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QUOTE OF THE WEEK

“Your present circumstances don't determine where you can go; they merely determine where you start.“

Nido Qubein

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INSURANCE TERM FOR THE WEEK

Surety bond

A contract under which one party (the surety) guarantees the performance of certain obligations of a second party (the principal) to a third party (the obligee). For example, most construction contractors must provide the party for which they are performing operations with a bond guaranteeing that they will complete the project by the date specified in the construction contract in accordance with all plans and specifications.

INSURANCE INDUSTRY

Rajya Sabha clears Bill: Hike in FDI cap to help solvency of insurers, says FM - Financial Express – 19th March 2021

Finance minister Nirmala Sitharaman on Thursday said a proposed hike in the foreign direct investment (FDI) limit in insurance to 74% from 49% will help insurers that are struggling with liquidity pressure boost solvency. As much as Rs 26,000-crore FDI has flowed into the growing insurance sector since 2015 after the cap was raised to 49% from 26%, she added. The Rajya Sabha on Thursday cleared a Bill to amend the Insurance Act, 1938. Once ratified by the Lok Sabha, the Bill will pave the way for raising the foreign direct investment (FDI) limit in insurance up to 74%.

Replying to a debate in the upper House, Sitharaman said as many as 22 of 56 direct insurance companies in the country have received around 40% in FDI. THE average FDI in private insurance companies (excluding reinsurers) is about 31%, she added.

The proposal to hike the FDI limit in insurance is expected to open up new avenues of funding at a time when some players are struggling with solvency issues, analysts have said. The move, along with the decision to launch the IPO of LIC and privatise one of the government-owned general insurers, would bring more efficiency to the market.

Apart from drawing new foreign investors, the hike in the FDI limit will also allow foreign partners, currently in joint ventures, to raise their stake and control the Indian insurance firms. Close to two dozen insurance companies in India are formed of joint ventures between domestic and foreign partners, including ICICI Prudential, HDFC Standard Life, Bajaj Allianz and Star Union Daiichi Life Insurance.

Allaying fears of lawmakers on possible abuse of the legislation, the minister said adequate safeguards are built into the law. The majority of directors on the board and key management persons would have to be resident Indians, with at least half of directors being independent ones, and a specified percentage of profits being retained as a general reserve, Sitharaman said.

The life insurance sector in India was liberalised in 2,000 after the government had allowed foreign companies to own up to 26% of domestic insurers. The sector was opened up further in 2014 when the FDI limit was hiked to 49%.

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Insurers to Migrate to IFRS 17 by 2023 - Financial Chronicle – 14th March 2021

Insurers are gearing up for implementation of the International Financial Reporting Standard17, or IFRS 17, and risk-based capital (RBC) Standardising the insurance accounting IFRS 17 will improve the global comparability of insurers books and increase transparency while the RBC will ensure better solvency capital for the insurers. IRDAI Chairman Subhash Chandra Khuntia said in a virtual event said the regulator is working on the implementation of the IFRS 17 and the RBC regime, urging actuaries to drive this plan. A senior IRDAI official said that an exposure draft in this regard has been shared by the regulator among the insurers and is still in the discussion stage. Besides, the Institute of Actuaries of India has also set up an advisory group on IFRS 17 (Ind AS 117). "It will provide users of accounts with the information they need to meaningfully understand the insurer's financial position, performance risk exposure etc.," official said.

(The Writer is Madhusudan Sahoo.)

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INSURANCE REGULATION

Remote working to push demand for cyber insurance: IRDAI official - Financial Express – 18th March 2021

With remote working becoming a norm, the insurance industry is likely to see a spurt in demand for cyber insurance, according to a senior IRDAI official.

"In the long term, the transition to virtual workspaces resulting from COVID 19 may increase the demand for cyber insurance and further the evolution of cyber insurance products," Insurance Regulatory and Development Authority of India (IRDAI) Executive Director Suresh Mathur said.

He was speaking at a virtual seminar organised by the Confederation of Indian Industry (CII). Mathur said the demand for cyber insurance coverage will come from the government entities and large organisations that are operating in higher hazard sectors.

