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Top Insurance News

IRDA TO STOP FIXING 3RD PARTY INSURANCE PREMIUM FROM 2021

The Insurance Regulatory and Development Authority (IRDA) has indicated that it would disband the practice of annual fixing of premium for third party (TP) insurance for motor vehicles from 2020-21. This would pave the way for insurance companies to quote their own premiums, which may bring it down because of stiff competition. Currently, the insurance regulator announces the fixed premium for TP insurance cover, which is mandatory for every vehicle that plies on the road. The transporters have been demanding that the regulator fix the cap for premium and allow insurance companies to offer discount so that policy-buyers have greater choice. Since there is no fixed premium for “own damage”, insurance companies offer huge discount. Insurance companies collected about Rs 50,000 crore premium for motor vehicle insurance in 2016-17, according to Insurance Information Bureau of India (IIB). Insurance companies have been more keen to sell comprehensive insurance policies, which include both TP and own damage (OD). Officials told TOI that de-tariffing TP premium came up for discussion last week when the Prime Minister's Office held a meeting on the demand of truckers to roll back the steep increase in premium for the current fiscal. Truckers had gone on strike raising a host of demands including rollback of nearly 28% hike in third party premium. Then interim finance minister Piyush Goyal had assured truckers' organisations to reduce this to 15%, which has not yet happened. “The regulator said they can't do anything now since eight months of the current financial year have already passed. So, there was proposal if they could limit next year's hike to 10% or 10.5% and notify the increase early rather than waiting for March-end.

https://timesofindia.indiatimes.com/india/irdatostopfixing3rdpartyinsurancepremiumfrom2021/articleshowprint/66929248.cms

IRDAI PROPOSES CHANGES IN REGISTRATION NORMS FOR INSURANCE MARKETING FIRMS

Regulator IRDAI Monday proposed to relax norms for registration of insurance marketing firms with an aim to improve penetration of insurance products in the country. Insurance marketing firms (IMFs) are registered by the Insurance Regulatory and Development Authority of India (IRDAI) to solicit or procure insurance products. Earlier this year, the regulator had constituted a committee for review of IMF regulations. Based on the recommendations of the panel, IRDAI has proposed several changes in the existing framework governing IMFs. As part of the proposed changes, IRDAI is considering to reduce the net worth requirement to Rs 5 lakh for applicants opting for an aspirational district. The NITI Aayog has designated 117 districts in 28 states as aspirational districts. The current capital requirement for registration as an insurance marketing firm is minimum Rs 10 lakh. IRDAI has also proposed expansion of the basket of products which can be solicited or procured by an IMF to include group insurance products for Micro Small and Medium Enterprises (MSMEs), crop insurance for non-loanee farmers and combi products. Simplification of process of resignation of insurance sales person and expansion of the scope of work of Principal Officer are some of the other key changes proposed in the current regulations.

https://www.moneycontrol.com/news/india/irdai-proposes-changes-in-registration-norms-for-insurance-marketing-firms-3247891.html

TO MANAGE INSURANCE FOR ALL, NITI AAYOG PLANS NEW AUTHORITY, NOT HEALTH MINISTRY

The NITI Aayog has proposed the formation of a National Health Authority to administer the Pradhan Mantri Jan Arogya Yojana (PMJAY) and will be chaired by the Health Minister with the Aayog as its administrative body. The proposal will need to be cleared by the Union Cabinet and if accepted, will mean that the Union Health Ministry will have little say in the NDA government's flagship health scheme. The NHA, for all practical purposes, will report directly to the Prime Minister's office and will stay at “arm's length” from the Union Health Ministry. Envisioned as an autonomous body, the NHA, according to officials, could initially be formed by an executive order as with the Unique Identification Authority of India (UIDAI) but will eventually need statutory backing. But with health and public health being state subjects, two or more state legislatures will need to pass resolutions before Parliament enacts a law for the constitution of the NHA. Senior officials at the Health Ministry, NITI Aayog and the National Health Agency refused to comment on the proposal.

WHY SEPARATE BODY MAY HELP

Globally, state health insurance programmes and price models are under a system that bypasses the national health ministry. In India, there are concerns that since PMJAY only caters to around 40% of the population, setting the price for 50 crore people could artificially inflate health costs for the remaining 80 crore. Hence, the argument for a distinct authority. The PMJAY is the most ambitious social sector scheme of the NDA government. Launched on September 23 by Prime Minister Narendra Modi, the scheme entitles 10.74 crore families to an annual health cover of Rs 5 lakh. A part of the overarching Ayushman Bharat scheme, PMJAY is currently administered by the National Health Agency which is a registered society under the Health Ministry. While the Health Ministry is not responsible for the day to day running of the scheme, it does have a say in policy matters. For example, the package rates were decided by the Directorate General of Health Services. An authority with statutory backing will also have penal powers and can issue orders to its state counterparts rather than the “advisories” that the National Health Agency currently issues to the state health agencies. Penal powers will also mean that the NHA can act against errant hospitals. Currently, even to de-empanelling a hospital violating norms, the agency has to go via the Health Ministry and the only recourse left is to file an FIR.

