Featured Articles

Empirical test should decide health cover

Delhi High court has disallowed coverage of genetic orders in the health insurance sector. This was meticulously researched by Justice Pratibha Singh and this will have an impact on all kinds of insurance and even on those who buy insurance. This case was filed by a customer in 2012. He had filed for health insurance claim and it was denied by United India Insurance on the grounds that it was a genetic disorder. This was an exclusion listed in the policy. There are certain issues that are particular to this case and relate to the customary chicanery and bad faith that has been the norm for Indian Insurance companies. These issues relate to the whether the insurer inserted the genetic disorder exclusion during a renewal and whether the customer's condition was, in fact, genetic. Based on these comments, the trial court ruled out in favor of the customer and the Insurance Company went to the high court.

Delhi High court also reviewed the entire process and considered whether a general exclusion based on the broad label genetic disorders should be done and should a person's genetic inheritance be used as a basis of any kind of discrimination at all. The court ruled against the insurance company on all these matters and issues. This genetic disorder exclusion is allowed by the IRDA and enforced by all health insurance companies. In this judgment there is direct as well as implied criticism of IRDA. The judgment notes that IRDA's guidelines for health insurance issued in 2013 disallows congenital and genetic disorders without defining them. In 2016, IRDA issued a revised version which defined congenital disorders, however, neglected to define genetic ones.

8 Applicants short listed for IRDA'S Chairman's post.

The government has shortlisted eight applicants, including former chief secretary of Karnataka Subhash Chandra Kuntia, New India Assurance chairman G Srinivasan and LIC chairman VK Sharma, for the post of chairman of the Insurance Regulatory and Development Authority (IRDA). The other shortlisted candidates are IRDA member (life) Nilesh Sathe, three managing directors of LIC and Badri Singh Bhandari, whole-time director of the Pension Fund Regulatory and Development Authority. "The government had shortlisted eight candidates and the interview is scheduled on March 5," said a source close to the development.

TS Vijayan, former chairman of IRDA, retired on February 20. Vijayan, who served as LIC chairman before his IRDA posting, was from the industry. The earlier three chairmen of IRDA — N Rangachary, CS Rao and J Hari Narayan — were all former public servants. In November, the government had invited applications and received 40 applications, including from several bank. The IRDA chairperson holds office for five years and is entitled to a consolidated salary of Rs 4.5 lakh per month, according to the Insurance Regulatory and Development Authority Act of 1999. Sujay Banarji, officiating chairman and managing director of Oriental Insurance Company, was appointed as member distribution, IRDA –– a post vacant for over a year. Pravin Kutumbe, executive director, investment, LIC, was appointed as member finance, a post vacant since May 2017.

ULIP won't give you sufficient life insurance.

The biggest problem with ULIPS is that if you use them to buy an adequate amount of real insurance, then you could consume most, if not all of your income. Of course, I use the word 'insurance' to mean what it should: money that your family will get if you die. As a general rule, any earning person should be insured for at least ten years' income. However, life cover in ULIPS, almost universally, is exactly ten times the annual premium. Therefore, to get life cover equal to ten times your annual income, you will have to pay ALL your income as premium. The maths is unshakeable. No matter what the salespeople or the analysts say, anyone who has a family should not put even a paisa in ULIPS (or any other investment) before they buy a life cover policy using pure term insurance. Once you have made your family's future secure with 10 times your annual income, tackle investment as a separate and different kind of question. Once you have the insurance in place, you will be better positioned to evaluate investment options. This is because any investment should be evaluated on parameters like liquidity, volatility, safety, transparency, returns and suitability for different time frames.

The same saver can have different needs and saving goals at different points of time. Sometimes, as circumstances change, you may want to move some money from one kind of investment to another. For instance, from a volatile but high returns type to a safe and steady one. At some point, you could suffer a professional crisis or a job loss and may need to stop investing for a year or two. These are real issues that affect almost everyone at some point. Will a ULIP, a single, inflexible product that bundles insurance and investment into a long-term commitment, serve your purpose is such situations? That's a question you must ask. One question that every saver should ask is why ULIPS are limited to offering cover worth 10-times the annual premium. The answer gives you an insight into the anti-saver ideology that permeates the Indian insurance industry. The insurance regulator, IRDA, has mandated 10-times annual premium as the minimum life cover that ULIPS must provide. However, in the actual products, the industry only offers the minimum. Why? Because they are not interested in the life cover business. The money lies in running the investment business, and so we have an 'insurance' industry that always designs products with the bare minimum insurance.

LIC trims down stake in Ashok Leyland by 2.04%

State-owned Life Insurance Corporation (LIC) has reduced its stake in Hinduja Group flagship firm Ashok Leyland BSE -0.07% by 2.04% after selling 5.97 crore shares in the open market. As per a BSE filing, LIC, which held 5.16% stake in Ashok Leyland earlier, brought down the shareholding in the company to 3.11%. LIC sold the stake between October 16, 2015, and March 1, 2018.