He said with business interruption at the centre of property and casualty losses, there will be pressure on insurers to cover claims. "The impact of COVID 19 on business interruptions claims will largely depend on the policy wordings," he noted.

He said the evolving situation may also force a review of the pricing of the existing insurance products in the light of changing claim experience in each segment. Insurers are confronting a new reality in the COVID-19 situation as a long- term disruption to the customers, employees, investors and suppliers. The impact of the pandemic on insurance products will vary according to the cover insurers offer, Mathur said.

"While health (insurance) products are likely to bear a direct impact, property and casualty (insurance) products, covering business interruptions, will witness different degrees of impact as the result of lockdowns," he mentioned. Mathur believes that the Covid19 outbreak is unlikely to have an adverse impact on the financial results of insurance companies.

The only two segments affected in the country are health and travel, he said. "Despite the increased possibility of claims under health and travel segments, most of the general insurers will remain unaffected because of the improved loss ratio in the automobile segment," he said.

Mathur said going forward, insurers can adopt a phased approach to identify and address themes that are disrupting their existing business. “There is a need for them (insurers) to evolve long-term strategies with business models fostering virtual interactions across the value chain, a lean and agile technology architecture and enterprise and cyber resilience,” he suggested.

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Health cover: IRDAI gives more flexibility to insurers - The Hindu Business Line - 17th March 2021

The insurance regulator has modified the existing guidelines on product filing in health insurance business. As per the file and use guidelines of the Insurance Regulatory and Development Authority of India (IRDAI) July 2020, general and health insurers are not allowed to modify the existing benefits and add new benefits in the existing products which lead to an increase in premium.

“However, it is clarified that insurers are permitted to effect minor modifications as stipulated consolidated guidelines on product filing in health insurance business. Addition of new benefits, upgradation of existing benefits may be offered as an add-on covers,” said DVS Ramesh, General Manager (Health), IRDAI, in a circular.

In addition, the regulator had also spelt out detailed norms on the presentation format of policy contract, which insurers need to follow for all health insurance products with effect from October 1, 2021.

Commenting on the modifications, Tapan Singhel, MD and CEO, Bajaj Allianz General Insurance, said: “This will lead to further simplification and better understanding of the policy for customers as the same format will be used across all insurers using plain and simple language.”

The IRDAI has been working towards simplifying insurance offerings and bringing in transparency in order to encourage more people to opt for insurance.

“The modified guidelines on product filing in the health insurance business are a step in that direction,” Singhel added.

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IRDAI Steps in to Check ‘Arbitrary’ Hike in Health Policy Premium – The Indian Express – 17th March 2021

With insurance companies arbitrarily jacking up premiums by up to 100 per cent on health insurance policies, insurance regulator Irdai has stepped in and asked insurers to desist from unilaterally hiking premiums after making small changes in the policy, in the wake of a rise in new premium income and claims. The move comes at a time when insurers were planning another round of hike in premium on health policies.

The Insurance Regulatory and Development Authority of India (Irdai) has asked insurers to review the viability of every product at the end of the fiscal year and submit a report to it. “General and health insurers are not allowed to modify the existing benefits, add new benefits in the existing products which leads to imposing an increase in premium,” Irdai said in a notification to insurers.

However, it is clarified that insurers are permitted to effect minor modifications, it added.

“Addition of new benefits or upgradation of existing benefits may be offered as add-on covers or optional covers with a standalone premium rate to ensure an informed choice to the policyholders,” the regulator said.

Appointed Actuary should review the financial viability of every health insurance product at the end of every financial year in accordance with provisions of Regulation 6 of Irdai (Health Insurance) Regulations, 2016, it said.

According to the Irdai, the report of such review should be submitted to its Board through PMC along with the analysis of favourable or unfavourable experience of each product as well as recommended corrective action, to ensure sustainability of the product and to protect interests of policyholders of the underlying product. "A status report should be submitted by September 30 of every financial year to the Authority along with the board's suggestions and the corrective actions to be taken in the format specified," it said.

"The Irdai move will check the arbitrary rise in health insurance premiums. Health policies have become popular of late due to the Covid pandemic. However, some insurers are trying to make extra money by unilaterally increasing the premium," said a source.

