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What the insurance industry wants from Budget 2016

Insurance companies hope the finance minister will be more generous in Budget 2016 than he was last year. While tax exemptions remain their biggest priority, this year's wish list includes more measures to support and promote the government's pet schemes.

India has immense potential as an insurance market, but needs serious support from the government if that potential is to be realized, starting with more tax incentives for buying personal insurance policies. This is the crux of the insurance sector's wish list for Budget 2016.

Global reinsurance giant Swiss Re points out that insurance penetration in India in FY15 was just 3.3%, which is significantly lower than the global average of 6.2%. This number could increase due to the introduction of different insurance schemes like the Pradhan Mantri Suraksha Bima Yojna and the Pradhan Mantri Jeevan Bima Yojna by the government. However, this may not be enough.



Currently, life insurance premiums are eligible for exemption under Section 80C of the Income Tax Act. However, what the insurance companies are looking for is a separate tax exemption given for premiums on life insurance, similar to what is given to contributions towards the New Pension Scheme (NPS). Budget 2015 saw an exemption of Rs. 50,000 being provided to NPS contributions, over and above the Rs. 1.5 lakh deduction limit allowed under the Income Tax Act. They are also looking at tax exemptions being offered in personal lines of insurance like householder's policies and personal accident policies.

In addition, players feel the government must aggressively push its two insurance schemes to improve penetration. One way to do this would be to enhance the insurance cover provided under these schemes from the current Rs. 2 lakh. Service tax levied on life insurance products is also another sore area.

Government prepares to launch new version of health insurance scheme covering 50 crore people



The Health Ministry is preparing to introduce an expanded version of the Rashtriya Swasthya Bima Yojana (RSBY), the government's flagship health insurance scheme, covering more than 10 crore families or about 50 crore people.

The plans come a year after the Ministry of Health got the administrative responsibility for RSBY from the Ministry of Labour, which launched it in 2008. The expanded scheme will be the first step towards universal health insurance, though the final modalities and the name of the scheme are still a work in progress.

The health ministry is also planning to develop an IT platform where health-related schemes not just of this ministry but also those of other ministries can be managed from the same platform and a common registration system, ensuring there is neither duplication nor wastage of resources.

Product mis-selling top-most complaint in life insurance but shows year-on-year decline

Mis-selling complaints which dominate the type of grievances in the life insurance industry has seen a reduction in FY15 compared to FY14, said Insurance Regulatory and Development Authority of India (IRDAI) Annual Report 2014-15. Data showed that unfair business practice complaints, also called mis-selling, constituted the largest class of complaints accounting for 52% of the complaints in life sector during 2014-15. However, they saw a drop as against 56% during 2013-14.

Integrated Grievance Management System (IGMS), the repository of the insurance industry complaints, provides a platform to raise customer grievances with insurers and also to generate various analytical reports on public grievances in insurance.

Classification of Life Insurance complaints (in %)		
	2013-14	2014-15
Claims	10%	11%
Others	8%	8%
Policy servicing	17%	20%
Proposal processing	7%	8%
ULIP related	2%	1%
Unfair business practices	56%	52%

Source: IRDAI Annual Report 2014-15

It showed that as on March 31, 2015, there were 6,109 complaints pending for resolution by life insurance companies. During the year 2014-15, the life insurance industry received 278,992 complaints out of which 80,944 complaints related to Life Insurance Corporation of India (LIC) and 198,048 complaints related to private sector life insurers.

Life insurers also had a good track-record in resolving complaints. During 2014-15, the life insurance companies resolved 97.82% of the complaints handled. The private life insurers resolved 96.93% of the complaints reported, while LIC resolved 100% of the complaints as a result of which there were no pending complaints of LIC as on March 31, 2015.

Max Life Insurance maintains top position in claims management in life insurance industry

As per the latest IRDAI Annual Report, Max Life Insurance, the leading non-bank promoted private life insurer, is pleased to announce the significant achievement of being the market leader with regard to outstanding claims ratio of just 0.07% as on 31st March 2015, according to reports.