Last week, Ashok Leyland reported 29% increase in its total sales at 18,181 units in February 2018. The company had sold 14,067 units during the same month of the previous year. Shares of Ashok Leyland were trading at Rs 139.95 a piece, down 0.57%, on BSE.

Quick News

Canara HSBC OBC Life Insurance partners can finance homes to sell policies.

Canara HSBC Oriental Bank of Commerce Life Insurance has joined hands with Can Fin Homes BSE 2.11 % for a three year corporate agency tie up to sell its policies to potential home buyers. All the life insurance products of the company would be made available to customers of Can Fin Homes, Canara HSBC Oriental Bank of Commerce.

IRDAI is set to release new norms for brokers.

Insurance Regulatory and Development Authority of India (IRDAI) will soon be releasing new regulations for brokers as the demand for insurance broking is growing steadily with 428 brokers in the industry as on today.

IRDAI considering insurance cover for discontinued ULIPS

IRDAI may provide insurance cover to policy holders who discontinue their unit linked insurance plans within 5 years of buying the insurance policy.

AXA agrees to buy US Insurer XL group for $15.3 million

Axa SA agreed to buy XL Group Ltd. for $15.3 billion in cash in the biggest-ever European acquisition of a US insurer. Shares in the French firm fell the most since June 2016, with analyst Daniel Bischof of Baader Helvea AG saying the deal has a sound logic but the price is at the upper end of expectations. Axa is paying $57.60 a share, according to a statement on Monday, a premium of about 33 per cent compared with the stock's closing price of $43.30 on Friday. Axa fell as much as 10% to 22.55 euros, the lowest in a year. It was trading at 23.80 euros at 8:04 a.m. in Paris. Buying XL, which sells insurance to other insurers, would bolster Axa's casualty-coverage business in the US just as premiums rise after last year's natural disasters. Bloomberg reported Saturday that Axa was in advanced talks on the deal, the firm's biggest, citing people familiar with the matter. XL had also attracted interest from competitors including Germany's Allianz SE.

Less than two years after taking over Axa's top job, Chief Executive Officer Thomas Buberl is ramping up deal making, refocusing on businesses such as P&C commercial lines while shedding some assets and focusing on fewer countries. Financing will come from 3.5 billion euros of cash at hand, an expected 6 billion euros from the planned U.S. IPO and related transactions, and 3 billion euros of subordinated debt. The initial public offering of Axa's U.S. life unit is expected in the second quarter. Axa "must believe the timing is right in the cycle to expand in the US reinsurance and P&C markets," Karim Bertoni, who helps manage $12 billion at Bellevue Asset Management in Switzerland, said before the announcement. Given capital market conditions, "there's maybe a window of opportunity for both an IPO and an acquisition to reinforce areas where higher returns can be expected." Companies like XL Group have become takeover targets after the heavy toll of natural disasters last year pushed prices for coverage higher.

The Bermuda-based insurer also attracted interest from bigger rivals including Germany's Allianz SE, people familiar with the matter said last month. As of Friday's close, XL shares had gained 23% this year in New York. Economic losses from weather-related disasters including hurricanes Harvey, Irma and Maria and Californian wildfires reached $306 billion in 2017, according to the US government. Costs from such disasters helped drive down XL's shares in both 2016 and 2017. To resist pressure from new rivals in the catastrophe market, Chief Executive Officer Mike McGavick sought expansion in specialty coverage and reinsurance through the $3.9 billion purchase of Catlin Group Ltd. in 2015.

How technology advancements are making Auto cover cost effective?

With help of internet one can search insurance policy and evaluate and purchase the right insurance policy from a number of options available and also avail ongoing support and help during the tenure of the policy. This can improve the experience of the insured. Internet and social media have transformed this industry and the way they engage with their target clients. With the digital environment, it is possible for an insurer to provide faster, better and cheaper services with multiple policy options. Insured is going to benefit from Internet and will have the option to search for a right policy and evaluate the need fit for their own purpose and can buy a policy with just a few clicks from the comfort of their own screens from their home or on the move.

The limitations of time and space have reduced, if not fully overcome. With help of technology, it will become possible to tailor highly customized policies to unique profiles. They predict risks more accurately. They offer true risk price to customers. Technological progress will continue to pave the way for insurance products to be designed smartly, offered seamlessly, and serviced efficiently – bringing economies for both the insurer and the insured. The rapid advancement of technology continues to significantly impact all industries and sectors, and auto insurance is no exception. Starting with the ease of accessing, evaluating and purchasing the right insurance policy from a number of options available, to ongoing support and help during the tenure of the policy, the experience for the insured can be greatly improved.

Similarly, for the insurer, the internet and social media have transformed the way they reach, fulfill and engage with their target segments. As internet adoption continues to rise in the country, it has become vital for insurers to embrace technology and provide enhanced services in the auto insurance industry. It is now possible for an insurer to provide faster, better, cheaper services, with multiple policy options, in a fully digital environment.

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