According to official sources, insurers give big discounts to corporates and institutions in group health insurance covers and pass on the burden to individual policyholders. "Retail holders have been subsidising the group covers. Some companies made minor changes in the policy and hiked the premium," they said.

Rising claims and widening of illnesses under health policies have also pushed up premiums by up to 100 per cent, raising concern among senior citizens, said an official of an insurance firm.

Health insurance premium collection has risen 14.59 per cent to Rs 48,501 crore as of January. However, overall industry premium marginally increased by 2.98 per cent to Rs 1,64,274 crore. With Covid cases mounting, insurers saw a surge in demand for health policies with premium collection rising across the board.

Policy holders above the age of 65 witnessed a major hike in the last a few months. "The hike is more pronounced in case of senior citizens who are most vulnerable," said Pawan Dharnidharka, a stock market professional.

(The writer is George Mathew.)

TOP

IRDAI admits not taking action against insurers for non-compliance on orders issued by ombudsman: Report – The Economic Times – 15th March – 2021

The Insurance Regulatory and Development Authority of India (IRDAI) admitted in a RTI query that it hasn't taken any action against any insurance company for non-compliance with awards or orders issued by the insurance ombudsman.

Money life reported based on a RTI query filed by Mumbai-based RTI activist Jeetendra Ghadge. In the reply to the RTI query over seeking details on action taken against insurance companies for non-compliance with orders of insurance ombudsman, the insurance regulator said, "No disciplinary action could be taken on any insurance company so far on grounds of non-compliance with the awards of insurance ombudsman."

The report adds that in 2019-20, around 1,864 awards are pending with both the private and public insurance companies for implementation and the passed awards or issued orders were in 9,528 cases. In 7,664 cases insurers complied with award or order but still 1864 cases are pending with insurers for compliance on the decisions taken by the insurance ombudsman.

The report based on the RTI query reveals that public sector insurance companies are at the forefront of non-compliance with the orders of ombudsman with Oriental Insurance company having a maximum of 480 awards pending with them, New India Assurance has 303 and National Insurance Company has 289 awards pending.

Amongst private players, Bharti Axa Life Insurance has 198 awards pending. The Executive Council of Insurers (ECI) which was formerly known as Governing Body of Insurance Council (GBIC) was established under the Insurance Ombudsman Rules, 2017 facilitates the insurance ombudsman.

ECI's annual report says there were 11,281 pending complaints in the beginning of FY19-20 and during the same year it had received 27,257 complaints taking the tally to 38,538 of which 29,816 were disposed and 8,722 were outstanding.

Between April 1, 2019 to March 31, 2020, the 17 offices of insurance ombudsman's had issued recommendation and awards in 15,329 cases amounting to Rs 13,575.61 lakh. Maximum complaints were under life insurance over mis-selling by private insurers.

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LIFE INSURANCE

What will drive growth of life insurance industry in next decade? – Elets – 18th March 2021

Vladimir Lenin was supposed to have said that "There are decades when nothing happens; and there are weeks when decades happen." The events in the last one year would seem to justify its implication for life insurance industry in India. Since the start of the pandemic, we have seen numerous steps taken by the insurers the way insurance is bought in India, while regulators also announced series of new insurance products to further improve the penetration of insurance in India.

In a way, the platform has been set-up for the life insurance industry to deliver higher growth in the next decade. Since the cases of Covid-19 started surging in India—the country went into complete lock-down. The first relief came from the regulators as Insurance Regulatory and Development Authority of India (Irdai) came out and said that death due to COVID-19 will be treated as a general death and the claim will be admissible if the coronavirus was diagnosed post-policy issuance.

When there was hardly any activity on ground in the first quarter of current financial year, insurers started issuing policies through tele-medical in place of a mandatory physical medical. This move ensured that while people followed lock-down rules and stayed at home, they still had access to the life insurance coverage. There was immense rush to buy term plans in those days as fear of pandemic was on the peak.

Later, Irdai allowed insurers to take approval of customers through e-KYC and video KYC to issue them a policy in place of submitting physical documents, which was not possible during the various phases of lockdown. Regulator has also announced that insurers should come out with Saral Jeevan Bima a standard term insurance plan. The plan will offer coverage to the policyholders without any restrictions on age, gender, income, occupation, and geographical location.

