Featured Articles

Rio 2016: Firms give a hand to Indian athletes

Twenty-year-old sprinter Dutee Chand, the first Indian woman to compete in the 100-metre event at Rio Olympics after almost 36 years, did not even have running shoes till last month. Diversified financial services company, Edelweiss Group, heard about Chand's distress, and its employees ran all across Mumbai just to find the right pair of shoes for her.

For instance, Edelweiss Tokio Life Insurance, the life insurance joint venture of the group, has tied up with the Indian Olympics Association (IOA), and is offering a life insurance cover of ₹1 crore for each of the athletes representing India.

The budget for sponsorship this year has increased by 30% to 40% said Shabnam Pajwani, marketing head, Edelweiss Group, the principal partner for the Rio Olympics.

Joining athletes who represent India at international level creates a positive image for brands in the mind of the consumer and increases brand affinity said Piyush Pandey, creative director for India and South Asia, Ogilvy & Mather. Later, if these athletes won fame at Olympics, the companies may use them for endorsements.

IRDAI issues guidelines for share acquisition in insurance cos

IRDAI has come out with guidelines for acquisition of shares in listed insurance companies under which the acquirer will be required to adhere to the fit and proper criteria and seek regulators nod for owning voting rights beyond 5%.

Every person who intends to make any transfer or any arrangement or agreement to transfer 1 % or more but less than 5 % of the paid up equity share capital of the concerned insurer, may do so, subject to compliance of Fit and Proper criteria, IRDAI (Listed Indian Insurance Companies) Guidelines, 2016, said.

The self-certification of the Fit and Proper criteria of the acquirer and filing with the concerned insurer shall be considered as deemed approval of the Authority. For acquisition of 5% or more prior approval of the Insurance Regulatory and Development Authority of India would be needed, it said.

As of now, no insurance company is listed, but ICICI Prudential Life plans to hit the capital markets with its initial public offer during the current fiscal. IRDAI further said it may undertake due diligence on the applicant to assess his 'fit and proper' status.

Come October, you won't be able to buy most insurance policies without an e-account

The insurance industry is all set to witness a digital revolution soon. Come October 1, 2016, insurance policies will be issued in electronic form. It is similar to buying shares online, after which they are stored in demat form. Most policies, including all motor insurance and overseas travel insurance policies, will only be purchasable in demat form. Therefore, you will need an e-Insurance Account (eIA) to buy or renew most policies from October 2016.

As of now, insurance repositories are in place for existing physical policy documents to be converted into demat form, but October onwards issuance of policies will also be in demat form. The Insurance Regulatory and Development Authority of India (Issuance of e-Insurance Policies) Regulations, 2016 lays down the guidelines for the working of digital insurance policies.

The benefits of e-insurance to a policyholder could be similar to what demat accounts brought to investments in securities, including stocks, bonds. From filling up the application form to making payments online to the issuance of the payments online to the issuance of the policy document, the entire process could soon be paperless.

Supreme Court modifies order, asks LIC to pay 50% of back wages to Grade III, IV, Part time workers

The Supreme Court modified its earlier order on Tuesday of giving full back w ages to temporary LIC employees of grade III and IV, who were asked to be regularized and directed the insurance company to pay 50% of the back wages with consequential benefits considering the "immense financial burden".

A bench of Justices V Gopala Gowda and C Nagappan asked Life Insurance Corporation (LIC) which has filed a review plea on the issue of compliance with the direction, to reply within eight weeks as the workers concerned have been litigating for the past 25 years in various forums.

Keeping in mind the immense financial burden this would cause to LIC, we deem it fit to modify the relief only with regard to the back wages payable and, therefore, we award 50% of the back wages with consequential benefits. The back wages must be calculated on the basis of the gross salary of the workmen, applicable as on the date as per the periodical revisions of pay scale, the bench said while disposing of the review petition filed by the insurance company. The workers in the branches of LIC at various places in the country have sought their absorption as regular and permanent service employees in their respective posts of the corporation.

Quick News

Govt vehicles to be insured under the New Motor Vehicle Bill

The New Motor Vehicle Bill, passed by the Cabinet recently, proposes to make it mandatory for government owned vehicles to buy third party insurance. This could prove to be a game changer of sorts for state governments. There are very few states like Gujarat and Maharashtra, which have a dedicated insurance fund covering road accidents caused by government buses. Others like Tamil Nadu, despite having more than 20,000 government buses plying on its roads and an average of 750-800 accidents a year, do not have any form of insurance.

