Featured Articles

Insurance policy to get dearer from 1st January

From January 1, 2014, insurance policy will get costlier as the government widens its service tax purview to include insurance policy premiums paid by policyholders.

The tax rate will be different for different products. On term products and unit-linked insurance policies, in which charges on mortality and administration only, it will be 12.36 %; while on traditional products it will be 3.09 %, as most of the premium goes into savings.

Confirming the separate collection of service tax, Mr. A.K. Sahoo, Executive Director, LIC and Chief of South Central Zone, told that final guidelines on the modalities of service charges to be levied on the risk premium (excluding savings component) would be out in about a week.

"With the complete switch-over to the new product norms from January 1, all the companies have to include this in the new design norms clearly spelling out the exact details of taxes", Mr. Sahoo said.

According to experts, it would have an adverse impact on insurance, which is basically a social security instrument.

"When the penetration of insurance is still low, this may discourage people from buying life insurance," said Mr. P. Nandagopal, CEO, India First Life Insurance Company.

There have been requests from the industry to waive service tax on life insurance after it was announced in this year's Budget proposals.

Even the Insurance Regulatory and Development Authority (IRDA) has requested the union finance ministry for removal of service tax. Insurance should be more tax-payer friendly, it said.

LIC most consumer friendly; says IRDA

India's largest insurer the Life Insurance Corporation (LIC) of India has outperformed its competitors in private sector in most parameters used for measuring consumer friendliness. The state-run insurer had fewer lapses, higher claim settlement ration and no penalties from the insurance watchdog.

The claim settlement ratio of the company in fiscal year 2013-14 is 97.73%, an up by 0.31% from 97.42% in previous fiscal. During the FY' 13, the percentage of claim rejections was only 1.12% compared to 1.30% earlier.

Whereas, the private sector players witnessed a dip in claim settlement ratio to 88.65% in FY' 13 from 89.34% in the previous fiscal. When compared to Life Insurance Corporation of India, the private sector insurers have repudiated more number of claims. The percentage of repudiations by private insurers was 7.85%, almost unchanged from previous fiscal 7.82%, the regulator said in the report.

Also, in terms of persistency, the state-run insurer scores better with a lapse ratio of only 5.6% as against private life insurance companies from 17% to 42%. The only exception is HDFC Life Insurance, which has a lapse ratio of 5.6%.

In terms of number of policies sold per agent, in FY' 13, LIC agents sold an average of 29 policies, but agents of private insurers managed to sell only an average of 3 policies.

Kerala govt. chews over a comprehensive insurance for calamity-affected

The Kerala state government is chewing over a Comprehensive Insurance Policy, for calamity-affected people in the state. It's a first of its kind initiative in the country.

A detailed proposal for the scheme has been submitted by the Institute of Land and Disaster Management (ILDM). "At present there is no policy that considers all aspects and all types of disasters", Head of ILDM, Mr. K.G. Thara said, adding, "Sea erosion and lightning are not considered disasters in the national government's list, whereas in Kerala, a large number of deaths occur due to these."

As per the proposal submitted the ILDM, the policy will be index-based for crop loss and health impacts such as sunstroke in climate-related disasters. It will also be indemnity-based (on actual loss basis) for climate-related as well as disasters such as tsunami, air, water and land accidents and building collapse. Insurance cover will also be given to utensils, household goods and educational equipment damaged in disasters. Utensils of self-help groups will also be covered.

The government will fully pay the premium for below poverty line (BPL) families; while, for above poverty line (APL) families, ratio of ownership will have to be decided through consultative discussions. As per the proposal, there will four premium schemes with premium amounts of Rs.10, Rs.22, Rs. 25 and Rs.37 for the entire family. As per scheme 1, an amount of Rs.2 lac will be given for accident death or permanent total disablement of the breadwinner of a household, Rs. 1 lac in case of the spouse and Rs. 50,000 each for dependent children. In scheme 2, the amounts are Rs. 5 lac, Rs. 2.5 lac and Rs. 1 lac respectively. Scheme 3 and 4 has the extra provision of Rs.75,000 in case of damage to buildings and Rs.25,000 for damage to contents.

HDFC Life, Manulife among top bidders to acquire HSBC India insurance biz

HDFC Life and Manulife Financial Corporation of Canada are among top bidders to place first-round bids for HSBC plc's Indian life insurance business. As per the sources, the stake value is around Rs. 10,906 crore. HDFC Life is a joint venture insurance company between India's top mortgage lender HDFC Limited and British insurer Standard Life.

Among bidders to submit first-round bids are ICICI Prudential Life, a joint venture between India's No. 2 lender ICICI Bank and Britain's No. 1 insurer Prudential; and Birla Sun Life, a venture between Indian conglomerate Aditya Birla Group and Canada's Sun Life.

Europe's biggest bank HSBC plc is selling its 26% stake in a life insurance joint venture with two Indian state-run banks, as it sheds noncore businesses across the world.

Just after the finalisation of the deal, the winner of the auction will get immediate access to more than 5,500 branches of the two PSU banks- Canara Bank Ltd and Oriental Bank of Commerce Ltd. Bancassurance, an arrangement in which a bank and an insurance firm tie up so that the insurer can sell its products to the bank's customers, is emerging as a key tool to sell insurance products across Asia as the life insurance industry matures in the region.

"The biggest attraction for any Indian or foreign bidder in this joint venture would be the vast distribution network, which is absolutely essential in a country like India," said an official close to the development, adding, "There are a very few good partnership opportunities available for foreign players in India, this venture is one of them."

West Bengal to provide health insurance to television artists, technicians

The West Bengal state government is all set to introduce a health insurance scheme for television artists and technicians of the state.

Speaking at the first ever West Bengal Telly Samman awards on Friday, the West Bengal Chief Minister Ms. Mamata Banerjee said, "Those who work in the television medium and are not in a stable financial situation to afford medical treatment, they will get free treatment under the mediclaim. The studio will be for TV channels."

Along with the health insurance initiative, the state government has set aside a 6-acre plot of land at Baruipur in South 24-Parganas for a studio, exclusively for shooting television serials.

The state government had already set up medical insurance schemes for the regional film industry (Tollywood) artists and technicians.

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CONTACT DETAILS

Corporate Office:
Plot-8, Sector-32, Urban Estate, Gurgaon-122001, Haryana, India
Phone: 0124 – 499 88 88
Email: research@insuringindia.com