However, the question remains on what should be done to further improve the penetration of life insurance and path forward for life insurance companies in the next 10 years. The focus should be on using technology in life insurance industry like artificial intelligence, blockchain and IoT.

The ability to access customers behavioural data using IoT without intervention by traditional agents is a practice that is followed by global insurance companies. As the adoption of technology by insurers and customers increases, data generation through millions of devices connected to the Internet will surge and the role of IoT will grow accordingly. While using artificial intelligence insurers are already leveraging advanced analytics to explore structured data, and AI now makes it possible to analyse unstructured data like images and videos.

But there are some challenges to the adoption of such technologies in India. First there is lack of an electronic health record repository across the country makes the risk assessment process challenging. Secondly, acceptance of insurance related technology will be a challenge due to the higher cost on the policyholders.

Finally, emerging technologies uses policyholder's data which insurance companies uses to get behavioural patterns. But increasing regulations related to policyholder's personal data across the globe and in India will continue to pose added challenges.

There is a clear shift of life insurance companies towards getting the right product portfolio like simple and easy products to understand among other issues. There is also a concern how insurers cope up with low persistency ratio across the industry and how they can attract new set of investors. Apart from designing innovative strategies for products and customer service, life insurance companies may need to revisit their operating model to tackle increased competition.

Life insurers are faced with a tough situation and need to act quickly to remain competitive in the market. In order to grow in such environment life insurance companies will need innovation and agility in the years to come.

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What are incremental term insurance plans? – Live Mint – 17th March 2021

Term insurance is considered important for financial planning. One should buy term insurance if looking to secure the future of dependents. The cover provides a death benefit to the nominee or beneficiary.

However, people are generally unaware about the quantum of life cover they need when it comes to buying a term insurance.

As a thumb rule, you can buy term life insurance for 7 to 10 times your annual income and can increase the cover every year as your income increases. These policies are known as incremental term insurance policies, which allow for an increase in the sum assured each year by a specified amount at a specific percentage. However, the increase in sum assured also entails a higher premium every year as compared to normal term insurance policies.

The insurer increases the sum assured based on the health of the policyholder while buying the policy.

For example: Suppose you bought a term cover of ₹1 crore (sum assured) for 30 years. Now, when taking inflation into account, the policy might not provide adequate coverage to take care of your family members' needs and requirements after 10 to 15 years of the policy term. What can help is buying incremental term insurance plan to increase the sum assured by some percentage at the end of each policy year and ensuring sufficient coverage.

Sanjiv Bajaj, joint chairman & MD, Bajaj Capital said, "When you buy increasing term life insurance, your death benefit increases over the policy term. This type of term insurance provides extra protection at every stage of your life. This is because as and when you grow old, besides inflation, your expenses also increase. For instance, your family might get increased, you might want to buy a house or own a new car, etc."

Tax benefits are similar to that of normal term insurance policies, that is, the premium paid towards the policy is eligible for tax deduction under Section 80C of the Income Tax Act. Death benefits are also exempt under Section 10(10D) of the Income Tax Act.

(The writer is Navneet Dubey.)

TOP

Will contestability period affect claims in life insurance? – Live Mint – 16th March 2021

When you buy life insurance, the initial three years of the contract is very important. This is because of the contestability clause, which allows insurers to reject the death benefit claim if they find some intentional misrepresentations in the policyholder's application.

Normally, a life insurance policy is purchased to provide financial security to the policyholder's family members in case of any unfortunate circumstances like death or disability of the policyholder. But, if the death happens shortly after taking a policy, that is, within three years from the purchase of the policy, the contestability clause applies.

The contestability period starts from the commencement of the policy till the end of the duration of three years (from the start date). This clause can significantly impact claim procedure and, hence, must not be ignored by buyers. The insurance firm can question the claim raised by beneficiaries if the policyholder expires within three years of buying the plan. "As per the contestability clause, the insurer can review the application and cancel or deny the claim in this period if any misinformation is found," said Rakesh Goyal, director, Probus Insurance.

The insurer will communicate in writing to the insured/nominee/legal representative/assignees of the insured, mentioning the grounds on which the decision to reject the policy has been taken, said Goyal.

