Featured Articles

Central Govt. launches Pradhan Mantri Fasal Bima Yojna

In a major outreach to farmers, the central government has approved a new Rs. 8,800-crore crop insurance scheme, named the "Pradhan Mantri Fasal Bima Yojana". Under this scheme, farmers will have to pay a premium of 2% for kharif, 1.5% for rabi and 5% for horticulture crops which include fruits, vegetables and commercial crops.

Based on estimates, the Centre's share of premium is expected to be Rs. 8,000 crore as the coverage increases to 50% over the next three years. Unseasonal rains and hail last year and two consecutive years of drought have hit the agriculture sector hard. The Centre's move, sources said, follows a growing realization that farmers were being made to pay high premiums. Once the new scheme is initiated, farmers in high risk areas will receive much needed relief.

By lowering premiums substantially, the government is banking on increasing the coverage of farmers from the existing 23% to 50% in the next two to three years.

The new scheme will also seek to address a long-standing demand of farmers and provide farm-level assessment for localized calamities, including hailstorms, unseasonal rains, landslides and inundation, which is not part of the existing scheme. Moreover, with insurance companies settling claims of farmers on the basis of yield data, which is often delayed, the government is planning to use smart phones to capture crop cutting data to reduce the time taken to finalize yield data.

Prime Minister Narendra Modi called the scheme his government's Lohri, Pongal and Bihu gift to farmers. This will replace the existing farm insurance schemes which have not even covered one-fourth of the crop area of 194.40 million hectare in the country.

Royal Sundaram launches health plan for Stanchart customers

Royal Sundaram General Insurance has launched its flagship life insurance plan "Lifeline", to Standard Chartered Bank' s Indian customers through the bancassurance route. Royal Sundaram will leverage its partnership with the bank to offer the plan to its corporate and retail customers.

Royal Sundaram is leveraging its long-standing relationship with Standard Chartered Bank, which has spanned 15 years. The two partners share synergies in their vision and commitment towards providing value to customers by understanding their needs and risk profile and providing innovative, cost effective and customized solutions to ensure total customer satisfaction. The portfolio will now be strengthened with the addition of "Lifeline" and take the partnership to the next level.

The sum assured in the Lifeline plan ranges from Rs 2 lakhs to Rs 1.5 crore. The cover has three sub-plans to choose from – Classic, Elite and Supreme. Each has varying benefits and premiums. The tax-saving plan covers all ages and has family floater benefits.

Expected price hike in pure term insurance products with revision in commissions

The IRDAI has proposed a higher commission for pure term policies that could be as high as 50% for policies with premium paying term of 12 years or more. This would impact the first year premiums in life insurance products. IRDAI has proposed higher commission for agents in the first year as also subsequent years to incentivize these distributors.

Even in single-premium policies, for pure risk products without return of premium, a higher commission of 10% has been proposed for agents. These commissions indicated are paid as a percentage of the premium paid in the first year and the subsequent years of the policies. Apart from pure risk/term plans, other policies with a longer premium paying term have higher commissions for agents. Further, it has also said that insurance companies can give rewards over and above commissions.

With respect to rewards, IRDAI said that this should not be more than 20% of first year commission or remuneration in case of individual insurance agents and 40% of first year commission or remuneration in case of insurance intermediaries.

Additional responsibility has also been put on agents as IRDAI has asked them to make more transparent disclosures to policyholders about the premiums and how they have been calculated. IRDAI has also said that agents, among other duties, should disclose the scales of commission in respect of the insurance product offered for sale, if asked by the prospect. Hence, when commission rates are revised, these disclosures may be needed to be given if sought.

The proposal says that in regular premium policies (par and non-par), for premium paying term of 12 years and more will have 50% first year commission for agents and 10% for the subsequent years. For those with term of 5-11 years, the commission will be 40% of first year premium and 10% in subsequent years.

IRDAI and insurance companies push for protection based plans

IRDAI and insurance companies are focusing on long-term and systematic protection-based plans. There has been more than 160% rise in the number of protection-based products and riders in the industry approved by IRDAI in calendar year 2015. IRDAI approved about 97 protection-based plans/riders in 2015, compared with 37 protection-based plans/riders a year ago.

Protection-based plans provide full safeguard and financial stability to the subscriber's family in case of unforeseen events like death. These include pure term insurance plans which are usually low-cost in nature.

