07.09.2019

Dear Sir / Madam,

**Reg : Link-K Monthly Bulletin – August 2019**

IRDAI had mandated that in case of policyholders who wish to stake total loss claim in vehicle insurance will now have to obtain a certificate of cancellation of registration.

Government is actively pursuing, merger of 3 public sector general insurance companies. This will help to consolidate business as well as stem losses and restrict internal competition which is hampering growth of business. However, this will be a complex task as all companies have different sets of products and different exposures which need to be aligned.

 Please note that due to server failure and system maintenance work in United India Insurance Co. Ltd from second week of August 2019 their routine operations are affected across the country. We have received lot of calls for non-receipt of policies, renewal notices, endorsements, refunds and claim processing / settlement etc.

We are managing this situation by working out the renewal premiums from our records and continuously following with UIIC for getting the pending matters resolved. There may be a difference in premium due to No Claim Bonus in Motor policies, Age difference in Mediclaim / PA policies etc.

Hence we request you to kindly bear with us for this unforeseen situation and regret the inconvenience caused in this regard. We also request you to check your systems for the renewal time of the policies etc, in case we may also miss out some of the renewals due to this additional work load, so that continuity of the policy is maintained as a measure of extra caution. Please also notify to us any missing of renewal notice / policies etc. immediately for our prompt action.

Happy reading

Thanking you and assuring of our best and prompt services always.

Yours faithfully

For L**ink-K Insurance Broker Co. (Pvt.) Ltd**

**V.P. Mohankumar**

**Principal Officer and Managing Director**

**LINK-K BULLETIN – AUGUST 2019**

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**LIFE**

**LIC records 6% growth in premium, policy payout up by 27%:**

LIC had recorded a 6.08% growth in its total premium income at Rs. 3,37,185.40 crore in 2018-19 against Rs. 3,17,850.99 crore in 2017-18. The financial result for 2018-19 if the company’s suggests that its first year premium increased by 5.68% to Rs. 14,21,91.69 crore.

**LIC secures 2nd place among top 10 Indian corporate brands:**

An independent brand valuation consultancy, Brand Finance, took 5,000 companies from India and ranked then in accordance to their brand value. And to no one’s surprise, the LIC has secured its place in the second position after Tata Group as the most valued brand in India at $ 7.3 billion. The company increased its value by 22.8% to jump from fourth position last year.

**LIC to put Rs. 30,000 crores in NHAI:**

For a funding of Rs. 30,000 crore in the current financial year, the national highways authority is tapping LIC. In response to that, LIC has given in-principle nod in order subscribe to the bonds issued by National Highways Authority of India (NHAI), as informed by an official.

We need long-term funds (for NHAI), and this funding arrangement will be for a span of 30 years, said the official. He added, the advantage of insurance funds is that these are long – term. The official also added that LIC is a sensible choice given the gestation period of road projects is also long. Modalities for the arrangement are being worked out. We will see how we can negotiate the coupon rates, the official said.

**NON-LIFE INSURANCE**

**100% FDI in Insurance intermediaries:**

The government has proposed a 100% foreign direct investment (FDI) in the insurance intermediaries, i.e. broking firms from the present level of 49% in the Budget. Meanwhile, the government has also decided to separate the National Pension System (NPS) from pension regulator- Pension Fund Regulatory and Development Authority (PFRDS) to resolve the issues over conflict of interest.

While declaring the FDI hike in the Budget, Finance Minister said that the government was also looking into possibilities of increasing the FDI limit in the insurance companies from the current level of 49%. On the other hand, insurance sources said the FDI cap is likely to be increased to 74% soon.

Sumit Rai, MD & CEO, Edelweiss Tokio Life Insurance, said, the proposed 100% FDI in insurance intermediaries will have a positive impact on customer, intermediaries and the sector. He added, “Insurance distribution is an upfront capital intensive business with a long gestation period, and given low insurance penetration in India, there is a significant need to strengthen existent distribution networks. The proposed 100 per cent FDI, coupled with a strong India growth story, will enable intermediaries to expand faster in non-urban markets, deepening insurance penetration in the country.

