.

Now, around two-third of our policies sold see at least one rider being attached to them. We are moving towards long-term products for increasing the protection coverage through longer tenure. We expect to have 75% of our business in policies with tenures longer than 10 years.

**What are your plans for the critical illness product segment?**

We have just launched a cancer protection plan—Cancer Protection Plus. Our product comes with a key differential—we pay out 100% of the sum insured, irrespective of whether it is early or late stage cancer. We intend to serve tier 2, tier 3 and tier 4 towns, areas that other insurers often do not target.

**From a customers' perspective, what are the advantages of such plans over critical illness and disease-specific covers offered by health insurers?**

Products offered by life companies are fixed benefit plans and have the advantage of longer coverage term—five to 25 years as against health insurance plans which are shorter term. In most cases it also brings the advantage of guaranteed premiums for a minimum of five years.

**How do you plan to boost your persistency ratio?**

In the past two years, our 13-month persistency ratio has moved from the late 50s to the mid 70s, with institutional changes in customer acquisition and engagement process. Our current 13th month persistency ratio is at 75.7% for the half-year ended September 2018, up from 69.3% last year. There has been a 6% jump across 13th, 25th and 37th month persistency ratios.

**Why is the fifth-year persistency ratio still poor for the industry?**

Our fifth year persistency is at 43.6% for the half-year ended September 2018, and we expect this to move closer to the Asian average of 55-60% in the coming quarters. The biggest lever for improving the fifth year persistency is to control the quality of first-year sales.

Statistically, if the 13th month persistency is not good, no matter what you do, the later years will not put up a good show either. We have taken several steps to improve our first-year persistency. In addition, we are also improving our collection efforts. We have ramped up efforts to get people to pay their renewal premiums. For our better-originated book to hit the desired persistency level, it will take two more years.

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## INSURANCE CASES

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### ***Insurance firm to pay Rs 1 lakh for rejecting claim for i-Phone - The Times of India - 13th December 2018***

The district consumer disputes redressal forum has directed the UB Insurance Associates and the New India Assurance Company Limited to pay a compensation of Rs 17,000 to a complainant for rejecting his claim for i-Phone, which was snatched in Baddi, Himachal Pradesh.

They were also directed to pay Rs 80,500 as the insured amount of the phone to the complainant at @9% interest per annum from the date of loss till it is actually paid.

Shakti Paul Sharma, complainant, said he purchased a new Apple i-Phone-6 Plus Gold (128 GB) for Rs 80,500 and the same was insured with the New India through UB Insurance Associates after paying a requisite premium of Rs 3,900.

He said on November 27, 2015, his phone was snatched on the outskirts of Sandholi village in Baddi. Along with informing the police, he also informed UB Associates for a claim.

However, UB Associates vide e-mail dated February 25, 2017, informed the complainant that his claim could not be processed as he failed to submit the required documents on time.

Nobody appeared on behalf of UB Associates. The New India Insurance Company stated in their reply that their tie-up with UB Associates ended on November 11, 2015, as they got the insurance policy cancelled and took a refund of the premium from the company; hence, the alleged loss does not fall within the period of the insurance policy and they were not concerned with the claim in any manner.

The forum, after hearing both the sides, held that perusal of the e-mails available on record and written statement of New India Insurance Company, made it clear that both the parties admitted charging the premium amount for the purpose of insuring the phone.

Hence, the act of not providing proper services, despite charging the requisite premium amount, proved deficiency in service on their part which in turn caused unprecedented physical and mental harassment to the complainant and forced him to indulge in the present unnecessary litigation.

They were then directed to pay Rs 80,500 as the insured amount of the phone to the complainant at @9% interest per annum from the date of loss till it is actually paid, Rs 10,000 as compensation for unfair trade practices and harassment caused to the complainant and Rs 7,000 as litigation expenses.

  
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[TOP](#)

### ***'Insurance co can't deny claim for lost mobile phone' - The Times of India - 9th December 2018***

The District Consumer Grievances Redressal Forum (Nashik), stating that insurance companies should not draw inferences of terms and conditions that suit them, has ordered New India Assurance Company Limited to settle the claim for lost mobile raised by a consumer.

