

SECTOR WATCH INSURANCE

With modified norms now in force, premium for health policies set to rise

GEORGE MATHEW
MUMBAI, OCTOBER 31

HEALTH INSURANCE premiums are likely to rise, in the wake of the recent changes in regulations under the health policies of insurance firms.

The Insurance Regulatory and Development Authority of India (IRDAI) had recently modified regulations for standardisation of certain wordings, conditions which cannot be excluded under health insurance policies and coverage for modern treatments. "It is possible that insurance premiums could increase due to these changes, especially due to coverage being made mandatory for certain conditions which were hitherto excluded under health insurance policies," said Subramanyam Brahmaajoyula, head—underwriting and reinsurance, SBI General Insurance. "It is too early to comment on the quantum of increase as insurance companies would have to monitor and assess the impact of these changes on their loss ratios before approaching the regulator for approval for increased premium rates. The quantum of increase may also vary from company to company," he added. However, insurance experts said premium can rise by 10-15 per cent in view of the changes.

Experts say the primary objective of these modifications is to promote uniformity, keeping the customer in focus. These changes will enable customers to take more informed decisions while purchasing their insurance cover, they say.

The modifications on guidelines, effective October 1, 2019, basically cover three areas: definition of pre-existing disease; optional covers and costs that are included in the definition of room charges, medical or surgical procedures; and treatment costs

"Optional covers and costs are basically clarificatory in nature and will help standardisation in health products across insurers. But these lists can't be fixed for all time to come and IRDAI may have to bring out need-based and knowledge-based changes from time to time," said KK Srinivasan, former member, IRDAI.

Regarding definition of pre-existing diseases, a simple reading gives an impression that as per the new definition, conditions or illnesses discovered within 3 months of issuance of policy will be treated as pre-existing. "It does hit the policyholders but can prevent frauds," Srinivasan added.

Insurers would have to incorporate all these modifications in their existing products

Experts say the primary objective of the modifications by IRDAI is to promote uniformity in policies, keeping the customer in focus

By October 1, 2020 and any new products filed post October 1, 2019 would have to be in conformity with the regulations. There could be some impact on pricing of health insurance products as a result of these changes, said an official.

During FY18, insurance firms collected Rs 37,029 crore as health insurance premium, registering a growth of 21.8 per cent over the previous fiscal. The share of group health insurance was the highest at 48 per cent, followed by individual business (41 per cent) and the government business (11 per cent). Five states — Maharashtra, Tamil Nadu, Karnataka, Delhi UT and Gujarat — contributed 68 per cent of total health insurance premium, according to IRDAI.

As per the IRDAI Annual Report 2017-18, the insurance sector has covered 48 crore lives under health insurance, of which 36 crore persons are covered under various government schemes. The industry has processed 1.6 crore health insurance claims during that year. The PMJAY scheme, launched in September 2018, had 18 lakh plus pre-authorisations approved amounting to over Rs 2,400 crore as on March 31, 2019.

In a circular issued to the CEOs of insurance companies recently, IRDAI allowed health insurers to effect a decrease in minimum and/or increase in maximum premiums and maximum entry age. Typically, the maximum age limit of health insurance policies filed is up to 65 years; but if the insurer feels that the age limit can be extended, then it can be increased beyond 65 years or as per maximum age filed.

IRDAI has allowed general and standalone health insurance firms to collect premium in various frequencies or instalments such as monthly, quarterly or half-yearly without filing with the regulator.

The regulator has also allowed additional distribution channels to be introduced for specific products on certification basis without waiting for the regulatory approval without changes to the terms and conditions.

There is a provision to change the premium by increasing or decreasing by 15 per cent, depending on the loss-ratio range.

US HAD FILED COMPLAINT STATING EXPORT SCHEMES WERE A 'DETRIMENT' TO AMERICANS

Withdraw prohibited subsidies: WTO panel to India

PRABHA RAGHAVAN
NEW DELHI, OCTOBER 31

IN A move expected to put Indian export subsidy programmes claimed to be worth over \$7 billion at risk, the World Trade Organization (WTO) dispute settlement panel has sided with the United States on a complaint that these subsidies were not compliant with the multilateral trade body's norms. At the same time, sources told *The Indian Express* that India will appeal the ruling, which may prevent the adoption and implementation of the panel's decision.

