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Vehicle accidents: Rs. 10 lakh cap on 3rd-party liability proposed

One of the amendments proposed to the Motor Vehicles (MV) Act is to cap third-party liability cap at Rs 10 lakh in accident cases, according to insurance industry sources. Currently, the liability is unlimited.

While the proposal is being welcomed as "a friendly one for policyholders", the general insurance industry feels this may not translate into a reduction in premiums, at least in the short term.

The non-life insurance industry, citing the unlimited liability provision, has been asking for, and getting, regular upward revisions in third-party premiums.

The logical corollary to capping of liability would be a reduction in premium. But this remains uncertain. It is too early to predict whether the premium would go down. We see that the maximum limit proposed in the Bill is higher than the average claims for death and injuries being paid by the industry, R. Chandrasekaran, Secretary General, General Insurance Council, said.

Moreover, it's also not clear how the courts would react to this. The impact of capping of liability would be felt by the insurance companies only after a couple of years, when the claims initiated on the insurance policies post amendment would be decided by the courts. Over a period of time the rates would stabilise to a safe, narrow band range and be affordable by all. Volatility and uncertainty in the claim awards would be minimised, if not eliminated altogether.

Policies cheaper than annual-renewal plans

Exide Life Insurance has launched 'Exide Life Sanjeevani', a comprehensive health cover for heart and cancer related conditions. The plan is distinct from standard critical illness policies as it provides a fixed lump sum benefit on diagnosis of early and major stages of heart and cancer related conditions, waives future premiums and also allows you to claim in addition to any existing health insurance.
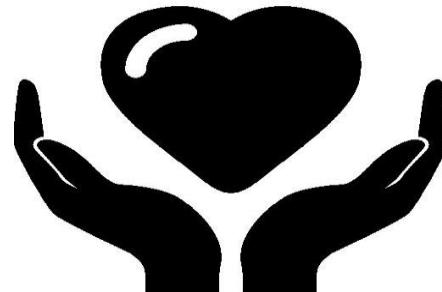
The lump sum benefit amount is paid under 3 categories - Mild (25% of the chosen sum assured), moderate (50%) and severe (100%). In case one is diagnosed with more than one condition at the same time, 100% benefit is paid out.

While advancement in medical infrastructure has helped improving survival rate from heart and cancer, the major hurdle faced is the inadequacy of funds to manage the expenses. Out of pocket expenses arising out of these conditions have eroded many families' lifetime savings, said Kshitij Jain, MD and CEO, Exide Life Insurance. Exide Life Sanjeevani, offers Heart and Cancer related conditions.

When political agitation turns into an opportunity for insurers

Political agitation by caste leaders may be a headache for the administration, but that has become an opportunity for insurers. The violence during the Jat and Patidar agitations demanding reservation led to insurers like Future Generali General Insurance offering `rebellion covers' or `political violence cover.' An estimate suggests that Jat reservation agitation had caused economic loss of Rs 34,000 crore to the northern state.

We have recently underwritten two political violence in insurance policies of shopping mall, multiplex and entertainment backed by reinsurance for sum assured of over Rs 1,000 crore each, said Easwaran Narayanan, chief operating officer, Future generali General Insurance. After losing a huge sum due to pro tests, businesses started looking for higher degree of protection against the risks of civil disturbance and political violence. This is aggravated by investors and banks insisting on more stringent requirements for companies raising finance to demonstrate that they have adequately mitigated such risks.

This policy is also different from the standard terrorism cover which does not pay for the losses due to civil unrest and political violence.

National vehicle data insurance linkage will ensure claims settlement

Digitisation and linking of national data base of registered vehicles with accident data and insurance would ensure prompt payment of compensation to road accident victims, said a top official of General Insurance Council.

The Vahan and Sarathi are two software programmes for vehicle registration and for driving licences with standardised format implemented by the Union Ministry of Road Transport and Highways. The Motor Vehicles Act is proposed to be amended with some far reaching changes in focus on the safety of the road users, road accident victims, stricter driving licensing norms and penalties for law violators. It would also address various other challenges that are being faced by all road users, such as immediate medical treatment, quick relief to victims or victims' families and payment of compensation to road accident victims could be provided promptly.