“When two meanings are likely from the terms and conditions of insurance policy the insurance companies tend to take the one that suits them and turn down the claim. This is why we call it as deficiency in services,” the three-member forum headed by president Milind Sonawane said in its judgment delivered on December 4.

Shashikant Dalvi (45), a resident of Tidke Colony, had registered complaint against the insurance company with the forum on May 24, 2017 seeking justice after the company rejecting his claim for his lost mobile that was insured. The complainant had bought the mobile phone for Rs 10,000 in June 2016 and had insured the same by paying a premium of Rs 600. On March 20, 2017, Dalvi lost his mobile that he had kept in his car.

Since the mobile was insured for a year, Dalvi registered the claim and provided all the information about the purchase of the mobile and premium receipt along with the police complaint. The insurance company, however, rejected the claim stating: “The insurance is only valid if anything happened to the mobile when it was in the custody of the owner. If it is not in his custody then the company is not responsible for it.”

During the hearing the company again rejected the claim putting forth the same reason. To this the forum said, “There are two meanings for the lost mobile from the car – one that company claims that the person had gone away without caring for it and the other that person had kept it in the car along with his other belongings.”

The forum ordered the company to settle the claim of Rs 10,000 and also pay Rs 3,000 as charges for mental harassment and Rs 2,000 for cost incurred.

[TOP](#)

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## PENSION

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### ***Now you can withdraw 75% EPF if jobless for 1 month: Rules notified - The Economic Times - 13th December 2018***

The Ministry of Labour and Employment, via a notification dated December 6, has amended the Employees' Provident Fund (EPF) Scheme to allow its members to withdraw money from the corpus if he/she remains unemployed for more than one month. This rule will come into effect from the date of notification, i.e., December 6.

Though the move was announced in June this year after the meeting of the Central Board of Trustees (CBT) of EPFO, only now has the government notified it so that it becomes law.

#### **The new rule**

According to the notification, a member of EPF can now withdraw money for a maximum up to 75 per cent of the credit balance from his/her account if he/she remains unemployed for a period not less than one month. This will be a non-refundable advance meaning that a member can take out his/her money without closing his account and will not have to refund the money withdrawn.

This will come as a relief for many as they can withdraw three-quarter of their EPF balance after a month of quitting their job and use this money to meet any financial contingencies. However, members of the retirement body will continue to have choice to apply for final withdrawal after two months from the date of cessation of unemployment.

"EPF Scheme 1952 does not have provision for advance to members during such kind of non-employment, and the scheme allows only full and final settlement. This compels members to withdraw entire amount. Such early closure of membership also goes against the objective of providing social security to the members and family," CBT agenda note said.

[TOP](#)

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## ***Untangling the National Pension Scheme - The Hindu Business Line - 13th December 2018***

Aware that the NPS (National Pension System) has not been a super-hit with the workforce, the government has made a series of tweaks to its features to draw in subscribers. But this hasn't helped its popularity. By end-October 2018, the scheme managed just Rs35,261 crore from voluntary private sector subscribers. This is surely a small sliver of the retirement savings needed for India's non-government workforce.

Last week, the Cabinet has approved the coveted EEE tax status for the NPS. But it is unlikely that even this juicy tax break will have voluntary contributors thronging to the scheme. Conceived as a low-cost, no-frills market-linked product, the NPS has had one too many bells and whistles added to it over the years, which make it inaccessible to lay folk.

There are four steps the government and the pension regulator can take to make the NPS less complicated, so that it can be bought off the shelf.

### **Shrink the menu**

Today, a private sector worker looking to invest in NPS is asked to make a mind-boggling array of choices. First, he is presented with a Tier I and a Tier II account. Then, he is required to select one pension fund manager from eight on the menu. Next, he needs to decide on his percentage allocation between the four assets — equity, corporate debt, government securities and alternative investments such as AIFs, Invits and REITs. He must use either Active choice or Auto choice to do this.

But in Active choice, he doesn't have a free hand because the rules, in their wisdom, link his equity allocation to his age. So, at 50, he can set this equity allocation at 75 per cent, but if he is 55, he is permitted only 62.5 per cent. The Auto choice again offers choices of aggressive, moderate and conservative life-cycle funds.

In short, the NPS subscriber's predicament is like that of a famished diner visiting a fast food joint with an over-large menu. While he'd be quite happy with a plate of idlis, the waiter insists on reeling out the names of 30 other dishes.