The dispute panel formed to look into US' complaints last year found that exemptions from customs duties and Integrated Goods and Services Tax and tax deductions provided under some sections or conditions of India's export-oriented schemes were "inconsistent" with provisions of WTO's Subsidies and Counter-

vailing Measures (SCM) Agreement.

This includes India's Export Oriented Units (EOU) scheme, Electronics Hardware Technology Parks (EHTP) and Bio-Technology Parks (BTP) schemes, Export Promotion Capital Goods (EPCG) scheme, Special Economic Zones (SEZ) scheme and the Duty-Free Imports for Exporters Scheme (DFIS). It also found the duty credit scrips awarded under the Merchandise Exports from India Scheme (MEIS) to be inconsistent with these provisions.

The panel — in its 113-page report released late Thursday — recommended that India "withdraw the prohibited subsidies" under these schemes within 90-180 days (depending on the scheme) from the adoption of its report.

At the same time, the panel rejected US' claims that the exemption from central excise duty on domestically procured goods under the EOU/EHTP/BTP schemes and the exemptions from customs

'INDIA WILL APPEAL AGAINST RULING'

■ A senior government official said that India will appeal the ruling by the WTO dispute settlement panel, which may prevent the adoption and implementation of the panel's decision

■ As per experts, the WTO appellate body is likely to be dysfunctional by December, if India appeals the report, then the panel report does not stand a chance of getting adopted by the dispute settlement body

duties on importation under certain conditions of the DFIS scheme are inconsistent with SCM.

These subsidies, worth "over \$7 billion", are enjoyed by producers of Indian steel products, pharmaceuticals, chemicals, information technology products, textiles and apparel "to the detriment of American workers and manufacturers", said the office of the United States Trade Representative (USTR).

"This is a resounding victory for the United States," said USTR Robert Lighthizer in a statement

on the development.

India has "rapidly" expanded the MEIS to "nearly double" the number of products covered since the scheme's introduction in 2015, said the USTR release.

"Exports under the SEZ have increased over 6,000 per cent from 2000 to 2017 and in 2016 accounted for over \$82 billion in exports, or 30 per cent of India's export volume. Exports from the EOU increased by over 160 per cent from 2000 to 2016," it added. "We will appeal the report," a senior government official close to the

development told *The Indian Express* on condition of anonymity.

The report comes a little over a month before the WTO dispute settlement mechanism is likely to be paralysed as its appellate body, which is supposed to consist of seven members, will only be left with one member. At least three members are required to hear an appeal on a dispute panel's ruling, and experts feel this may keep WTO from enforcing the ruling against the Indian export promotion schemes that were scrutinised in the present report.

"Since the appellate body is likely to be dysfunctional by December, if India appeals the report, then the panel report does not stand a chance of getting adopted by the dispute settlement body. In that situation, there would be a huge question mark on the legal sanctity of this report," said Abhijit Das, head of the Centre for WTO Studies at the Indian Institute of Foreign Trade.

"If the appellate body had up-

held the contentions of the US, India would have had to withdraw the export-contingent subsidies without delay," he said.

Meanwhile, the Centre has already begun work on making some of the debated schemes more WTO-compliant. In September, it announced various schemes for promotion of exports, including the Remission of Duties or Taxes on Export Product (RODTEP) to replace the MEIS under the Foreign Trade Policy of India (FTP 2015-20).

"The new scheme which is being proposed is a different scheme as compared to the MEIS... the overall envelope for the duty forgone under the new scheme will be more or less the same as MEIS which is at present around Rs 40,000-45,000 crore (annually). Otherwise, MEIS will have to be closed as it is not WTO compliant," Directorate General of Foreign Trade Alok Chaturvedi had said. "The new scheme is WTO compliant and will go on."

