Featured Articles

LIC agents want withdrawal of service tax levied on insurance premium

In protest against levy of service tax on insurance premium with effect from January 1, 2014, LIC agents from Tamil Nadu, Kerala and Puducherry gathered at Chennai on Friday. The rally led by Southern Zone President of Life Insurance Agents' Federation of India (LIAFI) Mr. V. Ganeshan sought immediate withdrawal of the introduction of service tax of 3.09 % on insurance premium.

"At a time, when we are asking the management to extend more benefits to the policyholders and introduce user-friendly policies, the introduction of service tax of 3.09 % on traditional products is unnecessary. It will pinch their pockets as it is an extra burden. This will force most of them to discontinue the policies. There are over 11.4 lac LIC agents in the country and equal number of agents in the private sector. LIC has 30 crore policyholders and they should not be exploited in the name of new taxes", said LIAFI president Mr. H.M. Jain at the Golden Jubilee celebrations of southern zonal council meet.

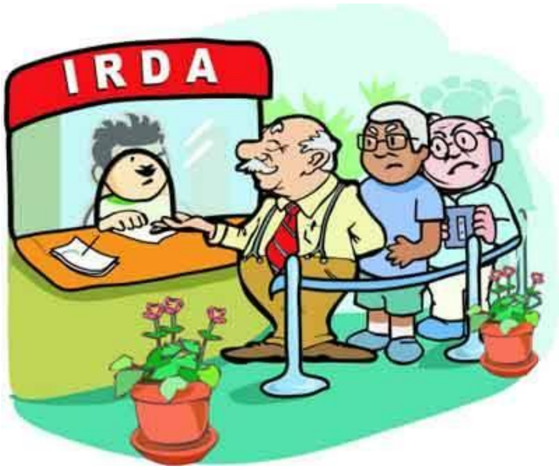
The service tax would affect LIC's business as more than 20 crore policy holders are from lower and middle income groups, said Mr. Ganeshan adding, "In the coming days, it might delay settlement of death claims or maturity claims and even affect LIC reserves too."

Banks may set up a committee of experts to analyse insurance broking model

Following the FinMin's circular mandating PSU banks to become insurance brokers, public and private sector banks are chewing over to set up a committee of experts to look into the possibility to become insurance brokers. Representatives of banks had met finance ministry and Insurance Regulatory and Development Authority officials to discuss the matter.

As per the circular sent last month, banks were supposed to adopt the broking model by January 15, 2014. "You are requested to implement the spirit of the budget announcement within the framework of guidelines by IRDA and RBI in this regard under intimation to this department (department of financial services) by January 15, 2014", said the circular.

Mr. K R Kamath, CMD, Punjab National Bank and chief of Indian Banks' Association said, "The priority is to see what is good for the customer. Banks should give options to customers. While each model has pros and cons, one particular model may not be the right way. There are contractual obligations of different banks that have joint ventures with insurance companies. We hope to come up with an acceptable solution, keeping the customer at the centre."



"Banks would set up the group with representations from banks, insurance companies, IRDA and Reserve Bank of India to come out with an acceptable solution", Mr. Kamath added.

Though some public sector banks have their licences as corporate agents coming in for renewal in February, they might renew the licence for now and wait for the final guidelines to come, he said.

Mr. T S Vijayan, Chairman, IRDA said, "We will not discriminate between public sector banks and private banks. They have to decide how to go about this process."

Insurers consider suicides as natural deaths

In order to smooth processing of claim settlements, life insurance companies in India consider suicides at par with natural deaths and not as accidental deaths.

As per senior officials from the industry, for a smooth claim settlement it has to be proved that the life insured has committed suicide. It is because there is a conception that most suicides are not pre-meditated.

Although, during the settlement of claims where the insured dies because of suicide, the insurers look at how old the policy is. Because in suicidal case, the insurers have a waiting period of one year; and only after the period they settle claims. It means if an insured commits suicide within one year of buying a life insurance policy, and it is proved that the insured had indeed committed suicide, the nominee in the insurance policy will not be able to get any amount from the insurer.