Adopting cautious approach, Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance said, “When it comes to opening up on 100 per cent FDI in intermediation insurance, we will have to wait and watch on how this develops further.

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**Digit insurance to offer health insurance soon:**

Digit insurance is likely to enter into the health insurance segment soon. The company is currently dealing in international travel insurance, motor insurance, home insurance and mobile insurance, will sell medical policies as well. Vivek Chaturvedi, head of marketing and direct (online) sales, Digit Insurance stated that they will launch their health insurance product in the next few days.

**High value claims form a third of total national health insurance payouts**

The government funded national health insurance scheme for the poor, Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PMJAY), is expected to see a payout of INR23bn ($323m) this year for high value claims of over INR30,000 each.

These high value claims are likely to account in aggregate for 32% or almost one third of total payouts under PMJAY, says the National Health Authority (NHA) which administers the scheme.

The PMJAY was launched on 23 September 2018, and to date, about 36,000 households have lodged very high value claims exceeding INR100,000 each, reported *Times of India*. Among these households, 354 have already exhausted the INR500,000 annual coverage limit by May 2019, data analysis by the NHA shows.

The PMJAY is entirely funded by the government, with funding shared between the central and state governments. The aim is to reduce the financial burden on poor and vulnerable groups arising out of catastrophic hospitalisation expenses and ensure their access to quality health services. The scheme, which covers 107.4m households provides coverage of up to INR500,000 per family per year.

So far, over 93m beneficiary e-cards have been issued and over 3.77m hospital admissions recorded under PMJAY.

The mean claim size is around INR13,000, and half of all the pre-authorised claims are below INR7,000. 7% of claims are in the high value category (that is, over INR30,000 each) and just 1% in the very high category (over INR100,000 each) since the scheme was launched last year.

High-value claims are more prevalent among children under five years of age and adults aged above 50. Trends so far reflect that high value claims are tilted towards male beneficiaries, cardiology services and cardiac surgery packages, private hospitals and brownfield states where similar schemes were running but with a lower coverage limit ranging between INR50,000 to INR300,000.

The NHA is working to tighten scrutiny and checking fraud, but statistics suggest most claims are in low and medium categories, in keeping with the more usual needs of beneficiaries.

**KNOW AN INSURANCE PRODUCT**

**5 creative ways to use life insurance**

Insurance. One of the more boring products out there but also one of the most essential, especially in a privately-held business — even more importantly, in a business that is growing.

Here are five creative ways life insurance impacts a growing, closely-held enterprise.

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**1. Key man insurance**

This is the one use for life insurance that most business owners know and apply. Its application is pretty self-evident. While you can replace anyone, some members of the team are more critical than others.

The owner is a key person. Employees with proprietary knowledge are key. Employees with unique and difficult-to-find skill sets are key. Employees with important relationships with clients are key.

The point of insuring a key person is to protect the business in the event that person leaves, becomes incapacitated or dies. While the loss of a key person can be mitigated over time, in the short term, the loss of a key person is acutely felt. In some instances, devastatingly so.

Hence, buy life insurance for key people. It’s smart, short-term money spent to avoid acute, business threatening losses that inevitably happen.

**2. Buy-sell or cross-purchase agreement insurance**

This is another well-known use for insurance. It is for owners of the business, and it protects each owner and the business in the unfortunate event that one of the owners passes away prematurely.

In essence, each owner buys a policy on each of his or her partners. Easy with two owners — two owners, two policies. More complicated with five owners — five owners, 20 policies; each owner having a policy on four co-owners (5 x 4 = 20).