'Financial inclusion: India among most conducive nations'

India is among the top nations with the most conducive environment for financial inclusion, The Economist Intelligence Unit's (EIU) 2019 Global Microscope on Financial Inclusion report said

Nations with most favourable conditions for inclusive finance:

- India
- Colombia
- Peru
- Uruguay
- Mexico

Four basic enablers for promoting digital financial inclusion:

- Allowing non-banks to issue e-money
- Presence of financial service agents
- Proportionate customer due diligence
- Effective financial

consumer protection

Nations that scored perfectly across all four parameters:

- Colombia
- India
- Jamaica
- Uruguay

Major drivers of digital financial inclusion:

- Large range of providers who can cater to people on margins on formal financial system
- Regulatory control on some of the risks inherent in digital financial services



Nations that safeguard e-money with some sort of protection: ■ South Africa ■ India ■ Mexico ■ Tanzania ■ Uruguay

■ Clear rules on innovation to achieve greater financial inclusion

Draft national strategy by Reserve Bank: The Reserve Bank of India has prepared a draft National Strategy for Financial Inclusion to

deepen financial services' coverage in the country. The long-awaited strategy is expected to be finalised in 2019 and will cover a five-year period

Rajan: Much of my term as RBI Governor was under BJP govt

PRESS TRUST OF INDIA
NEW DELHI, OCTOBER 31

FORMER RBI Governor Raghuram Rajan, who faced a stinging attack from Finance Minister Nirmala Sitharaman for presiding over the "worst phase" of the Indian banking sector, on Thursday reminded her that two-third of his tenure as the head of the central bank was under the BJP government.

Rajan — who was Governor of the Reserve Bank of India (RBI) from September 5, 2013 to September 2016 — said during his term a clean up of the banking sector that was "clogging" with bad loans had begun and the job remains unfinished. He said India needs a new generation of reforms to accelerate economic growth. At 5 per cent GDP growth rate, India was witnessing substantial economic slowdown.

"I had just over eight months in the previous (Congress) government and I had 26 months under



"The reality is, there is a clean-up which we started, which is underway, which needs to be completed fast"

RAGHURAM RAJAN,
FORMER RBI GOVERNOR

this (BJP) government... much of my term (as RBI Governor) was under this government," he told CNBC in an interview.

He was asked about Sitharaman's comments in New York earlier this month where she said that the Indian public sector banks had the "worst phase" under the combination of former Prime Minister Manmohan Singh and Rajan. Rajan, however, hasten to add that he doesn't want to get into a political debate on the issue.

"Let me not get into a political back and forth. The reality is, there is a clean-up which we started,

which is underway, which needs to be completed fast. The recapitalization has been done, but it also has to be done in the non-bank financial sector which is ceasing up and you need to clean-up, get the financial system going again if you want stronger growth," he told CNBC.

Later in the day, after the release of his latest book 'The Third Pillar: How Markets and the State Leave the Community Behind' in Singapore, Rajan said a low tariff environment was necessary for India to engage globally, draw supply chains and create more jobs.

Fiscal deficit hits 93% of BE at ₹6.51 lakh cr till Sept-end

ENS ECONOMIC BUREAU
NEW DELHI, OCTOBER 31

INDIA'S FISCAL deficit reached 92.6 per cent of the budget estimate (BE) at Rs 6.51 lakh crore at the end of September in the current fiscal, as against 95.3 per cent during the same period last fiscal, as per data released by the Controller General of Accounts (CGA) Thursday. The CGA data showed that revenue receipts of the Centre in the April-September 2019-20 period rose to 41.6 per cent of the BE, compared to 40.1 per cent in the corresponding period last year.

In absolute terms, revenue receipts stood at Rs 8.16 lakh crore at the end of September. For FY20, revenue receipts have been pegged at Rs 19.62 lakh crore. The capital expenditure was 55.5 per cent of the BE as against 54.2 per cent in the year-ago period.

Cognizant Q3 net rises to \$497 mn; to cut 13K jobs

PRESS TRUST OF INDIA
NEW DELHI, OCTOBER 31

IT MAJOR Cognizant on Thursday reported a 4.1 per cent increase in net profit at \$497 million for the September quarter, along with announcing plans to slash up to 7,000 jobs in the next few months as part of cost-reduction efforts.

Besides, the United States-based company — which has around two lakh employees in India — would partially exit from content operations business and the move would impact another 6,000 jobs.