There are, however, concerns in some sections of the government on the NHA's powers to decide package rates. Given that the PMJAY currently caters to 50 crore people, there are apprehensions that with government buying services for one section of the population, health expenses for the other 80 crore could get artificially inflated. A chain of command for a national health insurance programme that is independent of the Health Ministry is a common practice internationally. In China, for example, the State Medical Insurance Administration reports directly to the Politbureau. It also has full say over the prices of medical services. Medicaid in the US too has say over prices as does the Universal Coverage Scheme in Thailand. Such a structure is important because currently, every fresh proposal that the Agency moves for the minister's approval has to traverse the entire hierarchy of the Ministry from the level of an undersecretary before it reaches the minister. Valuable time is lost in all this and often the proposal does not even make it. That is not good for a scheme of this nature

https://indianexpress.com/article/india/to-manage-insurance-for-all-niti-aayog-plans-new-authority-not-health-ministry-5483937/

FROM JAN 1, IRDAI ALLOWS UNBUNDLING OF COMPULSORY PERSONAL ACCIDENT COVER IN MOTOR POLICIES

Back in October, car and two-wheeler owners were hit by an Insurance Regulatory and Development Authority of India (Irdai) ruling that saw an increase in the overall cost of ownership of a vehicle. Irdai had increased the compulsory personal accident coverage amount from Rs 1 lakh to Rs 15 lakh and thus, pushing the cost up. The insurance regulator has some good news though for vehicle owners. Effective January 1, 2019, IRDAI has unbundled the compulsory personal accident (CPA) cover and permitted the issuance of a stand-alone policies. This move can reduce the cost of ownership of a vehicle. Here's how this can happen. As a policyholder, the premium of Rs 750 per annum for annual CPA cover for both cars and two-wheelers was to be paid. Now, effectively, this is the amount of savings if one already has a stand alone personal accident cover.

BUYING STANDALONE COVER

Effective January 1, on expiry of a bundled CPA cover, it may be replaced with a standalone CPA cover and the same may be taken from any registered general insurer. Since a general personal accident cover also includes cover against motor accidents, if an owner driver already has a 24 hour personal accident cover against death and permanent disability (total and partial) for CSI of at least Rs.15 lakh, there is no need for a separate CPA cover to be taken. "Insurers now have to come up with a stand alone PA cover of Rs. 15 lakh which will be available for the customers. If he has a CPA cover from another insurance company then it is not mandatory for him to buy it again," says Sajja Praveen Chowdary, Business Unit Head- Motor Insurance, Policybazaar.com

OPTIONS

Now, if a policyholder chooses to opt for the CPA cover as part of the liability only policy or the package policy as it exists today, one can continue to do so. In the event the policyholder chooses to take a stand-alone CPA policy, the CPA cover offered as part of liability only or package policy shall be deleted.

WHY UNBUNDLED

Irdai, in its statement, said it had received from various quarters wherein it has been pointed out that many owner-drivers already have existing general Personal Accident covers which ought to be taken cognizance of. Also, the fact that owner-drivers may own more than one vehicle needs to be taken into consideration in a more rational manner so that the owner-driver does not have to take different policies for different vehicles that one owns. Coverage under the stand-alone CPA will extend to all the vehicles owned by the owner-driver under the same policy. In other words, the cover under the stand-alone CPA policy will now be valid when the owner-driver drives any of the vehicles one owns.

THE BACKGROUND

Earlier, Irdai had asked insurers to provide a minimum cover of Rs 15 lakh under CPA for owner-driver vehicles at a premium of Rs 750 per annum for annual policies for both cars and two-wheelers. Insurers can offer higher covers in multiples of Rs 1 lakh or Rs 5 lakh as well but the minimum has to be Rs 15 lakh. On October 9, 2018 Irdai issued a circular stating that it is the choice of the owner-driver to opt for a one-year CPA or long-term CPA and insurers cannot compel owner-drivers to go in for long-term package policy or long-term PAC policy. Irdai has directed insurers to ensure that they necessarily offer the choice of one-year CPA to an owner-driver.

https://economictimes.indiatimes.com/wealth/insure/from-jan-1-irdai-allows-unbundling-of-compulsory-personal-accident-cover-in-motor-policies/articleshow/67057085.cms

GST COUNCIL MAY LOOK AT REDUCING TAX ON THIRD PARTY INSURANCE PREMIUM: REPORT

The Goods and Services Tax (GST) Council may consider cutting the tax rate on payment of third-party vehicle insurance premium in order to "ease the burden on consumers". The Prime Minister's Office (PMO) has asked the finance ministry (Department of Financial Services) to look into the issue and "prepare a proposal that can be placed before the GST council. Third-party insurance premium is taxed at 18 percent right now, and it is mandatory for every vehicle owner to have a policy. There was a unanimous view that the GST rate needs to be rate needs to be rationalised in this case since the vehicle owner has no choice than buying the policy. The GST council is expected to meet in the next 10 days to consider various contentious issues, including bringing petroleum and aviation fuel under its ambit.

Insurance Regulatory and Development Authority of India (IRDAI) was considering cutting third-party vehicle insurance premium by 10 percent. Commercial vehicle owners have been asking for a rate cut as the mandatory tax makes the vehicles expensive. They believe that a reduction in tax rate will also help increase the insurance cover, which at present is only 50 percent of all vehicles

https://www.moneycontrol.com/news/business/economy/gst-council-may-look-atreducing-taxonthirdpartyinsurancepremium3286731.html

INSURANCE PENSION PLANS TO BE FLEXIBLE, BUT NPS STILL CHEAPER

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 (Ulips), 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.

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

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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	Unit-linked pension plan: Proposed rules
Investments	Market linked	Market linked	No change
Lock-in*	Till 60 years of age	Five years	No change
Partial withdrawals	Permissible after 3 years	Not permissible	Permissible after 5 years
Number of partial withdrawals	3	Not allowed	3
Amount that can be withdrawn partially	25% of own contribution	Not allowed	25% of the accumulated corpus
Commutable corpus on maturity	60% 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	60% likely to be tax-free
Fund management cost	0.01% of the corpus	1.35% of the corpus	No change
If ₹1 lakh is invested per year, at 8% return, the corpus at the end of 15 years will be:	₹29 lakh	₹24 lakh	

*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

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 ?25,000.