However, this insurance is important. The cross-purchase part of the agreement obligates an owner’s heirs to sell the deceased owner’s stake in the company back to the business. The policy proceeds pay the heirs for their shares of the company. The company continues operations without bringing on a next-generation of new owners, possibly disrupting the business in unforeseen and dramatic ways.

**3. Stock-redemption plans**

When there are a lot of shareholders in a closely-held company, or even an employee stock option plan (ESOP), a stock-redemption plan makes sense. This plan is similar in concept to the cross-purchase agreement, only with more shareholders in play.

The company is the owner of individual policies on each shareholder. Each shareholder agrees to sell his or her stake in the company back to the company in the event of their death. The company uses the proceeds of the policy to pay the deceased owner’s heirs.

A stock-redemption plan is easier to manage than a cross-purchase agreement. As described earlier, with five owners there are 20 policies to buy in a cross-purchase agreement. In a stock redemption plan, there are only five policies to buy; one policy on each owner.

**4. Employee attraction and retention**

A life insurance policy with vesting is a good incentive tool for employees. The policy is for the employee, and owned by the employee. The cash value of the policy grows tax-deferred.

The employee can take out loans against the cash value of the policy. The employee can withdraw cash from the policy if and when needed. The employee sets the death benefit of the policy. The employee

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controls the investment strategy for the policy. The employee determines the contribution level to the policy on a pre-tax basis.

This type of deferred compensation program is a strong incentive when looking to hire a key employee and/or retain a key employee. This kind of policy can be an integral part of a person’s retirement package, and offers powerful security to an employee’s family.

**5. Group life insurance**

A group life insurance program uses insurance as an employee benefit for attracting and retaining employees. However, the flexibility and strength of group policy is not as strong as an individual policy for a key employee.

With a group program, the policies are usually for five-year renewable terms. The benefits are usually tied to one year’s salary for an employee. However, employees can contribute on their own to a policy in order to increase death benefits.

The attraction of this kind of policy is two-fold. One, the rank and file employees all get life insurance. This is often not something that most people would buy on their own. Two, if someone might not qualify for life insurance on their own, with a group program they would automatically qualify. That’s a strong incentive for someone with poor health now, or a poor health history.

The bottom line? The next time you sit down with your CFO, head of HR and insurance advisers, realize that with some creative thinking life insurance can be an important part of your financial and workforce strategies.

Yes, insurance is boring in many ways. But, it can also be that one differentiator that sustains a business in a bad time, attracts that one key employee you want to hire, and can contribute to your business being a best place to work.

**GENERAL**

**Oil shipment insurance cost increases after Middle East tanker attacks:**

The rapid increase of insuring cost of West Asian oil shipments after Middle East Tanker attacks has become a major concern on a region responsible for about a third of all seaborne petroleum. According to the experts, war risk premiums for a standard oil cargo from the Persian Gulf and the tanker hauling it can now cost as much as $ 500,000. However, previously this year, the same premiums would cost owners less than a tenth of that.

The vulnerability of maritime traffic came into light when US President Donald Trump said other nations are required to provide more support to protect navigation from West Asia in the wake of six attacks on tankers since early May. The incidents prompted an advisor to insurers to determine the entire Persian Gulf as a riskier area for shipping and giving underwriters chance to impose bigger premiums. Sandy Fielden, an analyst said, “this will get passed on the customer”, He added, Refiners are paying more for crude and they will pass on the cost to customers if they can. If refiners choose not to pass that along, their margins would get squeezed.

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The insurance prices being lifted fall into two categories, one is for the vessels themselves, the other for their cargoes. While the cost of covering the tankers surged as soon as the most recent attacks happened, the surge in prices for the cargoes only happened over the past week.

In order to cover a cargo valuing $130 million, underwrites are now planning to charge anywhere from $250,000 to $325,0000, according to the experts. Despite the surge in insurance premiums, the extra cost is still a small part of a barrel of crude. Based on standard supertanker cargo, $ 500,000 would equate to 25 cents per barrel. Brent futures traded at about $64.40 in London.