For instance, you are a smoker but while buying a life insurance policy, you didn't tell the insurer that you smoke. Now, unluckily, if you die within three years of the policy purchase, the insurer will have the right to investigate your past to verify the authenticity of the information you provided when buying the policy. If the insurer finds you (the deceased insured) gave wrong information, the insurer can reject the insurance amount claimed by your nominee/beneficiary.

It is, therefore, important to disclose all material facts correctly and in good faith to the insurer while purchasing life insurance. Besides, Basava Rao, partner, Indus Law, said the amendment to Section 45 of the Insurance Act has now limited the scope of an insurer to question a life insurance policy after the expiry of three years from its purchase date.

Further, it has built-in safeguards in favour of the insured, whereby the insurer will have to return the premiums paid if the insurer repudiates a life insurance contract within three years of the effective date on the grounds of misstatement or suppression of a material fact (except fraud). "The amendment further provides that the misstatement of or suppression of fact shall not be considered material unless it has a direct bearing on the risk undertaken by the insurer; the onus is on the insurer to show that had the insurer been aware of the said fact, no life insurance policy would have been issued to the insured," said Rao.

(The writer is Navneet Dubey.)

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Why smokers pay high premium for term insurance – Live Mint – 15th March 2021

If you wonder why smokers pay a high premium than non-smokers even with low-risk job profiles such as construction workers, coal miners and prison officers, then here is what you should know.

Life insurance premium is often calculated considering the job profile of the policy seeker, said Santosh Agarwal, CBO- Life Insurance, Policybazaar.com. While life insurance premium for people with high-risk job profiles is quite high, those with low-risk job profiles like bankers and software engineers pay a lower premium for a life insurance policy.

By splitting each industry into smokers and non-smokers to assess their respective premiums, the data revealed that a smoker in a relatively low-risk job profile industry will still be paying significantly more each month for life insurance than a non-smoker in a high-risk job profile.

"An important reason why smoking has a much bigger impact on the life insurance premiums than most job profiles are proven detrimental effect of smoking on people's health. While even the highest risk job profiles are still very unlikely to result in death, smoking is the primary reason for a plethora of life-threatening diseases. Smoking tobacco for long has been associated with rising incidents of life-threatening diseases like lung cancer, tuberculosis, heart ailments, strokes, bronchitis, infertility, and peptic ulcer," Agarwal added.

Health hazards of smoking

Life insurance premiums depend on mortality tables for different groups of the customer population. These statistics determine the risk that an insurance company carries while providing term cover for the population.

Dhirendra Mahyavanshi, Co-Founder, Turtle mint said that the term insurance policy covers the risk of untimely death. The premium of the policy is, therefore, governed by the insured's mortality risk, i.e. the risk of death. Now, if the mortality risk is high, the premium would be high and vice-versa. "Smoking is a health hazard that increases the risk of ailments. This, in turn, increases the mortality risk for smokers. Thus, smokers are charged a higher premium because they have a higher mortality risk compared to non-smokers. While the premiums are higher for smokers, non-smokers can enjoy a premium discount. Even if you smoke occasionally, you will be considered a "smoker" in the insurance parlance and you would have to pay a higher premium," said Mahyavanshi.

Normally, for a smoker, the mortality rates tend to be higher leading to a higher risk for the insurance company. Echoing a similar view, Casparus Kromhout, MD & CEO, Shriram Life Insurance also said, "The possibility of a claim arising from customers that smoke is more than for non-smokers. "Thus, insurers provide risk cover to these customers at an extra charge to factor in the additional risk."

(The writer is Navneet Dubey.)

TOP

Term life insurance premiums likely to increase again in FY22 because of COVID-19 – The Economic Times – 15th March 2021

Rise in premiums

According to a report by ET, term life insurance premiums are likely to increase again in FY22. According to insurance brokers, the expected rise in premiums will happen with private life insurers on the back of COVID-19. In 2020, many life insurance companies increased the premium on their term life insurance plans by up to 20 percent.

Why the increase
Life insurance companies are increasing term insurance premiums because re-insurers have revised their premiums (which life insurers have to pay for re-insuring their risk) upwards. Re-insurers increased their premium rates as the number of claims has been rising. Given the increase in reinsurance premiums, life insurance companies are expected to increase premiums by upto a maximum of 40 percent.