Aditya Birla health insurance biz gets IRDAI nod

Aditya Birla Financial Services Group (ABFSG) today said its health insurance arm has received the final regulatory approval from sector watchdog IRDAI and it is likely to begin operations in the last quarter of 2016.Aditya Birla Health Insurance Ltd is a joint venture between the Aditya Birla Group and South Africa-based financial services group MMI Holdings (MMI).Mayank Bathwal, who has been with the Aditya Birla Group for over two decades, has been appointed the chief executive of the health insurance firm said a statement

For first time, private general insurer breaks into top 4

Private sector non-life insurer ICICI Lombard has overtaken state-owned Oriental Insurance to become the fourth-largest in terms of gross written premium. This is the first time after the industry opened up in 2000 that a private insurer has surpassed a PSU counterpart. ICICI Lombard quarter-ended June 2016 with gross premium of Rs 2,880 cr. - an increase of 41% over the previous year and a market share of 11%. This has given the private insurer a lead over Oriental Insurance, which recorded premium income of Rs 2,508 crore after a 15% growth with a 9% market share.

HDFC Life, Max Life seal merger to become India's largest private insurance company

Sar utha ke jiyo!

The boards of HDFC Life Insurance Co. Ltd and Max Life Insurance Co. Ltd signed off on their merger, which will create India's largest private-sector insurer. It may also set in motion the process of long-awaited consolidation in the insurance sector.

With Rs.1.1 trillion of assets, the merged entity will overtake ICICI Prudential Life Insurance Co. Ltd as India's No. 1 non-government insurer, although it will be dwarfed by state-owned Life Insurance Corporation of India (LIC), which hadRs.21.70 trillion of assets at the end of March 2016.

Under the three-step merger process, Max Life will first combine with its parent Max Financial Services Ltd. In the next stage, the insurance unit will be demerged from this entity into HDFC Life. Finally, the non-insurance businesses of Max Financial will merge into group company Max India Ltd.

The boards of all four firms approved the terms, the companies said in a joint statement. The deal envisages shareholders of Max Life getting one share of Max Financial for every 4.98 shares of Max Life. In the second step, shareholders of Max Financial (after the amalgamation with Max Life) will get 2.33 shares of HDFC Life for each share they hold, said the statement.

If all the Max entities are considered as one set and HDFC Life as another set, then effectively, "every share of HDFC Life costs around 2.25 shares of the merged Max Life and Max Financial entity", said Amitabh Chaudhry, managing director and chief executive of HDFC Life. The swap ratio is just fine and in line with expectations, said Santosh Singh, BFSI and head of research, Haitong Securities India Pvt. Ltd.

GST to make insurance costlier by 300 bps

Your insurance policies- life, health and motor will begin to cost more from April 2017 as you would end up paying up to 300 basis points more in taxes. This could pinch the middle class more as they continued to depend more on insurance for savings than other investments like stock markets. Indeed, the pure protection may cost more than the unit-linked insurance plans.

There are two parts of insurance and service tax is levied on the protection part and not the investment part. Term plans will be the most hit which will become costlier by 300 basis points. A basis point is one-hundredth of a percentage point. Service tax of 15% is levied on term plans, which are pure protection. This will go up to 18% in the new regime.

At present, service tax of 3.5% is levied on protection part of endowment and unit-linked life insurance policy in the first year and 1.75% from second year onwards. This would go up to 4.5% in the first year and 2.25% from second year onwards.

Insurance premium rates will go up by 50-300 basis points when GST is passed, said Naresh Makhijani head of financial services KPMG. There is greater challenge in complying with the GST laws, deciding on where to pay tax. If the proposal is accepted in one state but the policy is issued from another, where does one pay premium?

The industry believes that higher tax rate will have a negative impact on the insurance industry. Life insurance penetration has shown negative growth over the last few years. It has dropped from 4.6% in 2009 to 2.6% in 2016. Also, you will have to pay 300 basis points more for motor, health and other general insurance products. Service tax of 15% is levied on general insurance products. This will go up to 18%. Apart from policies becoming costlier by 300 basis points, processes will become cumbersome and we will have to see if we need to register in each state, said Ritesh Kumar managing director and CEO HDFC Ergo.

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CONTACT DETAILS

Corporate Office: Plot no 122, Sector 6, IMT Manesar, Gurgaon – 122050, Haryana, India
Phone: 0124 – 4745000
Email: research@insuringindia.com