Therefore, the first thing that regulators will need to do to make the NPS more appealing to ordinary folk, is to whittle down its menu. Tier II accounts can be done away with. Rather than confuse the investor with an 'auto' choice, they can just have an active choice where he is free to set his allocations. Esoteric assets such as alternatives are best kept off the NPS menu. Instead of eight fund managers running active funds, one index fund for each asset class may suffice.

### **Shift to index funds**

The opportunity to earn market-linked returns at an ultra-low cost is the NPS' most compelling proposition. But in trying to fulfil this promise with actively managed funds, the pension fund regulator has been tying itself into knots. Active fund managers in India charge a fee of 1.75 to 3 per cent a year to manage mutual fund money. But the NPS is seeking their services at 0.01 per cent.

The rock-bottom fee disincentives fund houses who bag the NPS mandate, from allocating their best talent to it. It gives rise to *jugaad* practices such as channelling NPS money into their mutual fund schemes. It also leads to high churn and mid-way drop-outs in the NPS fund managers.

All this is highly unsettling for the investors who are entrusting the NPS with their life savings. Reshuffling the NPS fund managers every three or five years interrupts the funds' track record, making it difficult for investors to choose the right one.

It would be best for the NPS to stop looking to hire active managers for peanuts. It should instead call for competitive bids from fund houses to run passive funds that track say, the Nifty 500, the 10-year g-sec and the AAA corporate bond index at low fees, with minimal error.

NPS investors would find it more reassuring to stick with a single fund manager who invests in a predictable basket of securities, than dealing with new sets of managers every 3 or 5 years. Though NPS's

active managers have so far beaten the indices by 1-2 percentage points, with the maturing of Indian stock and bond markets such alpha will likely narrow.

There's also no reason why NPS assets should be demarcated for central government and private sector employees, with different sets of rules. Pooling the two will help the fund manager reap scale benefits in managing NPS money.

### **Offer it through employers**

Inertia is often a big factor preventing investors from signing up for financial products. A good way to solve this problem would be to require all private sector employers to offer NPS as an alternative to the EPF to all their employees.

This has several advantages. Employees need not hunt for banks or intermediaries (who seem quite reluctant to promote NPS) to open NPS accounts. The additional costs incurred towards contribution and account maintenance on the NPS can be done away with.

More affluent employees may end up opting for the market-linked NPS over the EPF, thus freeing the government the burden of running a defined benefit scheme for them. For employees who skip the EPF in favour of the NPS, the deal can be sweetened by employers making a matching contribution to their retirement kitty.

### **Remove end-use rules**

A final feature of the NPS that puts off investors is its draconian rules on the end-use of maturity proceeds. Unlike EPF or PPF which allow the investor to use their accumulated retirement corpus in any manner, the NPS stipulates that the investor compulsorily use 40 per cent of his proceeds to buy annuity plans.

This is an unnecessary stipulation. For retirees seeking regular income, annuity schemes from Indian insurers are among the most unfriendly products one can think of. They offer very low returns taxable at the slab rates. They force the investor to lock in for a lifetime into the fixed annuity rates prevailing at his entry. They offer no inflation protection.

Given that the NPS is unlikely to be the only retirement vehicle for an employee, he must be given the choice of clubbing all his accumulations and deciding on income avenues that give him maximum bang for the buck.

Getting millennials to defer their current consumption to save for a retirement that is far into the future is hard enough, without the government trying to dictate how they use that money after they retire.

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Source

***Scrap the NPS annuity: Makes more sense to go for systematic withdrawal plan – Financial Express – 12th December 2018***

Though government employees under the National Pension System (NPS) have been asking for the 'defined contribution' scheme—both they and the government contribute 10% each of the basic pay and invest this in a pension plan—to be scrapped and, instead, allow bureaucrats to move to the old 'defined benefit' scheme, the government has done well to sidestep this demand. Under the earlier scheme, that applies to those employed before 2004, employees get a salary equal to half that drawn by a person of equivalent rank today; so, an employee who drew a pension of Rs 5,000 on retirement several decades ago could get several times that amount today since people of equivalent rank have seen a big jump in their salaries, and hence pensions.

