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The Monthly Insurance Newsletter

Recent Updates & Developments

GIC Re, India's national reinsurer, has achieved an impressive growth of 82.2% during the fiscal year ended 31 March 2017 (FYE17). During 2016-17, the Corporation wrote a gross global premium of INR 33,585 crore (US\$5.2 billion) registering a growth of 82.2 % over the previous year. The gross premium income of the Corporation during 2015-16 was INR18,436 crore. The premium split between the domestic and the overseas business of the Corporation during FY17 was 69% and 31% respectively. For the first time GIC Re has achieved a sub-100 combined ratio during the year. GIC Re registered a combined ratio of 99.7% in FYE17 as compared to 107.4% in the previous year.

The Union Cabinet on Wednesday cleared a proposal to introduce a Bill in Parliament for setting up the Resolution Corporation to deal with bankruptcy in banks, insurance companies and financial entities. The Financial Resolution and Deposit Insurance Bill, 2017, which aims to instil discipline in financial service providers in the event of a financial crisis by limiting use of public money to bail out distressed entities

The Insurance Regulatory and Development Authority of India (Irdai) has asked all the insurance companies (general, life, health) to comply with its previous order on how to deal with delayed intimation of claims and delayed submission of documents by the claimants. The order dated 29th September, 2011, had said that the insurers should develop a sound mechanism to deal with such claims where the claimant submits the prescribed documents for claim settlement after the specified time period for submitting documents has lapsed.

On the lines of credit bureau, the Insurance Information Bureau (IIB) of India has decided to prepare a central database of the insurance intermediaries to help individual companies to have some background check on entities before engaging them.

New tax regime has been adopted with Goods and Services Tax (GST) coming into effect from the first of July 2017

GST Impact - Insurance



With a hike in GST rates to 18% from the earlier 15%, insurance sector products and services have become a little expensive now. GST has been dubbed as the single largest tax reform in India after Independence in 1947.

For all life insurance plans, all these rates will be replaced by 18%, which will result in increase in premiums.

The value of supply of services in relation to life insurance business shall be:

The gross premium minus the amount allocated for investment, or savings on behalf of the policyholder, if such amount is informed to the policyholder.

For example,

Particulars	Under Service Tax	Under GST
Gross Premium	1000	1000
Investment Portion	600	600
Life Insurance portion	400	400
Service tax @ 15% on 400	60	—
GST @18% on 400	—	72

If the entire premium is for life insurance, GST @18% will apply on the entire premium

For insurers, the increase in taxes will be passed on to the consumers. The insurers expect higher compliance and administrative costs due to the increased number of GST returns and also effect of taxability of inter-branch services.

The GST rate will also be 18% on general insurance.

Corporate policyholders, who have taken general insurance, can enjoy input tax credit on the GST paid on their policies (it was available to them even under service tax).

Life and health insurers will not have input tax credit as it is not available for life and health insurances (as they are for personal purposes). Even corporate policyholders with group life and health insurance for their employees will not enjoy any input tax credit.

Life insurance provided by Government schemes are exempted from GST including micro-insurance product (upto a cover of INR 50,000)

GST rates : Now and Then : New rates under GST for insurance policies			
Insurance product	Now	GST	Applicability
Term insurance premium	15	18	On entire premium
ULIP (on charges)	15	18	On premium minus investment amount
Health insurance premium	15	18	On entire premium
Rider Premium	15	18	On entire premium
Annuity: Single Premium	1.5	1.8*	On 10% of premium
Endowment: 1st Year premium	3.75	4.50*	On 25% of premium
Endowment: Renewal premium	1.875	2.25*	On 12.5% of premium
Car insurance	15	18	On entire premium
Health insurance premium	15	18	On entire premium

Service tax includes Krishi Kalyan Cess (KKC) and Swacch Bharat Cess (SBC) * Effective rate

Insurance Awareness Day

IRDA came into existence on 19th April, 2000 with the mission to protect the interests of holders of the insurance policies, to regulate, promote and ensure orderly growth of the insurance industry. Insurance awareness plays a key role in ensuring policyholders' protection and also in development of insurance sector. Lack of insurance awareness has proved to be one of the hurdles in penetration of insurance across the country. Therefore, in an attempt to enhance insurance awareness across the nation, IRDA celebrated its formation day as Insurance Awareness Day on 19th April involving all stakeholders of the insurance sector.

Insurance Awareness Day reminds us that taking the time to talk to an insurance agent and get a policy on your life, car, or home can save our families at the worst times

In many other countries, Insurance Awareness day is celebrated on 28th of June and the best way to celebrate this day is to discuss on all possible insurances that can protect you and your dear ones in the future. We request you all to take time and assess your protection programs in detail and review on periodic basis.

Your feedback matters a lot so please do write: feedback@zoominsurancebrokers.com

The information contained herein is based on sources we believe are reliable and genuine and should be understood to be general risk management and insurance information only