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 ?1 lakh for 15 years will return around ?24 lakh. At the same rate of return and equal investment, NPS would return around ?29 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 ?50,000 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.

https://www.livemint.com/Money/oV51bbPfselRZ8fStJLaBP/NPS-vs-unit-linked-insurance-pension-plans-vs-ulips-What-yo.html

PRIVATE LIFE INSURERS POST 23% GROWTH IN NEW PREMIUMS IN APRIL-NOVEMBER; LIC DOWN 8%

Private sector life insurance companies posted a 23.2 percent growth at Rs 40,197.86 crore in their new premiums for April-November 2018, compared to a year ago. Life Insurance Corporation of India (LIC), on the other hand, posted a 7.9 percent YoY drop in new premium collection to Rs 83,148.64 crore leading to a mere 0.33 percent overall premium growth. Life insurance collected new premiums of Rs 1.23 lakh crore for the April-November period. For the individual regular premium segment, LIC saw a 30.6 percent YoY drop in first year premium collection during the period. Similarly, the country's largest insurer also saw a 64.7 percent YoY drop in group regular premium business for the period. Private sector insurers saw a 9.6 percent YoY growth in individual regular premium collection. But, they witnessed a 49.3 percent YoY decline in group regular premium collections. Among the listed insurers, HDFC Life Insurance saw a 40 percent YoY premium growth at Rs 8,518.69 crore. ICICI Prudential Life Insurance saw a 3 percent YoY growth in first year premium collection to Rs 5,870.03 crore. SBI Life Insurance posted a 30.6 percent YoY growth in new premium to Rs 7,728.44 crore during the period. For the month of November alone, the sector saw a 13 percent YoY drop in premium collections at Rs 14,857.77 crore. Here, LIC posted a 23 percent YoY drop to Rs 9,511 crore while private insurers saw a 15 percent YoY increase to Rs 5,346.76 crore in November 2018. The fourth quarter that begins in January is when a majority of insurance sales are made, since it is a tax-saving period. Almost 55 percent of the entire year's policies are sold during Q4.

https://www.moneycontrol.com/news/business/economy/private-life-insurers-post-23-growth-in-new-premiums-in-april-november-lic-down-8-3284521.html

GOVERNMENT FORMS PANEL UNDER BBB TO SELECT MD FOR PSU INSURANCE FIRMS

The government has constituted a seven-member panel to select managing directors of public sector insurance companies. According to sources, the panel would be headed by Banks Board Bureau (BBB) chairman B P Sharma. The other members of the panel are Financial Services Secretary, Department of Public Enterprises Secretary and Chairman of Insurance Regulatory and Development Authority of India, sources said. Besides, three insurance sector experts -- G N Bajpai, Mathew Varghese and T Bhargava -- have been appointed on the selection panel.

https://economictimes.indiatimes.com/news/economy/policy/government-forms-panel-under-bbb-to-select-md-for-psu-insurance-firms/articleshow/67081386.cms

EY TO ADVISE ON MERGER OF 3 PSU GENERAL INSURERS

Multinational consultancy firm EY has been shortlisted to advise on the proposed merger of three public sector general insurers as announced in this year's budget. The government has proposed to merge three public sector general insurance companies -- National Insurance Company, Oriental Insurance Company and United India Insurance Company. As on March 31, 2017, the three companies together had more than 200 insurance products with a total premium of Rs 41,461 crore and a market share of around 35 per cent. Their combined net worth is Rs 9,243 crore with total employee strength of around 44,000 spread over 6,000 offices. The consultant is expected to advise on organisational restructuring, rationalisation of human resources, management of operational issues, regulatory and compliance issues. It is also expected to handhold the management of the three companies, throughout the merger process till the new organisation is formed and set in place.

Finance Minister Arun Jaitley in the Budget speech had announced that the three companies would be merged into a single insurance entity. The process of merger is likely to be completed during the current fiscal. The profitability of many general insurance companies including the state-owned ones has been under pressure owing to rising underwriting losses and higher claims. In 2017, state-owned New India Assurance Company and General Insurance Corporation of India were listed on bourses. Initial estimates suggest that the combined entity formed by merging the three insurers will be the largest non-life insurance company in India, valued at Rs 1.2-1.5 lakh crore.

https://www.moneycontrol.com/news/business/companies/ey-to-advise-on-merger-of-3-psu-general-insurers-3295601.html

NO NEED TO CARRY DRIVING LICENSE, RC, INSURANCE SAYS GOVT

The Ministry of Road Transport & Highways issued a Standard Operating Procedure (SOPs) to make sure that vehicle owners are not required to carry documents like certificate of registration, insurance, fitness and permit, driving licence or certificate for pollution in physical form. So, from now on, motorists may not be required to carry these documents in hard copy format now. People can produce the documents in electronic form through DigiLocker or mParivahan app. From the apps, driving licence or registration certificate can be downloaded on to mobile phones. The enforcement agencies can simultaneously access these details from eChallan app, which has data for online verification of vehicle and its licence status. Off-line verification of mParivahan QR Code is also available on this platform. The enforcement agencies can also carry out complete challaning operation including tagging of driving licence or registration certificate for impounding or suspension of a vehicle. The Ministry has urged states and Union Territories to adopt the SOP in compliance with the provisions of Rule 139 of the Central Motor Vehicles Rules, 1989.

https://www.financialexpress.com/auto/car-news/no-need-to-carry-driving-license-rc-insurance-says-govt-but-heres-the-catch/1418363/

NEED TO MINIMISE FRAUD IN POLICIES: LIFE COUNCIL

There is a need to minimise the risk of fraud in life insurance policies, as stated by the secretary general of the Life Insurance Council. V Manickam of the Life Council stated that steps are being taken by the industry to identify frauds. Manickam added that the assistance of Insurance Information Bureau of India is also being taken to identify and help curb fraud. With respect to frauds, the panel at the event said there is a need to eliminate such instances at the underwriting stage itself. Insurers are already taking the assistance of data from credit information companies to minimise frauds. Further, some life insurers are also experimenting with fraud detection on an instant basis.