**Reliance Gen Insurance’s digital campaign brings back childhood cricket memories:**

Reliance General Insurance has recently rolled out this digital marketing campaign # Covered Hai, which takes customers on a nostalgic experience with a video that integrates insurance expectations with unforgettable memories of childhood cricket situations.

The primary aim of the company is to connect with customer emotionally by conveying the message that unforeseen situations like losing the only ball, bad weather, or even parents ending a child’s game, etc. may not be covered, but the broken windshield of vehicle is.

**Term of the day: What’s the role of a third-party administrator or TPA:**

Third Party Administrations (TPA) are essentially companies that function as intermediaries between the insurers and the insured.

Health insurers generally outsource the process of accepting intimations, approving cashless claims and settlement and disbursement of claims to TPAs, who issue identity cards to policyholders which need to be submitted to the hospital from where the policyholder wants to make a cashless claim. TPAs have a bigger role to play at the time of filing claims you will first have to inform your TPA who will direct you to a hospital with which it has a tie-up. Once this is done, the hospital will get an authorization letter from the TPA following which all your bills will be sent to the TPA. The TPA forwards your bills and other documents to the insurer for your claim to be processed.

Note that if you choose to go to a hospital which does not have a tie-up with the TPA, you won’t be able to make a cashless claim but your expenses will get reimbursed by the insurer. However, you could still get the claim processed by the TPA.

**Banks and Insurers hold over Rs. 32,000 crores as unclaimed deposits:**

As per information presented by Government, more than Rs. 32,000 crore is lying as unclaimed deposits with banks and insurance companies.

Any account which has not been operated for 10 years is considered as unclaimed account and the amount deposited is considered as unclaimed deposit or amount. Finance Minister Nirmala Sitharaman mentioned in a written response that unclaimed amount with life insures as of September 30,2018 is Rs. 16,887.66 crore and non-life insurance companies hold Rs. 989.62 crore as unclaimed deposits.

In accordance with the provisions brought in by the Finance Act 2015, the Centre notified the Senior Citizens’ Welfare Fund (SCWF) Rules, 2018. It was amended during next two years and made applicable to insurers. Entities having unclaimed amounts for more than 10 years are required to transfer the amounts to the SCWF on or before March 1 every year. The SCWF is utilized for schemes promoting the welfare of senior citizens.

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**World’s largest health insurance cover:**

The NHPM (National Health Protection Mission), labelled the world’s largest health assurance cover, aims to provide health insurance to nearly 40% of the population i.e. more than 100 million poor and vulnerable families with the premium paid by the government. The finance ministry had initially announced an outlay of Rs. 2,000 crore. The Union health ministry announced an allocation of Rs. 10,000 crores to Modicare for next two years with NHPM, it is very likely that investment in midsize hospitals with more than 50 beds and more will increase. This may cut the costs of the health services considerably.

**4 chronic illnesses incur majority of medical insurance expenditure**

The treatment costs for four chronic and aging-related diseases account for over half of China's medical insurance expenditure, according to an official from the National Health Commission (NHC).

The four diseases are cardiac and cerebral vessel-related diseases, cancers, chronic respiratory disease and diabetes, said Zhang Yuhui of the NHC, according to a report by the Xinhua News Agency.

Curbing treatment costs of these four types of illnesses through value-based care is expected to save over CNY100bn ($14.2bn) for China every year.

China has released the Healthy China Action (2019-2030) plan, which includes measures for the prevention and control of these major chronic diseases.

**LEGAL**

**Delhi HC asks Air Chartered Services, United Insurance Co to pay compensation of Rs. 50 lakhs**

A single judge bench comprising Justice Suresh Kumar Kait direct Air Chartered Services Pvt Ltd and United India Insurance Company to pay a compensation amounting Rs. 50 lakhs in a common judgement for three write petitions

The issue arose when an air ambulance which flew from Patna to Delhi crashed in Faridabad due to bad weather leading to loss of eight lives. It was the fault of the Air Traffic Controller (ATC) who allowed the single engine aircraft to fly in bad weather conditions even if it went against the sub-rules 2.2 and 2.3 of Civil Aviation Rules under provisions of Rule 133A of the Aircraft Rules 1937.