The insurance policies will undergo modifications based on the provisions made in the Amendment Bill. Motor third party insurance policies follow the mandated provisions of the Motor Vehicles Act. Hence in force policies and new policies issued would follow the amended provisions.

Quick News

SBI may sell up to 5% stake in SBI Life Insurance

State Bank of India Ltd (SBI) is holding talks with private equity funds to sell as much as 5% in SBI Life Insurance Co. Ltd, said three people aware of the development, including an SBI official. The names of the private equity funds the bank has approached could not be immediately ascertained. SBI Life is a joint venture between State Bank of India and BNP Paribas Cardiff. SBI owns 74% in the life insurer. The process to sell up to 5% stake in the SBI Life is already underway, and the bank is involved in discussions with some investors.

Carnation Auto ties-up with policybazaar.com

Jagdish Khattar-led Carnation Auto today said it has entered into an exclusive partnership with policybazaar.com to offer motor insurance cover to all its customers across 85 outlets spread over India. The alliance is expected to benefit more than 100,000 customers who reach out to Carnation Auto every year for buying certified pre-owned vehicles and accessing various kinds of services including mechanical & body repairs, accessories, insurance and car exchange.

Soon, IRCTC to offer insurance protection for laptops and mobiles during train travel

Soon, train passengers booking their tickets online through the IRCTC website will be able to opt for insurance cover for their gadgets like mobile phone and laptops. The scheme is likely to be offered soon- to start with- to government employees and those who hold credit cards. IRCTC has already partnered with ICICI Lombard General Insurance, Royal Sundaram and Shriram General to offer an option of travel insurance cover from September for a premium of just one rupee.

Insurers rush to get nod for benefit-based health policies

Life insurance companies are filing new benefit-based health insurance plans with the regulator as they have been barred from selling indemnity plans. The Insurance Regulatory and Development Authority of India (IRDAI) has given time till October 18 for these products to be withdrawn from the market.

This means there will be an immediate dearth of such products in the market. Indemnity plans constitute 90-95 per cent of the health portfolio of life insurers and refer to those policies where customers can claim a reimbursement after visiting a doctor or incurring medical expenses. According to regulatory officials, life insurers are in the midst of withdrawing existing plans and getting new products approved. We are lining up multiple products and riders with IRDAI so that we have at least a few health plans on offer when the existing ones are withdrawn, said the head of products at a mid-size life insurance company.

According to information from the Life Insurance Council, there are 12 health products in-force. Over and above, there are about 45 riders that are in-force in the life insurance segment. Of these, the majority are indemnity products, which will have to be withdrawn.

While several products are still awaiting approval, companies started launching benefit-based products. For instance, Exide Life Insurance has launched Exide Life Sanjeevani, which is a fixed benefit health plan. This offers comprehensive coverage against all prevalent heart and cancer-related conditions.

In its health insurance regulations in July 2016, IRDAI had said a life insurer could not offer indemnity-based products in individual or group segments. Insurers will have to give a prospective date of closure for indemnity-based products not later than three months from the date of notification of the regulation

P2P lenders tying up with insurance cos to offer cover for borrowers

MicroGraam, ilend, LenDenClub and several other peer-to-peer lending platforms are tying up, or considering to do so, with insurance companies to offer cover for borrowers against unforeseen events such as accidents or death that can affect loan repayments.

These platforms are partnering with insurers like HDFC Life Insurance and ICICI Prudential Life Insurance. While most of them plan to unveil the offers after the Reserve Bank of India issues guidelines on such covers - companies said they expect the central bank to come up with the regulations later this month -some have already started offering such products.

Venture Catalysts-funded i2iFunding last month partnered with HDFC Life Insurance to offer insurance plans to borrowers. If a borrower takes a two-year loan for Rs 1 lakh, then for a slightly higher amount he will have to take the life insurance cover, where one of his family members will be the nominee. The person who is supposed to get the insurance benefit will only get it once we approve it and would ideally receive it once they clear their due, said founder Vaibhav Pandey. The platform, which has received about 5,000 applications till date for the cover, has 150-200 running loans and as many as 1,000 lenders.

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