For instance, at the time of accepting a new proposal, an insurance company could get real-time data on past records of such individuals. This data could be used to take a decision. In terms of the fraud, in FY18 about 49 percent of the total number of frauds were perpetrated by intermediaries while 28 percent were by policyholders. In certain cases, employees were also found to be involved. Section 45 of the Insurance Act that does not allow any claims to be repudiated after three years has also been a bone of contention for the industry. Companies have sought permission to deny fraudulent claims since this may impact payments to honest policyholders. There is also a proposal to get insurance companies to exchange data with each other on fraudulent claims so that a repository is created for such cases. This database could be used as a reference point at the time of issuance of any policy. On an annual basis, the industry loses about Rs 40,000 crore to frauds. Manickam said about 8.5 percent of revenue is lost to fraud by insurance companies.

https://www.moneycontrol.com/news/business/economy/need-to-minimise-fraud-in-policies-life-council-official-3312381.html

REGULATORY CHANGES KEEP INSURERS ON TOES IN 2018; PRODUCT CHANGES WILL DOMINATE 2019

Insurance companies witnessed a slew of regulatory changes in the sector in 2018. These included changes in the product structure in life, health and motor insurance products that impacted the way these features were structured in the policy.

The major changes -- both implemented and proposed -- have an impact on the existing and potential policyholders.

HERE ARE THE TOP DEVELOPMENTS IN THE INSURANCE SECTOR IN 2018

TAX DEDUCTION BENEFITS FOR SENIOR CITIZENS

The union budget increased tax deduction benefits for elderly people, which will offer dual benefits to retired citizens. This benefit include a health cover providing medical treatment expenses incurred on specified diseases for senior citizens to Rs 1 lakh and tax savings of up to Rs 50,000 under Section 80DDB of the Income Tax Act at the same time.

Previously, a taxpayer could maximise tax benefit under Section 80D to a total of Rs 55,000 if his/her age is below 60 years, while parents' age is above 60. For those taxpayers who are above the of age 60 and are also paying health insurance premium for their parents, the maximum tax benefit would be a total of Rs 60,000 under section 80D.

The table below can be referred to while claiming tax deductions under section 80D for FY 2018-19.

Insured	Tax Deduction Limit
Self & family	25,000
Self & family + Parents (below age of 60)	25,000 + 25,000 = 50,000
Self & family + Parents (Above age of 60)	25,000 + 50,000 = 75,000

*Above age 60 refers to a senior citizen in the above context

LONG-TERM THIRD PARTY MOTOR INSURANCE MADE MANDATORY FOR CARS, BIKES

The Supreme Court made it mandatory for all car owners to take three-year motor insurance cover and five-year cover for bikes, from September 1. This led to an immediate increase in the price of motor insurance policies and hit auto sales since the covers were made mandatory. Devendra Rane, Founder and CTO at Coverfox.com stated that vehicle owners get cover for a longer period along with freedom from the hassle of yearly renewals, the insurers got a chance to rein in the lapsation ratio. "However, vehicle owners will have to bear the higher outflow of premiums right at the time of purchasing their vehicle," he added.

The Insurance Regulatory and Development Authority (IRDAI) also gave motor vehicle owners a reason to cheer. The mandatory third-party insurance cover along with personal accident cover for vehicle owners-drivers has been unbundled. Personal accident cover -- which was mandatory in every third-party insurance cover -- will now be available as a standalone policy and you only need to buy it once, as opposed to for every vehicle you have owned earlier.

Proposal to trim health insurance exclusions

Insurance Regulatory and Development Authority of India (IRDAI) released a report on standardisation of exclusions in the health insurance space. On one hand, this was intended to improve transparency in the sector, but on the other, there is a fear that riskier customers would be excluded from the system.

Life insurance plans to see makeover

In its draft regulations on life insurance products released in November, IRDAI has said that companies will be able to offer flexible policy tenures for certain products. IRDAI said that insurers can design term, credit life and micro-insurance products that have a range of policy tenures to choose from. However, these regulations would mean that insurers will have to withdraw existing products and re-launch new ones with appropriate features.

AYUSHMAN BHARAT LAUNCHED

The government launched the Pradhan Mantri Jan Arogya Yojana in September 2018. Under the scheme, also called Ayushman Bharat or Modicare, about 10 million families (50 million people) will get access to Rs 5 lakh worth of health insurance free of cost. This will include families from lower income groups that fall under the socio-economic caste census (SECC) data of 2011. This will be the largest such scheme in the world.

According to Dhirendra Mahyavanshi, Co-Founder of Turtlemint, "The new Ayushman Bharat scheme is an initiative which has been implemented by the Government of India which addresses the health care problem of the economically backward class of India. This scheme promises free health insurance coverage of up to Rs 5 lakh (on a family floater basis) to designated economically backward class individuals."

NEW CHAIRMAN IRDAI CHAIRMAN

In May 2018, Subhash Chandra Khuntia, a 1981-batch Indian Administrative Services (IAS) officer and former Karnataka chief secretary, was appointed as IRDAI chairman for three years. The post was vacant for over two months after TS Vijayan's tenure came to an end on February 21. The first task for Khuntia was to look into the deal where Life Insurance Corporation of India (LIC) was to hold majority stake in IDBI Bank. IRDAI cleared the deal.