The total 9,145 claims received during the year, only 6 claims were pending. For the FY15-16, the Company has paid a total of Rs. 245.46 crore in claims.

Max Life Insurance also leads the private life insurance sector in payment percentage at 96.03%. The company reported a repudiation percentage of just 3.90%. The

IRDAI Annual Report also shows that this is amongst the best performances in claims management in the Indian Life Insurance sector.

Quick News

GST can make insurance policies costlier

Decoding the benefits of goods & services (GST) tax for the insurance sector, Bipin Sapra, Partner – Tax & Regulatory Services-Indirect Tax, EY says currently insurance premiums are taxed based on risk. Certain investment based policies are exempt from service tax. From risk point of view, today the tax charge on insurance policy premium is around 14%. Under GST, the rate could go up to the proposed 18%. If so then cost of providing services will go up. Therefore, overall insurance policies could become costlier.

Kotak Life Insurance launches new product in UP

Kotak Life Insurance today announced launch of Kotak Premier Life plan in the Uttar Pradesh. The plan is a limited premium payment and a participating whole-life plan, which can be used for income benefits or create a tax-free corpus. It provides the customer with the option to protect up to 99 years of age. The plan offers discounts on premium for higher sum assured on maturity, besides additional discount on the lives of women insured. It allows to partly encash the accumulated corpus during the policy term.

Alice Vaidyan new CMD of GIC Re

Alice Vaidyan has been appointed the chairman and managing director of the General Insurance Corporation of India (GIC Re). She would hold the office till July 31, 2019. She is the first woman to be appointed in such post not only in the GIC Re, but the first in the Indian insurance sector. The GIC Re is the 14th largest reinsurer globally and is the only reinsurance company in India. Vaidyan belongs to 1983 batch of the direct recruit officers of general insurance industry and has been the general manager and chief financial officer of the GIC Re from October 2012.

Big leaps for Apollo Munich

It has been a big week for Apollo Munich, with two major announcements coming within days of each other.

The first announcement came when German reinsurer Munich Re said it would buy an additional 23.27% stake in Apollo Munich Health Insurance Co from its joint venture partner Apollo Hospitals Group India for Rs 164 crore. The deal increases Munich Re's holding in Apollo Munich to nearly 48.75%, with 51.1% held by Apollo Hospitals, and the rest by employees. The move is aimed at increasing the German firm's business in India. The company expects the deal to be completed by the second quarter of 2016.



The second big step was Apollo Munich's tying up with Axis Bank for offering bank customers customized insurance policies. Apollo Munich intends to design and offer customized health insurance products to Axis Bank customers, as per their requirements. Policy issuance and service will be driven by paperless online processes, ensuring minimum turnaround time. This is the fourth bancassurance tie-up that the company has entered into, along with partnerships with Canara Bank, Indian Overseas Bank and Citi Bank. Sales through banking channel are contributing over 10% to the topline.

Edelweiss Tokio receives IRDAI approval to raise foreign stake

Private life insurer Edelweiss Tokio Life Insurance has received approval from the Insurance Regulatory and Development Authority of India to increase Tokio Marine's stake to 49% in the joint venture. This will be a primary investment by Tokio Marine in the joint venture and will lead to a FDI of Rs 525 crore.

Edelweiss Tokio Life Insurance is a joint venture between Edelweiss Financial Services, one of India's leading diversified financial services companies and Tokio Marine Holdings Inc, a global leader with over 135 years of experience in the insurance business.



Tokio Marine currently owns 26% in Edelweiss Tokio Life Insurance, with Edelweiss owning the remainder. "The increased capitalization will reinforce our commitment to build a high quality customer oriented business. Our need-based selling approach, superior product design and infrastructure will be further strengthened to serve customers both in the physical and digital platform while significantly easing the distribution process," said Deepak Mittal, MD & CEO, Edelweiss Tokio Life Insurance.

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