How are premiums calculated
Term insurance premiums are calculated on the basis of mortality rate and expected claims outgo, and accordingly re-insurers fix the re-insurance premium that they charge insurance companies. Once reinsurers increase the premium charged from life insurers the latter will increase term insurance premiums by refiling their existing products with the Insurance Regulatory and Development Authority of India with certain changes and an increase in price.

Actual versus expected claims
You must know that for pricing term insurance plans, the actual versus expected claims are measured and if the ratio is more than expected, it leads to a negative experience for insurers and reinsurers. Therefore, with the ratio being more than expected and negative mortality experience, reinsurers had decided to increase their re-insurance rates for life insurance companies.

Cost of reinsurance
Consequently, the cost of reinsurance for life insurance companies went up and pressure on them to increase the premium of term life insurance plans also increased. Most life insurers revised the premium rate from the year 2020 and are considering another hike while those who had not increased premium earlier are also planning to do so this year.

TOP

GENERAL INSURANCE

How to get free govt insurance for your bank FDs up to Rs 65 lakh - The Economic Times – 19th March 2021

When a bank fails, the only respite a depositor has is the insurance cover offered by the Deposit Insurance and Credit Guarantee Corporation (DICGC). Though the insurance cover under DICGC was raised to Rs 5 lakh from Rs 1 lakh, effective from February 4, 2020, this amount can be inadequate for many depositors.

However, did you know that you can increase this insurance cover and enjoy a total cover of Rs 65 lakh or more without spreading your deposits across different banks? Read on to find out how you can get a cover of Rs 65 lakh or more in the same bank and same branch.

Types of deposits that enjoy the DICGC insurance cover
The insurance cover offered by DICGC works on deposits such as savings accounts, fixed deposits (FD), current accounts, recurring deposits (RD), etc. However, there are few deposits which are excluded such as the deposits of foreign governments, central/state governments, the state land development banks with a state co-operative bank, inter-bank deposits, any amount due on account of and deposit received outside India and any amount, which has been specifically exempted by the corporation with the previous approval of the Reserve Bank of India (RBI).

How does the deposit insurance work?
As per the DICGC guidelines, each depositor in a bank is insured up to a maximum of Rs 5 lakh for both principal and interest amounts held by her/him in the same right and same capacity as on the date of liquidation/cancellation of the bank's license or the date on which the scheme of amalgamation/merger/reconstruction comes into force.

What this means is that all your accounts held in the same right and capacity whether savings or current account, FD or RD, will be clubbed and you will get only a total insurance cover of Rs 5 lakh. This amount includes both principal and the accumulated interest amount.

So, if your principal amount is Rs 5 lakh, then you will only get this amount back and not the accumulated interest on the deposits if the bank fails. However, if the principal and accumulated interest taken together is Rs 5 lakh or less, you will get the total amount back in claim if the bank fails. Therefore, it is better to go by maturity amount of the deposits while calculating the insurance cover. Nevertheless, if you have a non-cumulative deposit, where you regularly earn interest, then you can keep the principal amount of around Rs 5 lakh as well.

Extra insurance cover with accounts held in different rights in capacities

If you hold deposits in different rights and capacities, each of your deposits will enjoy a cover of Rs 5 lakh separately in the same bank, as per DICGC guidelines.

"Depositors can open fixed deposits in the same bank, but in different rights and capacity. In simple words, if you open a fixed deposit in same bank as a joint holder with your spouse, brother or children, or you open a FD as a partner of a firm, guardian of a minor and so on, then all these FD will be considered as held in different capacity and different right, and each account will have the insurance cover up to Rs 5 lakh separately. So, ideally you should segregate your investment in FD, to enjoy higher deposit insurance coverage even in the same bank," says Col Sanjeev Govila (Retd), a SEBI Registered Investment Advisor (RIA), and CEO, Hum Fauji Initiatives, a financial planning firm.

Let us understand how multiple covers of Rs 5 lakh can work on different accounts with an example of a family of six. Mr A and his spouse Mrs B have a minor son X and minor daughter Y, Mr C and Mrs D are the father and the mother of Mr A.