WHAT TO EXPECT IN 2019

The year 2019 is expected to bring out more technology-linked products into the insurance sector. Here is a look at the top trends for 2019:

USE OF WEARABLES IN INSURANCE

Insurance companies may soon require you to buy a fitness tracker to capture your health status in an accurate manner. An IRDAI committee has recommended that insurance companies make use of activity data monitored by fitness trackers in pricing their products. Although it is currently not clear if the cost of these trackers will be borne by the customer or insurance companies. If the recommendations are taken on board, it will mean lower premiums for people adhering to a fitter lifestyle.

INSURANCE ON PILOT MODE

IRDAI will allow companies to test products in a particular geography, or among a set of policyholders before they are made available in the market. Using a sandbox method where products can be tested, IRDAI Chairman Subhash Khuntia said that if they are successful, such products can be filed for approval. So insurers may begin testing products within a close group of customers to get their views and to ascertain the commercial viability of the product.

NEW CAPITAL NORMS

In the future, insurance companies will have to maintain capital depending on the type of business that they write. This will be called risk-based capital (RBC) regime. If a company writes riskier business, they will have to maintain more capital in their reserves. IRDAI is expected to bring out a detailed timeline on how RBC will be implemented and the processes to be followed by insurers for pricing each risk.

MENTAL HEALTH INSURANCE PRODUCTS TO BE WIDELY AVAILABLE

While the Mental Healthcare Act was passed, offering insurance for mental ailments was made mandatory by law. However, due to a lack of clarity on the product structure, insurers stayed away from offering these products. In 2019, insurers could bring out products with a series of inclusions and exclusions. Even therapy sessions will be covered.

DIGITISATION OF INSURANCE PRODUCTS

IRDAI may make it mandatory for insurance companies to offer insurance policies only in a digital format. This will be done through the use of insurance repositories where each policyholder will have an electronic insurance account with a unique identity number. Currently, the number of digital insurance policies are very low since it is optional for a wide category of products.

https://www.moneycontrol.com/news/business/personal-finance/regulatory-changes-keep-insurers-on-toes-in-2018-product-changes-will-dominate-2019-3278511.html

IRDA ASKS INDIABULLS TO BRING IN RS 1,200 CRORE INVESTMENTS FOR LIFE INSURANCE LICENCE

The insurance regulator has asked Indiabulls to bring in about Rs 1,200 crore as investments to provide sufficient cushion for the life insurance business amid the recent NBFC sell-off that hurt valuations at the housing finance subsidiary as well. "We have asked Indiabulls to show capital commitment of Rs 1,200 crore before it gets the preliminary licence to start the life insurance business," said a source close to the development at Irda. The Irda board is meeting on December 21 and is likely to clear Indiabulls Life Insurance's R1 licence. This is Indiabulls' second attempt to enter the life insurance sector. Earlier, it had tied up with Societe Generale, but the proposal was not pursued. "We have infused the life insurance company with around Rs 100 crore and the parent has kept around Rs 1,200 crore of additional capital, which it recently raised to infuse as and when we get the R1," said a company spokesperson. The parent company of the applicant is Indiabulls Integrated Services Ltd (IISL). IISL is not related to Indiabulls Housing Finance. Earlier this year, Indiabulls Housing Finance had sold its 100 per cent shareholding in Indiabulls Life Insurance Company Limited, presently a non-operational company with no business or licence, to SORIL Holdings and Ventures Limited (SHVL), at a face value for an aggregate cash consideration of Rs 5 lakh. "It has already raised around two times the requisite equity capital required under the business plan for the next threefour years," said the company's spokesperson. "As and when we get R1, we can infuse capital within 24 hours and all records required for this have been submitted to Irda, including the details of the institutional investors which have infused capital in IISL." Irda has been insisting on higher capital than the initial requirement. The last life insurance licence was issued in 2012 to a joint venture between Ergo, a Munich Re group company, and the Avantha Group, an Indian business conglomerate led by Gautam Thapar. The venture was called off five years after receiving the preliminary licence. There are 24 life insurance companies in the country. State-run Life Insurance Corporation is the largest. Private companies entered the life insurance business after 2000-2001.

https://economictimes.indiatimes.com/markets/stocks/news/irda-asks-indiabulls-to-bring-in-rs-1200-crore-investments-for-life-insurance-licence/articleshow/67188186.cms

GST RATE CUT MAY BOOST INSURANCE RENEWALS OF COMMERCIAL VEHICLES

The reduction in goods and services tax (GST) rate for third-party motor insurance of commercial vehicles to 12 percent from 18 percent may improve renewal rates for the segment. Sasikumar Adidamu, Chief Technical Officer, Bajaj Allianz General Insurance stated that the cut in GST rates will be beneficial for the consumers as it will result in a reduction in their premium outgo. "We believe it will help the insurance industry improve penetration of motor third party insurance which is mandatory by law in our country," he added. Goods carrying vehicles have the highest premium outgo in the third party segment because their claims ratio is high. Industry estimates suggest the claims ratio in this segment is almost 125 percent, meaning for every Rs 100 collected as premium, Rs 125 is paid out as claims.