Cognizant's total headcount stood at 2,89,900 at the end of September. The company did not provide details about the geographies where the jobs would be impacted.

Yes Bank: Have received \$1.2-bn binding offer from overseas investor

ENSECONOMIC BUREAU
MUMBAI, OCTOBER 31

YES BANK on Thursday said it has received a binding offer for an investment worth \$1.2 billion (around Rs 8,500 crore) from a global investor, as part of its capital-raising plan.

In an exchange filing on Thursday, Yes Bank said, "The bank would like to inform that it has now received a binding offer from a global investor for an investment of \$1.2 billion in the bank through fresh issuance of equity shares, subject to regulatory approvals, conditions as well as the bank's board and shareholders approvals."

In September, the bank had informed the exchanges that it received strong interest from multiple foreign as well as domestic

Shares of Yes Bank on Thursday soared 24 per cent to close at ₹70.45 on the BSE. It rallied by 35 per cent intra-day

private equity and strategic investors for the capital raise and remains firmly on course to raising growth capital subject to necessary approvals.

"The bank also continues to be in advanced discussions with other global and domestic investors," it said on Thursday.

Shares of Yes Bank Thursday soared 24 per cent to close at Rs 70.45 on the BSE.

It rallied by 35 per cent intra-day after the lender said it had received the binding offer for \$1.2 billion from an overseas investor.

TVS Motor, Bajaj Auto settle decade-old patent infringement dispute

ENSECONOMIC BUREAU
CHENNAI/NEW DELHI,
OCTOBER 31

A DECADE-OLD legal dispute between rivals TVS Motor Company and Bajaj Auto has finally been settled, out of the court.

In a communication, TVS Motor announced that it entered into an agreement on Thursday with Bajaj Auto to amicably settle the long-drawn dispute relating to alleged infringement of Bajaj's patent No. 195904 (on twin spark technology), defamation suit filed by the company against Bajaj Auto and other related proceedings filed against each other, which were pending before the Madras High Court, Bombay High Court, Intellectual Property Appellate Board (IPAB), Chennai and courts in Sri Lanka and Mexico.

TVS added that both itself and Bajaj Auto have mutually agreed to withdraw the pending proceedings and release each other from all liabilities, claims, demands and actions in respect of the pending proceedings. None of two-wheeler makers are required to pay any compensation or penalty to the other as part of the said settlement. "There will be no impact on financial position of the company due to the settlement agreement," TVS added.

Both companies had been locked in a patent dispute over the use of twin spark plug engine technologies, where Bajaj Auto had claimed that it holds a patent on it. The technology-enabled spark plugs were to help fuel burning more efficiently, leading to greater mileage. Bajaj Auto had got the patent for its twin spark technology way back in 2005. FE

Apple India records highest Q4 revenue on services, iPad growth

NANDAGOPAL RAJAN
NEW DELHI, OCTOBER 31

APPLE INC CEO Tim Cook said his company has just concluded "a groundbreaking fiscal 2019 with our highest Q4 revenue ever" powered by growth in services, wearables and the iPad. Apple has recorded a revenue of \$64 billion, an increase of 2 per cent from the year-ago quarter, with international sales making up 60 per cent of the numbers.

Cook, at Apple's earnings call, said they had established new Q4 records in "many major developed and emerging markets" including India. Also, it was an all-time revenue record for Mac in India. The wearables category too was at an all-time high in all markets. He also spoke about how the ECG app, available in India for a few weeks now, is "a widely celebrated illustration of Apple's commitment to your health".

"... the most important thing by far is the product. And I think we've got the best lineup we've ever had. And the customer response to the product is what the product does for them is really incredible."

In India, the new phones have been a hit, though dealers have been struggling with supplies and most of the iPhone 11 models are sold out because of the festival season demand. Alluding to pricing in markets like India, Cook said the company had picked "locally relevant prices" and "in some cases where the dollar had become stronger" taken and "exchange rate that would have reflected a while back instead of the current exchange rate".

Usually this exchange rate buffer is what makes Apple products more expensive in markets like India, where the locally currencies can tend to fluctuate. "In other words, we tried to stay as close as we could to a local price point that we knew was effective for that particular market," he said, adding how the US pricing too has been "extremely well received".