Featured Articles

No refusal for motor insurance

Third-party (TP) motor insurance refusal rates have seen a big drop, with the regulator cracking the whip on insurers refusing to provide such covers. Insurers have also been asked to sell motor TP products online. All general insurance companies are now selling these policies through their website. Senior executives said the regulator insisted on this, for ease of purchase.

The Declined Risk Insurance Pool for commercial vehicles — to bring equity and efficiency in claims management — in operation since April 1, 2012, will be dismantled on April 1 this year. IRDAI said the Insurance Act has already called for insurers to complete a certain minimum motor TP business in a financial year. Specified insurers have to underwrite minimum obligations in this segment. This was based on a formula taking into account factors like total gross direct premium income (GDPI) under all business lines of insurers in the immediate preceding financial year.

The Insurance Laws (Amendment) Ordinance had introduced Section 32D regarding the percentage of TP motor insurance which needs to be underwritten by each insurer. It says every insurer carrying on general insurance business shall underwrite a minimum percentage of insurance business in TP risks of motor vehicles. An insurer licensed to underwrite motor insurance for the first time, would be exempted from the application of the obligatory requirement during the first two financial years of its operations.

Fasal Bima Yojana may face WTO test

WORLD TRADE ORGANIZATION

The European Union (EU), Canada, Australia and Thailand have put up resistance at the WTO against Prime Minister Narendra Modi's crop insurance scheme for farmers.

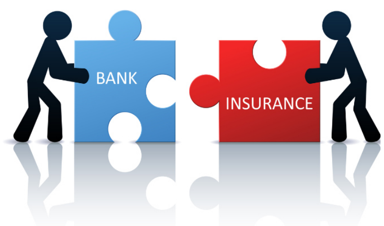
At a recent meeting of the committee on agriculture at the WTO, Canada and the EU asked India about the crop insurance scheme and noted that it would bring down the rate of premium paid by farmers to 2%. The countries want to find out if they can stop India from declaring the subsidy for crop insurance as a green-box subsidy.

Under the PM's Fasal Bima Yojana (PMFBY), three levels of indemnity – 90%, 80% and 60% – corresponding to low-risk, medium-risk and high-risk areas will be available for all crops based on production in the past 10 years.

EU, Canada, Australia and Thailand have sought details from India to examine if the crop insurance scheme should be classified as a trade-distorting amber-box subsidy subject to a cap. India can notify the crop insurance scheme as a permissible and un-capped subsidy (green box) at the WTO only if it establishes that the insurance amount is payable after at least 30% crop is destroyed and a natural calamity has been declared. If India wants to give unlimited amounts of crop insurance subsidy, it has to comply with the green-box criteria.

40 banks interested in selling insurance, says regulator

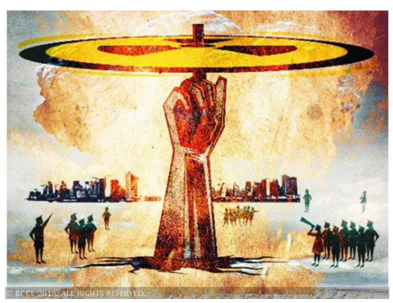
After resisting open architecture for a while, banks are now showing interest in selling the products of multiple insurance companies. Banks usually sponsor insurance companies. Last year, the Reserve Bank of India (RBI) allowed banks to sell insurance products of multiple insurance companies, but did not make it mandatory. This norm, which will come into effect from April 1, will allow one bank to sell three separate products for life, general and health insurance.



According to IRDAI, over 40 banks, including the ones that have insurance products, have shown interest in selling products of multiple insurance companies. Till date, banks could sell one insurance product from each insurance segment — life, general and health — under bancassurance agreements. Bancassurance follows a corporate agent structure, which means banks sell insurance as corporate agents. Banks that have promoted insurance companies were initially hesitant to offer insurance products of other companies, as their original shareholders' agreements with their respective foreign partners was not in favour of such a move.

All of the large lenders of the country, including State Bank of India, ICICI Bank, Bank of Baroda and Canara Bank, have entered the insurance space. The insurance regulator has allowed four global reinsurers to open branches in India, but is yet to give details.

Liability insurance in focus after Nuclear reactor shutdown



The automatic safe shutdown of the 220MW pressurized heavy water reactor (PHWR) at Kakrapar Atomic Power Station (KAPS) following heavy water leak on March 11 actually strengthens the operator Nuclear Power Corporation of India's (NPCIL) position for a public liability insurance policy.