Third party insurance protects the vehicle owner from financial liabilities incurred due to accidents. If a pedestrian or another vehicle's passenger gets injured or dies during a mishap by vehicle X, the motor third party cover of the vehicle X owner will pay for the damages. "The reduction in GST is not across the board but specifically for the third party section with respect to goods carrying commercial vehicles. While this will provide relief to vehicle owners to some extent, it is unlikely to have any significant impact for insurers as it is only the tax component which is changing and not the premium," as stated by Subramanyam Brahmajosyula, Head, Underwriting and Reinsurance, SBI General Insurance. However, he pointed out it is too early to assess whether this move will spur demand for commercial vehicles as prices of vehicles are not likely to drop. Earlier, truck owners would delay or defer insurance purchase since the total outgo would be higher. But with a 6 percent reduction in the tax rate, overall premium payable will be lower.

https://timesofindia.indiatimes.com/city/delhi/class-xii-boytakesoffwithdads-car-rs135l/articleshow/67248770.cms

CARLYLE-GIC SET TO ACQUIRE 10% IN SBI LIFE INSURANCE FOR RS 5,200 CRORE

A consortium of US private equity firm Carlyle Group and Singapore's sovereign wealth fund GIC is set to buy a 10 per cent strategic stake in SBI Life Insurance Co from BNP Paribas Cardif as the French insurer looks to trim its holding in the 17-year-old joint venture with State Bank of India to meet regulatory terms for a public float. Carlyle and GIC will buy shares at Rs 510-520 apiece, which is at a 9.2 per cent discount to the insurer's. The total deal size comes to around Rs 5,100-5,200 crore ($742 million), making it the second-largest transaction in the sector this year. The investment proposal has been sent to the Insurance Regulatory and Development Authority (Irda) late last week for approval and is expected to get ratified in the coming weeks. ET in its December 18 edition first reported that Carlyle is emerging the frontrunner to acquire SBI Life shares ahead of peers such as KKR and Temasek.. The stake sale process is being managed by BNP Paribas, Kotak Mahindra Capital and Citigroup. BNP Paribas Cardif formed the life insurance joint venture with state-run lender SBI in 2001. SBI currently owns 62.1 per cent in the company while BNP Paribas Cardif holds 22 per cent. In December 2016, SBI Life sold 3.9 per cent stake to KKR and Temasek for around Rs 1,794 crore, valuing the insurance giant at Rs 46,000 crore, through a pre-IPO placement of shares. Carlyle bought out GE Capital's stake in SBI's credit cards business last year. For the 2017-18 financial year, SBI

Life's net profit increased to Rs1,150.38 crore from Rs 954.65 crore a year ago, the company said in a regulatory filing. Total income in FY18 grew to Rs 33,760.54 crore compared to Rs 30,276.42 crore in the previous fiscal year. New business annualised premium equivalent increased 26.9 per cent in FY18 to Rs 8,540 crore from Rs 6,730 crore in the preceding year, it said. Deal Street The financial services sector has emerged as a key segment of interest for private equity and venture capital investments as deals worth $4.2 billion were announced in the first half of this year, according to a report by EY and Indian Venture Capital Association. However, PE investors have been fighting tough rules to back insurance ventures. Investors have to form a special purpose vehicle or a limited liability partnership for any deal of above 10 per cent in an insurance venture. The fund would also be automatically classified as a promoter. Financial services witnessed 28 transactions in 16 targets from 2015 to the first half of this year while NBFCs attracted 107 PE/VC investments. Since 2015, the insurance sector received a total of 29 PE/VC investments, housing finance sector saw 18 transactions, payments segment had 26 deals and fintech involved 96 deals, IVCA-EY note said. Insurance alone has seen 10 transactions in 2018 year to date of a total quantum of $1.4 billion, excluding the SBI deal, as per data from Venture Intelligence. Investors are betting on this segment as a significant section of the Indian population is yet to be covered by financial services and the Indian economy continues to grow at a healthy rate of more than 7 per cent, the report said. “This confidence of PE/VC investors in the Indian financial services story could be, in our view, further bolstered by Berkshire Hathway's first investment in India, in Paytm — a PE/VC backed financial services company,” as stated by Vivek Soni, Partner and National Leader for Private Equity Services, EY India.

https://economictimes.indiatimes.com/markets/stocks/news/carlyle-gic-set-to-acquire-10-insbilifeinsuranceforrs5200crore/articleshow/67265593.cms

CVC EXAMINING AUDIT REPORTS OF PSU BANKS, INSURERS

The Central Vigilance Commission (CVC) is examining audit reports of state-run banks and insurance companies to check incidents of fraud and suggest corrective measures. The move assumes significance with banks reporting large-scale fraud cases and rising non-performing assets (NPAs). The CVC was getting a review done of central statutory reports, concurrent auditors' reports and other auditor reports through chief vigilance officers of all public sector banks and insurance companies, vigilance commissioner T.M. Bhasin said. “The same (audit reports) are analysed in the Commission and a corrective action plan is advised for time-bound implementation.” Chief vigilance officers act as a distant arm of the CVC to check corruption and other fraudulent activities in an organisation. According to government data, various banks reported an increase in cases of fraud during 2015-16 to 2017-18. A total of 8,802 frauds were reported by scheduled commercial banks and public sector banks in 2017-18, against 7,794 in 2016-17 and 7,482 in 2015-16, according to a written reply given by the finance ministry in the Lok Sabha recently.

The Reserve Bank of India (RBI) monitors frauds reported by banks. For management of fraud risk and to direct the focus of banks to early detection of loan frauds, prompt reporting to RBI and investigative agencies and timely initiation of staff accountability proceedings, the central bank recently issued a framework for dealing with loan frauds and Red Flagged Accounts (RFA). Timelines have been given for action incumbent on banks in dealing with loan frauds of Rs 50 crore and above.

The red flagging is done on an information technology platform where all banks report large exposure to entities/individuals so other banks can be forewarned about fraud risks. In October, the CVC completed a first-of-its-kind analysis of top 100 banking frauds, including those in the jewellery and aviation sectors, and shared its findings with the RBI, the Enforcement Directorate (ED) and the Central Bureau of Investigation (CBI), among others.