Further, the officials said that some life insurance products come with double accident claim benefits. In case of a suicide, the nominee in the policy cannot claim the extra sum assured for accidental deaths. In cases where the death is not due to natural causes and also it is not proven to be suicide, it is accepted as an unnatural death and extra claims for accidental deaths usually paid.

IRDA brings out simplified, standard products for rural area

With a view to raise insurance penetration in rural area the Insurance Regulatory and Development Authority (IRDA) on Thursday rolled out simplified, standard products tailored to be sold by life insurance companies through about one lac Common Services Centers (CSCs). Two types of products – a term plan and a saving plan will be sold through this distribution network. These low ticket size cost effective products are especially designed to suit the target population.

As per the IRDA notification, the products sold through this distribution model shall be prefixed with the word 'CSC', so that these products can be easily distinguished. "Every insurer shall file the products under the current file and use procedure for distribution under this channel," the circular said.

CSC distribution model is not mandated by the regulator, it's totally on voluntary basis. Besides the commission to be paid to CSC to procure the new business, there would be service charges for post sale services of the policy. The maximum commission under these policies would be 5% of the premiums paid in the first year. And, from second year onwards, there shall be no commission. The service charges would be fixed for every activity undertaken by the CSC.

For term insurance plan, the maximum sum insured would be rupees two lac. And for saving plans, the maximum premium would be Rs. 20,000, and the policy period would be between 5 to 15 years.

Reliance Life launches 'Super Money Back', a traditional plan

Private sector insurer Reliance Life Insurance, an arm of Anil Ambani-led Reliance Group's financial services firm Reliance Capital Limited has recently announced the launch of its new traditional non-participating product-Super Money Back.

This plan provides guaranteed money back benefits to policyholders after a block of every five years throughout the policy period in addition to an increasing monthly income that starts after the premium payment term.

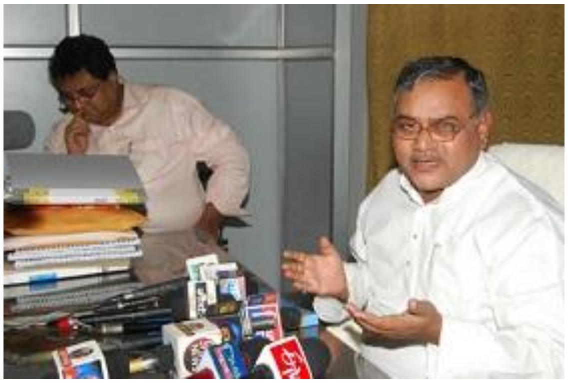
Reliance Super Money Back policy also provides life insurance cover for the entire policy term by paying premiums for just half of the opted policy tenure.

Customers in the age group of 18 to 55 years can buy this product. The minimum sum assured under the policy is Rs. 1,00,000; and the policy term can be opted from 10, 20, 30, 40 or 50 years.

Bihar moots insurance scheme for panchayat representatives

The Bihar state government is planning to bring out an insurance cover scheme for the panchayat representatives of the state. This was stated by the Panchayati Raj and Rural Works Department Minister Mr. Bhim Singh on Wednesday.

The state government, so far, has spent over Rs 10,000 cr for strengthening the panchayati raj institutions in the state, the



minister claimed. The state government will recruit about 10,000 assistants-cum-accountants, equipped with laptops, to be deputed in the villages across the state, he added.

When asked about the insufficient number of panchayat secretaries in the state, Mr. Singh said the department was in constant touch with the State Staff Selection Commission (SSSC) for large scale recruitment against the vacancies.

To ensure the development work do not hamper, the government has decided to recruit one junior engineer for every panchayat, one assistant engineer for every five blocks and one executive engineer at the district headquarters.

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