Quick News

New Pension Plan from IndiaFirst Life Insurance

IndiaFirst Life Insurance announced the launch of the IndiaFirst Guaranteed Retirement Plan. This is a non-linked, participating, endowment, deferred pension plan, where the policy term can be chosen according to the individual's requirements. A customer can choose the single premium mode, or pay for a limited period of 5 to 10 years for a plan term of 10 to 35 years, or select a payment and plan term of 10 years to anytime between 15 or 35 years. The policyholder gets a tax benefit on the premiums paid under section 80(CCC). The plan offers a return of 9% on total premiums paid during the initial years, and the benefit of participating in the company's profits in the later years.

Four public sector insurance companies settle 32% of claims received after flood

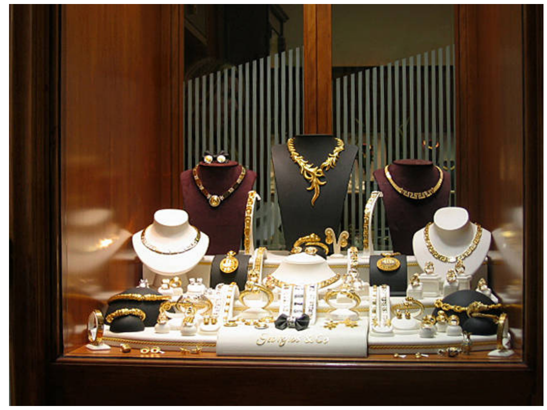
The four public sector insurance companies - United India Insurance Company Ltd, New India Assurance Company Ltd, Oriental Insurance Company Ltd and National Insurance Company Ltd - have so far settled around 32% of the 19,500 claims they received from the flood affected areas of Tamil Nadu. The total claims have been for an estimated amount of Rs. 2,518.81 crores, where the 4 insurance companies have so far settled 6,237 claims by paying around Rs. 104 crores.

HDFC Life subsidiary at Dubai International Financial Centre

HDFC Life has set up a wholly-owned subsidiary in the Dubai International Financial Centre (DIFC) called the 'HDFC International Life and Re Company Limited' (HILRCL) with an initial capital outlay of $12.33 million. HILRCL would be offering reinsurance capacity to ceding insurers and may foray into directly underwriting insurance contracts, subject to receipt of necessary approvals. It would initially offer reinsurance capacity in the UAE and subsequently expand to other jurisdictions.

Global reinsurer Swiss Re has found big gaps in insurance coverage (pure protection) in Indian households. The mortality protection gap report for Asia Pacific by Swiss Re has found that the gap in India was $8,555 billion in 2014. While there was an increase in insurance coverage in India, it has not been adequate to fill the protection gap — the extent to which families were insufficiently covered for death of their earning members. According to the study India's insurance penetration fell to 3.3% in FY15, compared to 3.9% in FY14.

Jewelry on display at night will not have insurance cover



At night, after the close of business hours, jewelry should be locked up in the safe and not left in the display window. Any jewelry not locked away may not be covered by the insurance policy. In case of a burglary, the insurer would not be liable to compensate the jeweler.

The National Consumer Commission, in the case of United India Insurance vs. Orient Treasures Ltd, had ruled that the insurance company was liable to pay compensation for burglary in the shop as the policy covered all jewellery. However, on appeal, the Supreme Court last week reversed the order and absolved the insurer from liability.

According to the policy terms, window display of articles at night was not insured nor was stock kept out of safe after business hours. The Supreme Court stated that the jeweler would be permitted to take further safety and coverage of their goods at an additional premium. However, since in this case no such additional premium was paid, the insurance company was not liable to indemnify the goods out of safe.

PSU general insurers ahead of private players in premium collection

State-owned general insurers led by New India Assurance have outpaced their peers in the private sector in premium collection, though marginally, by recording 12% growth in the first nine months of the current fiscal.

All the four state-owned non-life insurers - New India Assurance, Oriental, United and National - mobilized a total premium of Rs 35,000 crore in nine months to December against Rs 31,300 crore during the first nine months of previous fiscal, data collated by industry body General Insurance Council showed.

In contrast, 24 private sector general insurers, led by ICICI Lombard, recorded a growth of 11.70 per cent in premium collection at Rs 28,650 crore in the reporting period against Rs 25,631 crore in the year-ago period.

Private sector non-life insurers blame it on varying strategy for growth or de-growth in premium collection adopted by them for lagging behind their state-run peers in the reporting period.

The five standalone health insurers collected Rs 2,650 crore registering a growth of 44.5% in the reporting period, the highest in the industry so far.

Overall, the general insurance industry has logged a growth of 13.4% by collecting a total premium of Rs 69,883.45 crore indicating a great deal of recovery in the industry.

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