The analysis focussed on the modus operandi, amount involved, type of lending (viz. consortium or individual), anomalies observed, loopholes that facilitated perpetration of the fraud concerned and the systemic improvements required to plug the gaps in the system and procedures.

The frauds were classified and analysed for 13 sectors — gems and jewellery, manufacturing and industry, agro, media, aviation, service and project, discounting of cheques, trading, information technology, export business, fixed deposits, demand loan and letter of comfort.

The modus operandi of these top 100 loans had been thoroughly analysed and various loopholes or lapses had been identified, Bhasin had said after releasing a report on the matter. Based on the findings, various industry specific suggestions for systemic improvement were given in the final report. The suggestions have also been sent to the Department of Financial Services and the RBI in order to plug the loopholes observed by the Commission, he added.

https://www.livemint.com/Industry/a5RKhOOvPoztLhtS285GUI/CVC-examining-audit-reports-of-PSU-banks-insurers.html

SOON, PINCODE-WISE FRAUD DATA TO WILL BE AVAILABLE TO LIFE INSURERS

Life will soon be more difficult for fraudsters filing false insurance claims, with the Insurance Information Bureau of India (IIB) analysing data that will help insurers keep a track on repeat offenders. Many fraudsters buy insurance policies just to file claims worth a few lakh rupees. V Manickam, Secretary General, Life Insurance Council - the industry body of life insurance companies - stated that companies have already shared the data with IIB. He said that they will process the data and provide relevant information to the industry. On an annual basis, the industry loses about Rs 40,000 crore to frauds. Manickam said about 8.5 percent of revenue is lost to fraud by insurance companies.

Here, the changes in underwriting would mean that certain pin-codes that are prone to fraud will have a tougher process of policy issuance and claims. Pin-codes that have been shown as being locations of fraud in the past will be under the insurer's radar.

SECTION 45 OF THE INSURANCE ACT

As per Section 45 of the Insurance Act, no claim can be denied after three years of the policy being in force. Insurers had opposed this provision of the Act saying that this will encourage fraudulent elements to buy policies and claims after three years. "Frauds have been on the rise and there has been some misuse of some provisions of the Insurance Act. The pin-code initiative will help identify the problem regions and also price the product accordingly," as stated by the head actuary of a mid-size life insurer. Section 45 was aimed at reducing the claims payment time, and enable death claims to be settled without undue delays.

HOW WILL IT AFFECT POLICYHOLDERS?

Policyholders whose addresses feature among the list of pin-codes prone to frauds, will face additional questions at the time of policy issuance. As per law, insurance companies cannot deny policies on the basis of an individual belonging to a particular region /address. However, insurance companies can seek a compulsory medical insurance for ticket-sizes prone to fraud. Most insurers have frauds where sum assured is between Rs 2 lakh to 10 lakh. Now, for this segment and a relevant pin-code, medical tests could be made mandatory. Further, for cases of death claims, a thorough investigation will be done to ascertain the identity of the deceased.

https://www.moneycontrol.com/news/business/companies/soon-pincode-wise-fraud-data-to-will-be-available-to-life-insurers-3328691.html

LIFE INSURANCE POLICYHOLDERS TO GET DIGITAL DELIGHT IN 2019

The advent of a new year always comes with promise, and 2019 has the potential to be a very promising year for life insurance in India. The world's fastest growing large economy with a burgeoning pool of customers, strong macro-economic factors and a robust financial ecosystem make the ideal backdrop to take the life insurance sector to the next level. The traditional Indian family has undergone a significant evolution over the last few years. The expectations of young customers from service providers are pushing companies across sectors to work smarter, deliver faster and engage better to not only be preferred but to be loved by this set.

DIGITAL DRIVE

The government's drive towards digitalisation and a cashless economy has seen in the last few years a steady movement from physical assets such as property and gold, towards financial assets. Adding further impetus, is the heightened awareness around insurance in general, thanks to government schemes such as Aayushman Bharat for health insurance, Pradhan Mantri Jiwan Jyoti Bima Yojana (PMJJBY) for life insurance, Pradhan Mantri Suraksha Bima Yojana for accidental death and disability insurance and the Atal Pension Scheme for retirement planning. This is moving the country towards a culture of securing the future of one and one's family, which is the most fundamental job of life insurance. As an industry, there has never been a greater digital drive to harness the power of data and analytics, to digitise the customer's journey and to enable the life insurance seller to work smarter and more efficiently. Moving way ahead of just B2C or e-commerce, today the life insurance sector is weaving on digital looms to integrate the online and the offline and create a beautiful fabric of seamless customer experience. From expanding distribution networks, identifying individual customer needs, simplifying documentation and underwriting processes and aiding agent advisors with sound advice based on sophisticated analytics, AI and machine learning, the industry is best poised now to revolutionise its processes through digital interventions.

