Featured Articles

Budget 2016: Government to launch health insurance for senior citizens

The government has launched a new health insurance scheme aimed at families below the poverty line. Finance minister Arun Jaitley in his budget speech said that this scheme will offer a health cover of up to Rs 1 lakh per family and for senior citizens in age group of 60 years and above, a top-up of Rs 30,000 will be available additionally.

At present, India only has the Rashtriya Swasthya Bima Yojana (RSBY) which was envisaged to provide health insurance coverage to Below Poverty Line families. Its beneficiaries are entitled to hospitalization coverage of up to Rs 30,000 for most diseases.

RSBY was launched by the labour and employment ministry on April 1, 2008. Here, the coverage extends to five members of a family - head of the household, spouse and up to three dependents. Beneficiaries need to pay only Rs 30 as registration fee, while Central and state governments pay premium to the insurer.

Inflation in health insurance is in double digits according to various estimates. In this segment, health insurance costs are high for senior citizens as also premium for health covers since risks associated with them are high.

Government plans to list 4 public sector general insurance firms

Investors will probably have something new to add to their portfolio soon, not a flashy startup, but ancient general insurance firms which until now have been privately held. The finance minister has proposed to list four general insurers, adding spice to a market that has been bereft of new themes and establishing a benchmark for private firms that would list later.

IPOs of New India Assurance or National Insurance could breathe new life into a market which has seen issues such as Coffee Day Enterprises, Prabhat Dairy, and Quick Heal, where investors have lost money.

Investors who have been cold to some of the share offerings from the government stable, could find these insurers a novel business and may rush to buy them. Also, they would hope to make profits since the pricing could be a lot more reasonable than the ones from the private sector.

The public listing of general insurance companies is among the major reforms that the government intends to do. According to Mr. G. Srinivasan, CMD of New India Assurance, the company is considering listing in 2016-17 itself if market conditions are good.

The Insurance Laws (Amendment) Act 2015 enables the government to dilute equity stakes in PSU insurance companies by up to 51% to "raise capital, keeping in view the need for expansion of the business".

Third-party motor insurance premium to increase by 9-30%

Insurance premiums might rise by 9-30% across categories in private cars, two-wheelers and commercial vehicles, with the Insurance Regulatory and Development Authority of India (IRDAI) proposing a revision in motor third-party premiums.

For private cars, with engine capacity not exceeding 1,000cc, the rise proposed is 30%. For those exceeding 1,000cc, it is 25%. For two-wheelers, there would be a rise of 10-15% for vehicles up to 350cc, while a 10% drop has been proposed for vehicles exceeding 350cc. For commercial vehicles, a rise of 25-30% has been proposed. Insurers say claims are high in this segment.

Third-party motor premium is regulated by IRDAI and revised yearly, based on inflation and claims. This type of insurance is mandatory for all motor vehicles on Indian roads and covers the owner from third-party liability arising out of accidents or damage.

Based on the comments from stakeholders, IRDAI will bring out the final rates to be applicable for the financial year beginning April 1.

Budget 2016: Higher levies on cars give general insurers the jitters

Finance Minister Arun Jaitley's decision to levy additional taxes on cars seems to have not only disappointed car owners, but also dampened the spirits of general insurers who are now bracing themselves for a possible drop in demand. The motor insurance segment accounts for close to 40% of their premiums.

The Union Budget has proposed an additional tax of 1% on luxury cars worth more than Rs 10 lakh. Moreover, an infrastructure cess of 4% will be imposed on higher engine capacity vehicles and SUVs. FM Jaitley has also decided to levy an infrastructure cess of 1% on small petrol, LPG and CNG cars and 2.5% on diesel cars respectively.

All these measures put together could pull down the demand for cars and other vehicles, which in turn could affect the sales of motor insurance policies.

"While increase in taxes on luxury cars will not have any effect on the demand as it is a niche segment, some impact could be felt in the compact car segment. Typically, it's the common man who opts for such cars. They could perhaps defer their decision," said Puneet Sahani, head, product development, SBI General Insurance.

However, rise in premiums in line with the cost of the cars could offset the fall in policy sales, feel some industry-watchers. "Higher premiums could negate the effect of lower volume," said Saroj Satapathy, CEO, Ideal Insurance Brokers.

