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The Monthly Insurance Newsletter

Union Budget – Insurance Sector

The Union Budget was announced on 1st of February by the Finance Minister and we look at various points addressed related to the insurance sector

Under Pradhan Mantri Fasal Bima Yojana (PMFBY) launched in 2016, the coverage under this scheme will be increased from 30% of cropped area in 2016-17 to 40% in 2017-18. The government has envisaged a target of 50% of cropped area by 2018-19.



The Budget provision was Rs 5,500 crores for PMFBY in 2016-17 and for 2017-18, the government has provided a sum of Rs 9,000 Crores. The sum insured under this Yojana has more than doubled from Rs 69,000 crores in Kharif 2015 to Rs 1,41,625 crores in Kharif 2016.

Tax relief to citizens earning up to 5 lacs and lowering of tax for higher income slabs will lead to off take of Life Insurance products due to more disposable income and reduction in tax burden through insurance products.

The Budget has attempted to hasten the implementation of the Digital India initiative. As people in rural areas become more tech savvy, they will use digital channels improve Insurance penetration in the country

Some interesting facts about Union Budget

Morarji Desai has presented the maximum number of budgets (10) as finance minister.

Yashwant Sinha presented the budget for 1999-2000 in the afternoon. Earlier, the budget used to be presented at five in the evening on the British pattern.

KC Neogy was finance minister for just 35 days. He was the only finance minister to not present a budget

Recent Updates & Developments

The Indian government plans to raise INR11,000 crore (US\$1.636 billion) from the sale of stakes in state-owned general insurance companies to meet its overall disinvestment target of INR72,500 crore in the next fiscal year starting on 1 April.

Non-life insurance companies, through their industry body General Insurance Council, has requested the government to raise the premium for the state-backed accident insurance scheme Pradhan Mantri Suraksha Bima Yojana (PMSBY) because they are facing huge underwriting losses from it.

PMBSY, launched by the government in May 2015, provides a death or full disability benefit of up to INR200,000 (US\$2,985) and partial disability benefit of up to INR100,000 at an annual premium of INR12. Insurers saw a claim ratio of 250% under the scheme in the first year

The general insurance sector in India has for the first time crossed the INR1 lakh crore (US\$14.9 billion) mark in gross direct premium. For the first 10 months (April 2016-January 2017) of the current fiscal year, the industry wrote a gross premium of INR103,654.2 crore. This marks a growth of 31.68% over the same period in the last fiscal year. During the first 10 months of FY2015-16, the industry had written a premium income of INR78,7171.12 crore

E-insurance accounts are yet to take off in India with only 900,000, out of 98.75 million people who have bought insurance, holding such accounts. E-insurance accounts were introduced three years ago. They dispense with hard copies of insurance policies. In events like floods or tsunami, where people lose all their belongings, including vital documentation to prove their identity – the digital account helps in them proving their identity and getting their claims settled. As of now, these accounts are not mandatory

Insurance Terms – What They Mean

Insurance Penetration [in-shoo r-uh ns, -shur-] [pen-i-trey-shuh n]:

It is measured as a percentage of premiums to country's Gross Domestic Product (GDP). India's insurance penetration was 3.4 percent in FY 16 and 3.3 percent in FY 15. The Global Insurance penetration was 6.2 percent in FY 14.

Insurance Density [in-shoo r-uh ns, -shur-] [den-si-tee]:

It is measured as per capita premium or premium per person. This is measured in US Dollar (\$) or domestic currency.

File & Use:

Under this system, insurance companies wishing to introduce a new product shall file an application to the Insurance Regulator (IRDAI in India) and use the product for sale in the market.

Use & File:

Under this regime, an insurer doesn't have to file a product with Irda; they have to adhere to the standardised norms and later send information on the product to the regulator's office

Protection Gap [pruh-tek-shuh n] [gap]

It is the gap between economic losses and insured losses

Rescission [ri-sizh-uh n]

The termination of an insurance contract by the insurer when material misrepresentation has occurred

Fundamental Risk [fuhn-duh-men-tl] [risk]

Type of risk that affects a large number of people. Fundamental risks may or may not be insurable. Example: Earthquake, Floods, War, Inflation

Particular Risk [per-tik-yuh-ler, puh-tik-]

Type of risk that affects an individual only. These are usually insurable. Example: Fire, Robbery, Theft

Exgratia Payment [eks grey-shee-uh] [pey-muh nt]

In latin, it means "out of goodwill". A payment made to settle an insurance claim but without admitting liability

Test your Cricket Knowledge with these terms

Cow Corner

An unconventional fielding position, more commonly found in the lower reaches of the game, on the midwicket/long-on boundary. The term is thought to have originated at Dulwich College where there was the corner of a field containing livestock on that edge of the playing area

Arm Bowl: A ball bowled by a slow bowler which has no spin on it and so does not turn as expected but which stays on a straight line ("goes on with the arm")

Beamer: a ball that does not bounce (usually accidently) and passes the batsman at or about head height

Belter: A pitch which offers little help to bowlers and so heavily favours batsmen

Chinaman: A ball bowled by a left-arm slow bowler that turns into the right-hand batsman, in effect a left-arm leg spinner

Mankad

Mankad is when the bowler brings his arm round and, instead of releasing the ball, runs out the non-striker by whipping off the bails; named after Vinoo Mankad

Military Medium: A slightly derogative term for a bowler who has no real pace

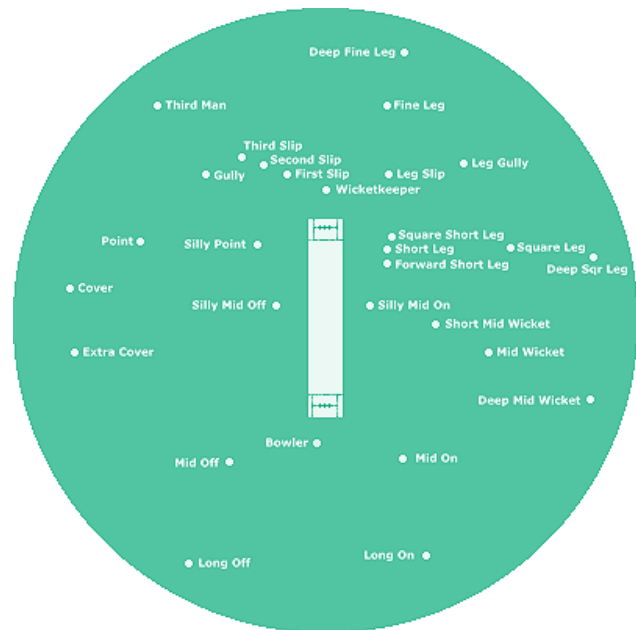
Return Crease: Parallel white lines pointing down the pitch, either side of the stumps. A bowler's back foot must land inside this area or else a no-ball will be called

Teapot: Used for bowlers and involves having both hands on hips at the same time, usually in reaction to a dropped catch, edged boundary or general misfield

Supersub: A short-lived experiment in 2005 by the ICC. It allowed teams to replace on player during a game, but the reality was it heavily favoured the side batting first and was quickly dropped

Zooter

A spin bowling variation, first devised by Shane Warne. This is a delivery that snakes out of the hand with little or no spin imparted, and so deceives through its very ordinariness



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