REACHING CUSTOMERS

On the retail front, life insurers are innovating to reach out to customers at their fingertips and reduce time to issue a policy. I see a great scope going ahead on taking these conversations going and meaningfully engaging with customers through the tenure of their policies, so as to drive persistency ratios further upward. So how's this reset moment going to manifest itself for the industry? Despite a steady expected growth of 12-15% CAGR growth for the sector over the last couple of years, we still see life insurance penetration standing only at 2.72%, as against a global average of 3.47%. What the industry will see going ahead, is in my belief the holy trinity of life insurance: protection power, consultative selling stars and digital delight. We continue to be one of the most underinsured countries and the “protection gap” as per some estimates is at `489 trillion. The industry sum assured grew by 36% CAGR between 2001-10, however, the same grew at only 22% CAGR between 2010-18. This points to the enormous headroom to further protect the country, and I believe many insurers will be focusing on increasing their share of protection and educating customers on the need to protect one's family through life insurance. The agent advisor has globally been the support pillar to any life insurer. In the coming months I would expect to see an Agent 2.0, digitally enabled, more efficient and smarter in approach. The role of the agent advisor will undergo a change from merely being a seller of life insurance to being a financial portfolio manager, backed with the power of deep data analytics and equipped with the tools to save time, costs and increase efficiency. Digital delight is what I believe will be the outcome of all the above. A frictionless journey for a customer from prospecting to purchase to service and finally to claims settlement is what will delight the customer. This will only be possible when the all three elements of the trinity work in tandem and synergize to take the industry to the next level.

https://www.financialexpress.com/money/life-insurance-policyholders-to-get-digital-delight-in-2019/1430908/

INSURANCE INDUSTRY GOES ON TECH DRIVE TO EXPAND COVERAGE

Technology is the new friend in town for insurance industry as it strives to add more customers in a country that still remains largely under-insured, after a year full of reforms and introduction of easier-to-understand products. The list of reforms undertaken in 2018 is long -- diseases such as HIV and mental illness were brought under policy covers, long-term third-party motor insurance became mandatory and the government launched its ambitious scheme Ayushman Bharat that seeks to cover almost 50 crore people. It was also a year of digitisation and launch of customer-friendly products as there was a rapid growth in online channel, Canara HSBC Oriental Bank of Commerce Life Insurance's MD and CEO Anuj Mathur said. The sectoral regulator Insurance Regulatory and Development Authority of India (Irdai) proposed to encourage companies to develop new technologies, asked insurers to make their products more attractive and customer friendly. "With increased use of digital mode... there was increased focus on point of sale products and simple to use channels to increase penetration of life insurance products in sub-urban and rural areas," Mathur said. Government's massive health insurance scheme Ayushman Bharat will go a long way to bring the poorer segment of the society under policy cover, he added.

Mathur expects health insurance sector to see more innovative and customised products in coming years due to efforts of the Irdai. HDFC Life's Executive Director Suresh Badami said private sector has continued to gain market share in last three years and industry should continue to see growth momentum as the regulator is taking very positive steps towards increased transparency and benefits to customers. "Insurers will introduce simpler products which will provide customers with the maximum value for their hard-earned money. The exposure draft on the new product regulations has been circulated with the member companies... The insurance industry at large has shared its comments with the regulator and hopefully, the recommendations would be incorporated in the notified regulations," he said. However, he said, the protection gap is a serious concern that is being addressed through various financial protection products designed for the changing lifestyles of Indian consumers. According to a survey, life insurance penetration in India is less than 3 per cent as compared to other developing nations. "Insurers are making continuous efforts to address the challenge. The government has been taking concrete steps towards this direction as well," Badami said.

The private life insurance industry witnessed a 20 per cent compounded annual growth rate (CAGR) during the year. "I expect the industry to continue to leverage the benefits from several initiatives it started in 2018. We will see companies invest more in product innovations using the sandboxing platform, to offer more value-packed products for customers," said Bajaj Allianz Life MD and CEO Tarun Chugh said. There will be robust adoption of technology-backed servicing initiatives for customers, sales force and agents alike. With the opening up of payment banks, small finance banks and other similar partnerships, life insurance products will reach many more Indians and help them secure their and their family's future, he said. Ashish Mehrotra, MD & CEO at Max Bupa Health Insurance, said some key trends to be watched in 2019 will be greater technology integration in health insurance products, with wearable playing a significant role. Integration of wearables in health insurance products will allow insurers to curate tailor-made products as per a person's current health records, thereby curbing the need for pre-policy checkups and charging premiums more appropriately as per an individual.

During the year, health insurance policies were made more comprehensive and easy to understand for consumers. The industry hopes that the reform measures taken by Irdai may come into action within the next 12 months. The double-digit growth of the Indian insurance industry was aided by enhanced penetration, increasingly informed and aware customers, efficient distribution channels and government schemes, global insurance brokerage firm Willis Towers Watson's India Head Rohit Jain said. The regulatory and legislative dynamism across the spectrum of life, non-life and health insurance is paving way for newer possibilities. There is a continuous blurring of line between the digital and physical space, indicating the tectonic shift the industry will be witnessing in the coming years, Jain said. "With a healthy capital flow, the insurance markets continued to price the risk softly and generated a bit of consolidation activities too," he added. Bajaj Allianz General Insurance MD & CEO Tapan Singhel said 2018 was also a year of consolidation as many regulations were introduced by Irdai on motor insurance, health insurance, crop insurance which were focused on customer centricity and simplification of products and processes for them

https://economictimes.indiatimes.com/industry/banking/finance/insure/insurance-industry-goesontechdrivetoexpandcoverage/printarticle/67319649.cms

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Date	Ref. No	Title	Short Description
28-12-2018	TAC 2018-2019	Life Products	Terms and Conditions of Life Products for F.Y. 2018-19
06-12-2018		To All	Report of the Working Group on new standard on insurance contracts

ASSOCHAM's NATIONAL COUNCIL FOR INSURANCE

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National Summit on Infrastructure Financing 2018	18th January 2019	NIBM Campus, Pune
Face To Face Interaction With Prof. Edward	08th February 2019	Hotel Sofitel, Mumbai
14th Social Banking Excellence Awards-cum-Banking Summit 2018	February 2019	Mumbai
ASSOCHAM Banking E-Bulletin	10th February 2019	Vol.- 45
ASSOCHAM Insurance E-Bulletin	10th February 2019	Vol.- 25