The main contention of these petitions was regarding the compensation which according to the petitioners was to be paid by the Air Chartered Services and the United India Insurance Company as well. The United India Insurance Company, who was one of the respondent in this case along with Air Chartered Services, contended that the insurance company is not entitled to pay any compensation as there was no contract between the petitioners and the company. Thus they will not be entitled to the compensation of Rs. 50 lakhs, but only Rs. 7.5 lakhs, as per the Act of 1972.

The court held that the liability of the carrier shall be determined by First, second and third schedules of the Act and said that the payment made under the 1923 Act will have to be adjusted with the liability as determined under 1972 Act which says that a carrier by a special contract may agree to a higher limit than its liability.

The HC thus directed the Air Chartered Services to pay Rs. 7.5 lakhs as per its statutory liability under the 1972 Act and Rs. 42.5 lakh with interest to United India Insurance Company as compensation to the petitioners.

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**Misuse of Total Loss Accident Vehicle Documents over Stolen Vehicles:**

Ref No: IRDAI/NL/CIR/MOTOD/118/07/2019

1. It has come to the notice of Authority that in case of Total Loss (TL) of the vehicle, salvage of the vehicle is being sold to scrap dealers without cancelling Certificate of Registration (RC) of the vehicle.
2. It has been informed by the Law Enforcement Authorities that documents pertaining to such vehicles are being misused like giving new identity to the stolen vehicles by forging engine number and chassis number of destroyed vehicles under TL claims.
3. As per Section 55 of Motor Vehicle Act 1988

(a). If a motor vehicle has been destroyed or has been rendered permanently in capable of use, the owner shall, within fourteen days or as soon as may be, report the fact to the registering authority within whose jurisdiction he has the residence or place of business where the vehicle is normally kept, as the case may be, and shall forward to the authority the certificate of registration of the vehicle.

b. The registering authority shall, if it is the original registering authority, cancel the registration and the certificate of registration or, if it is not, shall forward the report and the certificate of registration to the original registering authority and that authority shall cancel the registration.

1. In view of the above, all insurers are advised to ensure cancellation of Certificate of Registration (RC) of the vehicle in case of total loss claim settlement.

**LIGHTER MOMENTS**

**Answers to Last issues puzzle :**

**Can you fill in the O’s.**

1. Voodoo 2. Sonorous

3. Offshoot 4. Octoroon

5. Protocol 6. Lookout

7. Monotonous 8. Storeroom

9. Oratorio 10. Corroborator

11. Sociology 12. Doubloon

13. Boohoo 14. Odorous

15. Rococo 16. Forenoon

17. Ooolono 18. Footloose

19. Rococo 20. Homologous

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**Vedic Shastras**

A young man in his mid-twenties knocks on the door of a renowned Guru. He says: “I’ve come to you because I wish to study Vedas.”

“Do you know Sanskrit?” the Guru asks.

 “No,” replies the young man.

“Have you studied any Indian philosophy?”

“No. But don’t worry. I just finished my doctoral dissertation at Harvard on logic. So now, I would just like to round up my education with a little study of the Vedas.”

“I doubt,” the Guru says, “that you are ready to study Vedas. It is the deepest knowledge ever known. If you wish, however, I am willing to examine you in logic, and if you pass that test I will teach you Vedas.”

The young man agrees.

Guru holds up two fingers. “Two men come down a chimney. One comes out with a clean face; the other comes out with a dirty face. Which one washes his face?”

The young man stares at the Guru. “Is that really a test in logic?”

The Guru nods.