This scheme was, however, scrapped in favour of the 'defined contribution' one where employees get a pension based on what returns their contributions fetch under various investment plans available under the NPS; typically, NPS schemes offer around 9-10% returns per annum, though the returns can be even higher in some plans offered by fund managers under the NPS.

Under the earlier scheme, pensions skyrocketed, from Rs 32,690 crore in FY09 to Rs 168,460 crore in FY19, or an increase of 5.2 times versus 3.9 times for all salaries; as a result, the pension-to-salary bill for the government rose from 61% a decade ago to 81% in FY19. The government has done well to sidestep this demand and, instead, promise to raise its contribution to 14% of the employees' salary from the present 10%.

The government has also made another big change, to ensure the NPS is on a par with other pension plans such as the EPFO. Till now, while 40% of the money you saved—and the return on it—had to compulsorily be invested in an annuity product, the balance could be encashed on retirement; while two-thirds of this was tax-free, taxes had to be paid on the remaining third (or on 20% of the final retirement corpus). Under what the Cabinet has now cleared, after the 40% annuity amount, all of the balance will be tax-free.

The government would do well to replace the 40% annuity clause since this puts NPS at a disadvantage. Right now, as compared to a 10% average return on NPS, annuities fetch just 6-7%. Take a person with a Rs 250 corpus on retirement—of this, Rs 100 will have to be invested in buying an annuity that will give a return of Rs 7 per year. But if a person keeps the same Rs 100 in the NPS fund and withdraws Rs 7 per year under a Systematic Withdrawal Plan, the corpus will rise to Rs 128.6 at the end of 15 years—assuming a 9% NPS return—while, under the annuity plan, the survivors of the person would just get Rs 50 or thereabouts. If this is done, the government's plan of ensuring a retiree gets a pension is met, but instead of tying the pensioner to a low-return plan, she continues to get the higher return most NPS products offer if she so wishes.

[TOP](#)



Source

***EEE tax status will encourage retail participation in NPS, says PFRDA chief - The Hindu Business Line - 11th December 2018***

The National Pension System (NPS) will become an attractive proposition for retail investors (non-government subscribers) now that the government has decided to give exempt-exempt-exempt (EEE) tax status for this pension product, a top PFRDA official said.

“The absence of EEE status was a big hindrance for growth of NPS as it was always compared with EPF and PPF. Now NPS is being brought on par with the Employee Provident Fund and Public Provident Fund. One hurdle is out of the way,” Hemant Contractor, Chairman, PFRDA, told BusinessLine.

An EEE status would mean tax exemption at the stage of contribution, accumulation and withdrawal. Currently, both PPF and EPF enjoy EEE tax status. As on November 30, there were 2.48 crore NPS subscribers with total assets under management of Rs 2,80,947 crore.

#### **Timeline for transfer**

Contractor also clarified that the Centre's decision allowing government subscribers to opt for a private fund manager will apply only for fresh inflows. “As far as the existing balances are concerned and since the amounts are quite large, PFRDA has suggested a time period of five years to transfer the old balances,” Contractor said.

The final circular in this regard is awaited from the government, he said. Currently, the NPS corpus of government subscribers is managed by three public sector fund managers — pension fund managers of UTI, LIC and SBI.

Following the latest decision, government subscribers of NPS have an option to choose from as many as eight pension fund managers (including private fund managers).

It has now also allowed government employees (NPS subscribers) to invest up to 50 per cent in equities, from the existing cap of 15 per cent. The suggestion of PFRDA in allowing two of the life-cycle funds — conservative (up to 25 per cent equity) and moderate (up to 50 per cent equity) has been accepted, official sources said.

### 100% in G-Secs

It may be recalled that PFRDA had not recommended the aggressive fund (up to 75 per cent equity). Its other suggestion of allowing up to 100 per cent in government securities in the case of government NPS subscribers has also been accepted now.

Contractor said PFRDA had only received broad communication on the latest government decisions on NPS and was awaiting the fine print. The latest decision around the NPS has come as a boost for the pension sector what with PFRDA having to wait for a few years to see these come through.

[TOP](#)

  
Source

### ***NPS: Centre's contribution hiked to 14%; tax sops on staff investment - The Hindu Business Line - 7th December 2018***

In a bid to make retirement income scheme more attractive for Central government employees, the government has agreed to chip in a higher 14 per cent of the basic salary of an individual as its contribution to the National Pension System (NPS), a top source said. The move would benefit over 36 lakh Central government employees.