Quick News

Insurance industry veteran appointed whole-time IRDA member

Insurance industry veteran Joseph Plappallil J was today appointed as a whole-time member in the Insurance Regulatory Development Authority (IRDA). Joseph has been appointed for a period of five years with effect from the date of assumption of charge or till attaining the age of 62 years. Joseph has over 33 years of experience in the general insurance domain and started his career with General Insurance Corporation of India in 1979.

Taxing times for insurance agents?

Union Budget 2016-17 has not been kind to insurance agents. Finance Minister Arun Jaitley has not announced any tax-saving deduction that can be used as a sales pitch. Secondly, he has proposed to reduce the threshold for deduction of TDS on commissions earned. Now, section 194D provides for deduction of income tax at source at the rate of 5% if the annual commission exceeds Rs 20,000. The budget has now proposed to lower this threshold to Rs 15,000.

Reliance Capital gets all approvals to up Nippon Life's stake in Co to 49%

Reliance Capital Asset Management (RCAM), a part of Reliance Capital, completed the regulatory approval process for increasing the stake of Nippon Life Insurance to 49%. The name of the company will be changed to Reliance Nippon Life Asset Management. Nippon Life Insurance would also become the co-sponsor in Reliance Mutual Fund, along with Reliance Capital; post the completion of stake sale.

NIIT Tech launches insurance software 'Navigator'

NIIT Tech announced the successful implementation of its next gen policy & claims admin platform, Navigator at Sompo Japan Canopius Reinsurance AG (SCRe), Sompo Canopius' reinsurance subsidiary.

Experian launches fraud detection tool to help insurance firms lower losses due to fraudulent claims

Credit information provider, Experian has launched a new fraud solution for the life insurance sector - Hunter fraud management service with the industry body- Life Insurance sector- selecting Experian for providing the solution. Fifteen life insurance companies have already joined the platform.

The insurance industry faces a peculiar problem. The Indian Penal Code does not define insurance frauds making insurers difficult to find lawyers to take up their case. The fraud prevention service will help them identify potential fraud at an early stage and minimize their losses. According to various estimates, insurers lose about 6% of their revenue annually due to fraud. The industry believes that this framework will help tighten the system, thus helping insurers save money on account of false claims.

Life Insurance companies who have joined Experian's closed user group for detection of insurance frauds will share with Experian any data relating to new policy proposals and claims. The information is analyzed using various parameters to detect a potential fraud. Among others, the Experian solution helps to identify identity thefts which account for 77% of frauds in India and is growing rapidly according to industry estimates. Under Section 45 of the amended Insurance Act in2014, life insurance companies cannot refuse a death claim on the ground of mis-statement of facts or deliberate suppression of certain facts after three years of the policy coming into effect provided the premiums have been paid regularly.

National Pension System goes one up on life insurance pension plans

In an attempt to make National Pension System (NPS) more attractive, Finance Minister Arun Jaitley has handed it an advantage over pension plans sold by life insurance companies. While service tax has been reduced from 3.5% to 1.4% for life insurers' single premium annuity policies, it has been completely waived off for NPS. Now, no service tax will be levied when NPS corpus is converted into annuities. This will make NPS more attractive compared to pension plans from life insurers. An individual would go for an NPS rather than a life insurance plan.

However, life insurers are undeterred by the seemingly unequal treatment. While this move could create some disparity, it will promote a robust pension society in the long-term. The benefits will indirectly trickle down to the life insurance sector, as awareness around pension grows. From a common man's point of view, both the moves will translate into lower costs. The reduction of service tax on single premium annuity policies from 3.5% to 1.4% will help reduce the cost of the policy, the benefits of which will be passed on to the consumers.

IRDAI sets up panel to establish insurance service centers

Insurance Regulatory and Development Authority of India (IRDAI) set up a 7-member committee for establishment of insurance service centers with an aim to offer prompt servicing of policyholder in the most cost efficient manner. The proposed company neutral centers will help insurers in reducing the costs which are involved in setting up brick and mortar offices to service policyholders. These service centers can accept requests from the policyholder of any insurance company and pass on the same to the respective insurance company in a cost efficient manner.

The expert committee would be headed by Rajesh Relan ex-MD, PNB Metlife Life Insurance Company Limited. It would include Munish Sharda (CEO, Future Generalli Life Insurance), Neelesh Garg (CEO, TATA-AIG General Insurance) and Anuj Gulati.

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