”The one with the dirty face washes his face“- he answers confidently.

“Wrong. The one with the clean face washes his face. Examine the logic. The one with the dirty face looks at the one with the clean face and thinks his face is clean. The one with the clean face looks at the one with the dirty face and thinks his face is dirty. So, the one with the clean face washes his face.”

“Very clever,” the young man says. “Give me another test.”

The Guru again holds up two fingers. “Two men come down a chimney. One comes out with a clean face, the other comes out with a dirty face. Which one washes his face?”

“We have already established that. The one with the clean face washes his face.”

“Wrong. Each one washes his face. Examine the logic. The one with the dirty face looks at the one with the clean face and thinks his face is clean. The one with the clean face looks at the one with the dirty face and thinks his face is dirty. So, the one with the clean face washes his face. When the one with the dirty face sees the one with the clean face wash his face, he also washes his face. So, each one washes his face.”

“I didn’t think of that,” says the young man. It’s shocking to me that I could make an error in logic. Test me again.”

The Guru holds up two fingers. “Two men come down a chimney. One comes out with a clean face; the other comes out with a dirty face. Which one washes his face?”

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 “Each one washes his face.”

“Wrong. Neither one washes his face. Examine the logic. The one with the dirty face looks at the one with the clean face and thinks his face is clean. The one with the clean face looks at the one with the dirty face and thinks his face is dirty. But when the one with the clean face sees the one with the dirty face doesn’t wash his face, he also doesn’t wash his face. So, neither one washes his face.”

The young man is desperate. “I am qualified to study Vedas. Please give me one more test.”

He groans, though, when the Guru lifts two fingers. “Two men come down a chimney. One comes out with a clean face; the other comes out with a dirty face. Which one washes his face?”

“Neither one washes his face.”

“Wrong. Do you now see why logic is an insufficient basis for studying Vedas? Tell me, how is it possible for two men to come down the same chimney, and for one to come out with a clean face and the other with a dirty face? Don’t you see? The whole question is nonsense, foolishness, and if you spend your whole life trying to answer foolish questions, all your answers will be foolish, too.”

That's why having wisdom is more important than having logic.

Infinite love Infinite wisdom.

\*\*\*\*\*\*\*\*\*\*

**Think before you talk :**

Angry with someone ?

Think before you talk…

IF the person is junior to you…

Count upto 10 and then talk..

If the person is Equal to you..

Count upto 30 and then talk..

IF the person is your senior to you

Then count 50, then talk..

If the person is your wife..

Keep counting.. don’t talk?

If the persons is your husband

keep talking don’t count !

\*\*\*\*\*\*\*

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**LIES :**

Maximum \*Lies\* have been told in court with the holy book in hand

Maximum \*Truth\* have been told in bar with a glass of whisky in hand

Worlds biggest \*Lie men say\* no need to ask my wife. My decision is final

Worlds biggest \*Lie women say\* I will ask my husband and tell you

\*\*\*\*\*\*\*\*

**Why is a Ship called a She?**

A ship is called a “she” because there is always a great deal of bustle around her; there is usually a gang of men about, she has a waist and stays; it takes a lot of paint to keep her looking good; it is not the initial expense that breaks you, it is the upkeep; she can be all decked out; it takes an experienced man to handle her correctly; and without a man at the helm, she is absolutely uncontrollable. She shows her topsides, hides her bottom and when coming into port, always heads for the buoys.

\*\*\*\*\*\*

**Beautiful story for internal drive and fire**

A Lady was conducting her anti drinking campaign outside a bar. A man came out of the Bar exuding alcohol fumes.

The Lady said - "Tell me!!!  If you arrive at the Gates of Heaven with your breath smelling of liquor... Do you think the Lord will let you in ???"

"My good woman" passionately holding her hand, said the man, "When I go to Heaven I expect to leave my breath behind."

Moral.....

Drinkers are practical people.

Kindly Respect them!!