Also, individual contributions, which will continue to be capped at a maximum of 10 per cent of the basic salary, will be exempt from taxable income.

The NPS is a government-sponsored pension scheme that was launched in January 2004 for government employees. However, in 2009, it was opened to all sections. The scheme allows subscribers to contribute regularly in a pension account during their working life. On retirement, they can withdraw a part of the corpus in a lumpsum and use the remaining corpus to buy an annuity to secure a regular income after retirement.

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## IRDAI CIRCULAR

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

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Source

IRDAI issued circular regarding Clarification on outsourcing activities undertaken by Insurance Web Aggregators and remuneration payable to all the insurers & insurance intermediaries.

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IRDAI issued circular regarding Intimation of receipt of premium through SMS by the Insurer to the Policyholder to all insurers.

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IRDAI issued notification regarding Insurance Regulatory and Development Authority of India (Re-insurance) Regulations, 2018.

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First year premium of life insurers for the period ended 30th November, 2018 is available on IRDAI website.

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IRDAI issued circular regarding Cover for Compulsory Personal Accident (CPA) for Owner-Driver under Motor Insurance Policies.

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List of corporate agents registered with the authority as on 30th November 2018 is available on IRDAI website.

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## GLOBAL NEWS

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### ***Japan: Life insurers' mortality and morbidity margins tipped to stay strong - Asia Insurance Review***

Mortality and morbidity margins for Japanese life insurers will remain strong even under a base case scenario of a combination of slow economic growth and low interest rates, says Moody's Japan.

The international rating agency says that its outlook for the Japanese life insurance industry over the next 12-18 months is stable.

"Underwriting margins of our rated Japanese life insurers will remain strong, and capital will continue to improve on the industry's high retention of economic profit, which is far higher than its accounting profit and the associated dividends," said Mr Soichiro Makimoto, a Moody's vice president and senior analyst. "However, investment risk and the duration gap will continue to be a drag on the industry," he added.

Moody's points out that life insurers continue taking incremental investment risks to boost investment returns to beat the ultra low domestic rates, and that their duration gaps will not improve because the industry continues to refrain from investing in long-duration Japanese government bonds.

Moody's conclusions are contained in its just-released report, "Life Insurance — Japan: 2019 outlook stable as core profit and capital strong despite low interest rates".

On both mortality and morbidity products, the industry continues to retain substantial pricing power. By contrast, the economic contribution from interest margins to core profit will remain small. New business will continue to shift away from traditional products, which face subdued demand because of a shrinking working age population and ultra low domestic interest rates.

On the other hand, insurers have been introducing new products such as:

1. insurance products that promote better health,
2. products that target the needs of the rising retiree population, and
3. foreigncurrencydenominated savings products.

Insurers with strong brand value and those with new value-added products will likely maintain sales without reducing margins, says the report.

[TOP](#)

  
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## **Bangladesh: Cabinet approves new insurance law – Asia Insurance Review**

The Cabinet has approved a new insurance law, called the Insurance Corporation Act, 2018, replacing a 1973 version.

Among the changes made in the new Act is that the authorised and paid-up capital of state-run life insurer JibanBima Corporation, previously set at BDT200m (\$2.39m) in 1973, which was increased to BDT3bn and BDT300m respectively. Similarly, the authorised and paid-up capital of state-owned non-life insurer SadharanBima Corporation has been increased to BDT5bn and BDT1bn respectively.

The number of members on the board of directors for JibanBima and SadharanBima corporations has been increased from seven to 10. The new law also states that at least five people must be present at a board meeting.

The provisions regarding eligibility and professionalism of board of directors have been updated. The provisions on insurance of government property have also been updated.

The newly formulated Insurance Corporation Act, 2018 is comprised of provisions from both the Bima Act 2010 and the Insurance Development and Regulatory Authority Act, 2010. It was also translated to English for better accessibility, reported Dhaka Tribune.

In 2009, the then government had modernised the Insurance Act formulated in 1938, and had named it Bima Act 2010. The government also formulated Insurance Development and Regulatory Authority Act, 2010 to regulate this sector.

[TOP](#)



Source

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