All the NPCIL plants including KAPS are insured and an insurance claim will be lodged after ascertaining the actual cause of leak and the damage. However, the much-awaited public liability policy is yet to be issued to the atomic power plant operator. Insurers have designed the policy and the IRDA has also approved this. However, NPCIL wants some conditions to be changed and the matter is under discussion.

For a premium of around Rs 70 crore, a consortium of insurers will provide cover up to Rs 1,500 crore per incident and per year. The proposed policy would cover the liability towards public as a consequence of any nuclear accident in the plants covered under the policy and also the right of recourse of NPCIL against equipment suppliers.

The GIC Re, four government-owned general insurers and also some private general insurers, have provided the capacity to insure the risks of up to around Rs1,000 crore, with the balance Rs 500 crore being obtained from the British Nuclear Insurance Pool.

Quick News

Health insurance TPA to begin operations from next fiscal

Health Insurance TPA of India, a joint venture by public sector insurance companies to manage in-house health claims, will begin operations soon. After it becomes operational, 8%-10$ of claims now being handled by external agencies will be processed by the new body. Health Insurance TPA launched operations on a pilot basis in October, 2015 in Delhi. The company was allotted one office each by National Insurance Company, New India Assurance Company, Oriental Insurance Company and United India Insurance Company. The objective is to reduce the turnaround time for claims. External TPAs will also continue to service claims for the insurers.

Insurance Association Comes to the Aid of Kousalya

The All India Insurance Employees' Association (AIIEA) has come forward to bear the educational expenses of S Kousalya, 19, wife of deceased Dalit, Shankar, who was murdered in Udumalpet last Sunday in what was alleged to be a case of honour killing, following their inter-caste marriage. Office bearers of AIIEA (Coimbatore), visited Kousalya at the Coimbatore Medical College Hospital, who was grievously injured in the attack. During this visit, Kousalya expressed her interest to resume her engineering course, which she had to discontinue after her marriage. As she is unable to bear the expenses, the AIIEA have decided to give her full support.

Government may impose penalties for delay in settling crop insurance claims

The government may impose penalties for delaying claim settlements under its new crop insurance scheme in an effort to remedy shortcomings in earlier insurance programs. The government in January launched a new crop insurance plan beginning in the summer season in June that is expected to cover half of India's 263 million farmers in the next 2-3 years.

The insurance plan is critical for Prime Minister Narendra Modi's plans to woo the 70% of India's 1.3 billion people living in the countryside during upcoming local elections later this year and in 2017.

Agriculture accounts for about 14% of India's nearly $2 trillion economy but employs about two-thirds of its people. However, farmers have suffered under a combination of lower food inflation in India, a sharp fall in global commodity prices, reductions in government subsidies and unfavorable weather conditions. Sensing rising anger in villages, Modi and his ministers worked out a new crop insurance plan which is aimed at faster settlements by adopting the use of technologies like smartphones to capture crop damage.

The crop insurance plan is critical because of poor monsoon rains in last two years. In his Feb. 29 budget, Finance Minister Arun Jaitley earmarked $826.45 million for implementing the crop insurance plan in the 2016-17 fiscal year.

With Rs 330-crore insurance cover, Rajinikanth sets another record with Robot 2

The forthcoming Rajnikanth starrer Enthiran 2 (Robot 2) has been tipped as India's most expensive film ever. Set for release next year, it's already set a record in insurance cover for an Indian movie— Rs 330 crore, surpassing Rs 300 crore for PK (2014), starring Aamir Khan. State-run New India Assurance, Oriental Insurance and United India Insurance will underwrite the production. When the film goes into the cinema halls, total insurance amount will double— distribution cover will equal that on production.

This is the highest ever insured movie after Aamir Khan starrer PK and Salman Khan's Kick. Insurance cover for Robot 2 would double when the movie is ready and it goes for distribution.

State-run general insurance companies have a penchant for movies with star casts as the risk of them flopping are low. Producers are increasingly opting for insurance to protect themselves against projects getting delayed because of star tantrums and other unforeseen reasons.

Insurance covers risk from preproduction till the first copy of the movie. Various contingencies such as shoot cancellation, property risk, personal accident and third party liabilities are also covered. Production insurance covers loss of life or property on film sets. The media liability policy is a kind of errors and omissions liability insurance, mainly insuring against legal issues arising out of a movie's content. The policy also covers post-release issues as a result of riots or strike.

Film insurance has become a part of the movie-production process in the mainstream Indian film industry as costs have increased.

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