Featured Articles

Captive insurance companies won't retain exclusive edge

When it came to getting banks to sell their insurance products, ICICI Prudential Life Insurance, HDFC Ergo General Insurance, SBI Life & General Insurance for years had an edge over the other players, because of earlier regulations. But with new regulations, effective April 1, life and general insurance players that are promoted by banks - including Canara HSBC OBC Life Insurance Co, ICICI Lombard General and HDFC Life Insurance - will no longer retain their exclusive edge. The IRDA has now permitted banks to have tie-ups with as many as 3 insurance companies to promote their products - opening up the field to insurers like Bajaj Allianz and Max Life Insurance, who aren't backed by banks.

Life insurance companies, who traditionally rely on individual agents to sell their products, feel that this move would lead to higher insurance penetration, which currently stands at an all-time low of 3.3%. However, industry seniors feel that products sold through bancassurance and agents would be different, where banks prefer to sell shorter payment term products and ULIPs and pure protection policies are more successfully sold by agents.

Standalone health insurers like Star Health and Allied Insurance and Cigna TTK Health Insurance, feel that a retail product like mediclaim will find easier mass acceptance, sold across the counter. When it comes to banking partners, ICICI, HDFC, SBI, HSBC and Canara Bank, despite having captive insurance companies themselves, are open to having others on board as their bancassurance partners. General insurance companies, promoted by banks, however say they see no new threat or competition with the new regulations.

Over-the-counter product norms for insurance soon

Over-the-counter (OTC) products might soon become a reality in the insurance sector. Sources said the regulator is giving final touches to rules in this regard which could be issued in the next few weeks. Once done, insurance companies will be able to sell simple products without lengthy forms or documentation. Presently, a product is first designed, priced and then sent to the regulatory body for approval. Once satisfied with the broad contours, the regulator approves.

In the recent past, the IRDA has said commercial products in general insurance may be sold under File and Use procedures, the term for an insurer being permitted to market a product without its prior noting. This could soon be extended to life insurers, said sources. The segment has started to design products that are simple, so that these can be sold as OTC ones.

Complex products like unit-linked insurance might not be allowed to be sold OTC, as they are difficult to understand. Pure term or endowment policies could be sold freely if the regulations permit. File and Use require the products to be necessarily filed with the Authority before these are marketed. It is anticipated that a number of smaller touchpoints will be activated like medical stores, grocery stores and petrol pumps from where OTC products can be purchased. This would not require any special training for the staff, except basic training in the concept of insurance and broad product categories.

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Keyman insurance premium valid biz deduction: ITAT

In its recent order, the Income Tax Appellate Tribunal (ITAT), Kolkata bench, has allowed as a business deduction in the hands of a private company a significant sum paid by it as insurance premium for covering three of its directors under a keyman insurance policy. The ITAT held that this premium was for the benefit of the company to protect itself from any risk that it would sustain on losing the services of its directors owing to accident or death. Thus, it was an expenditure "wholly incurred for the purpose of the business" and should be allowed as a deduction from the business profits to arrive at the taxable component. The ITAT also relied upon a 1998 circular issued by the Central Board of Direct Taxes and a decision of the Bombay high court.

The company had claimed Rs 45 lakh as a business deduction towards keyman insurance premium, which was paid by it in cash. The keyman insurance policy had a coverage of five years and the sum assured was Rs 75 lakh. During assessment, the tax official added back this sum of Rs 45 lakh to the taxable profits of the company, as the company was unable to justify the expenditure.

Tax officials state that it is for a company to substantiate the genuineness of its claims. Without specific reference to this case, they point out that the Budget 2013 plugged a major loophole. Else a few unscrupulous companies used to assign the keyman insurance policy to the concerned employee, during the tenure of the policy. In return, the employee would pay the surrender value of the policy (which was minuscule as compared to the premiums paid or the maturity value of the policy). The company would claim the insurance premium as a business deduction, and on maturity the employee would claim the proceeds as tax-free. Now, if a keyman insurance policy has been assigned, no exemption is available on maturity of the policy. Further, the Insurance Regulatory and Development Authority (IRDA) only permits term insurance policies to be bought as keyman insurance. This has reduced the scope for any mischief, claim tax officials.

Soon, pay health insurance premium in instalments

Your health insurance provider is soon likely to offer you an option to part pay your insurance premium. According to a report in Hindustan Times, the Insurance Regulatory and Development Authority of India (IRDAI) will soon allow insurance companies, who would apply for approval of schemes, to offer part payment of health insurance premium to customers. The IRDA aims at reducing the burden of insurance premium and increase the number of people availing benefits of health cover.

Though the scheme, would not be offering the option of EMI payment, the part payment of premium will surely offer relief from the burden of large healthcare insurance premiums.

According to government data tabled in Parliament last week, only 18% of the urban population is covered by any medical insurance. In rural areas, the figure is even lower at eight%.

Quick News

IRDA imposes Rs 40 lakh fine on Royal Sundaram insurance

Insurance regulator IRDA has imposed Rs 40 lakh penalty on Royal Sundaram Alliance Insurance Company Ltd for violation of various guidelines related to outsourcing, advertisement and other norms. The Authority imposed penalties of Rs 5 lakh each for paying to vendors in the name of advertising or publicity; making additional payment over and above commission; deviating from F&U (File & Use) guidelines for its fire and engineering policies and violating outsourcing guidelines. IRDA said the company was outsourcing core activities like policy servicing to its corporate agents, banks and brokers, which was in violation of outsourcing guidelines. Also, a penalty of Rs 5 lakh was imposed for categorizing all rubber and nylon or plastic parts as other items for motor insurance.

Aviva India appoints C Shankar as the Chief Operations, IT & Customer Services Officer

Aviva Life Insurance, today, announced the appointment of C Shankar as the Chief Operations, IT & Customer Services Officer. Mr. Shankar will be based out of Aviva Life Insurance's head office in Gurgaon. Mr. Shankar has an experience of 23 years of working across geographies in national and international markets. Prior to Aviva, Shankar was the General Manager, Operations at The Saudi Investment Bank. He has also worked in leading organisations like Citibank NA, Al Rajhi Bank, National Bank of Kuwait and Arab Bank.

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Life insurance industry reports 5.65% growth in April

Life insurance industry reported 5.65% growth in individual annual premium equivalent from selling new policies in April, mainly due to robust show by SBI Life, Life Insurance Corporation and Birla Sun Life. However, adjusted premium equivalent, or APE, which is another metric to look into growth parameter, was moderate for April after heavy selling in the previous month. APE is value of regular premium plus 10% of new single premium. Private life players saw individual APE grow by 6%. LIC's individual APE grew 9%.

SBI Life reported 70% growth in April in individual APE. Max Life saw 13% decline in individual APE. Insurance sales fall during the beginning of the year, as it is considered to be a lean period. Reliance Life reported 30% decline in individual APE during the month. Insurance companies which are not lead by banks struggle to grow retail insurance sales. ICICI Prudential Life reported 10% growth in APE to Rs 201 crore. They have been selling unit-linked insurance plans. Birla SunLife saw 19.71% growth in individual APE during the month by focusing mostly on individual policy sales. Insurance companies report higher growth in new business income by shoring up their group single and individual segment. LIC, which sells policies mostly through large agent base saw APE for the month grow 71%.

AIIEA will protect insurers from foreign onslaught

All India Insurance Employees' Association (AIIEA) president Amanullah Khan said attempts by the Central government to privatize general insurance companies would be thwarted. It is also against the imposition of income and service taxes on insurance policies. The AIIEA has represented these and other matters concerning the public sector insurers to Prime Minister and Finance Minister earlier, but to no avail.

The AIIEA has threatened to stage nation-wide protests if the four public sector general insurance companies – National Insurance, New India Assurance, Oriental Insurance and United India Insurance – are allowed to be listed on the stock exchange. In spite of many challenges, these four insurance companies have assets to the tune of Rs. 1.20 lakh crores and a profit of nearly Rs. 2000 crore. Their performance has been the best-in-class in spite of stiff competition from private insurers. Similarly, the Life Insurance Corporation of India (LIC) continued to dominate the market with a settlement of 99.86% of maturity claims and 99.38% of death claims. These were world records in the industry.

"The rise in Foreign Direct Investment limit in insurance sector from 26% to 49% is not a threat to us. With our matchless track-record and customer loyalty, we are going to ward off any challenge from foreign players," said Mr. Khan. However, he observed that it (FDI) was not in the interest of the customers. The AIIEA leader sought to know why the Central government was encouraging private companies when LIC remained its backbone giving the much-needed financial muscle during times of global distress.

Insurance cover for organ transplants to go up

The government is working towards widening the scope of insurance under the Rajiv Gandhi Jeevandayi Arogya Yojna (RGJAY) and may bring all organ transplants under its ambit. It is also considering revision of the insurance amount, said union surface transport minister Nitin Gadkari here on Saturday. He was speaking at the inauguration of a continuing medical education (CME) for creating awareness about organ donation in doctors organized jointly by the Indian Medical Association (IMA) and Wockhardt Hospital. On the occasion, Wockhardt also launched a helpline for organ donation. People can call up on 9604442277 for any queries about the subject.

Gadkari said that at present, not all organ transplants are covered under the RGJAY. Also, the amount ensured for each transplant as insurance is not appropriate. Hence, he said, the government is thinking of revising these rates. Talking about the ever increasing road accidents in the country and state, he appreciated the IMA's first ever initiative to promote organ donation as a movement. In Maharashtra alone, there are 2,500 identified spots with very high probability of accidents. The minister said that the government would be taking measures to make them accident free by redesigning the roads. The union minister also said that the government was considering the issue of adding a tag of 'I am an organ donor' in the driving license of individuals who wish to donate their organs after death. This, he said, would increase the chances of more cadaver donations.

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