If Mr A, besides his individual accounts also opens other deposit accounts in his capacity as a partner of a firm or guardian of a minor or director of a company or trustee of a trust or a joint account, say with his wife Mrs B, in one or more branches of the bank then such accounts are considered as held in different capacities and different rights. Accordingly, such deposit accounts will also enjoy the insurance cover up to Rs 5 lakh separately.

As can be seen from the example, if you have 13 such separate accounts of Rs 5 lakh each, then you can get an insurance cover on each of these accounts, and thereby enjoy insurance cover of Rs 65 lakh (5 x 13 = 65).

Number	Account holder/s	Right and capacity of the account held in	Separate insurance
1	Mr. A	Individual Account	Yes, up to Rs 5 lakh
2	Mr. A	Account as a Partner of ABC & Co.	Yes, up to Rs 5 lakh
3	Mr. A	Guardian of Minor Son "X"	Yes, up to Rs 5 lakh
4	Mr. A	Guardian of minor daughter "Y"	Yes, up to Rs 5 lakh
5	Mr. A	Director of company PQR Ltd.	Yes, up to Rs 5 lakh
6	Mr. A & Mrs. B	Joint account with spouse B: First a/c holder- "A", Second a/c holder - "B")	Yes, up to Rs 5 lakh

Govila adds: If you want to make an FD of Rs 10 lakh in a bank which is offering better interest rate than another bank, you may invest Rs 2.5 lakh in FD as an individual investor, Rs 2.5 lakh each as joint investor with your spouse and child where you are the first holder, another deposit of Rs 2.5 lakh as a joint investor with your spouse (here your spouse should be the first holder). By doing so, all your FDs will be treated as separate accounts and each one will be ensured for up to Rs 5 lakh each.

7	Mr. A & Mrs. B	Joint account with spouse B in different order: First a/c holder- "B", Second a/c holder - "A"	Yes, up to Rs 5 lakh
8	Mr. A & Mr. C	Joint account with father C: First a/c holder - "A", Second a/c holder - "C"	Yes, up to Rs 5 lakh
9	Mr. A & Mrs. D	Joint account with Mother D: First a/c holder - "A", Second a/c holder - "D"	Yes, up to Rs 5 lakh
10	Mr. A, Mrs. B and Mr. C	Joint Account with spouse B and father C: First a/c holder - "A", Second a/c holder - "B", Third a/c holder - "C"	Yes, up to Rs 5 lakh
11	Mr. A, Mrs. B and Mr. C	Joint Account with spouse B and father C in different order: First a/c holder - "B", Second a/c holder - "C", Third a/c holder - "A"	Yes, up to Rs 5 lakh
12	Mr. A, Mrs. B and Mrs. D	Joint Account with spouse B and mother D: First a/c holder - "A", Second a/c holder - "B", Third a/c holder - "D"	Yes, up to Rs 5 lakh
13	Mr. A, Mrs. B and Mrs. D	Joint Account with spouse B and father C in different order: First a/c holder - "D", Second a/c holder - "A", Third a/c holder - "B"	Yes, up to Rs 5 lakh
More accounts with different combinations and orders are possible for separate Rs 5 lakh insurance			

Information sourced from RBI and DICGC websites

Where this won't work:

However, the separate insurance cover does not work if you have a proprietorship account along with an individual account. In this case, your proprietorship account will be clubbed with your individual account and you will get a total insurance cover of Rs 5 lakh.

Does the DICGC insurance cover of Rs 5 lakh apply for all banks?

All commercial banks including branches of foreign banks functioning in India, local area banks and regional rural banks are insured by the DICGC. At present all co-operative banks are covered by the DICGC. However, deposits in primary cooperative societies are not insured by the DICGC. Moreover, deposits in any NBFC or HFC or corporate entity do not enjoy this insurance cover.

What you should do

Preservation of capital remains the highest priority for a majority of FD investors. Banks have traditionally been the most trusted institutions when it comes to safekeeping of public money. However, this has changed of late. In the recent past, we have witnessed many instances where the financial stress and failure of several banks in India (like YES Bank, PMC Bank) have shocked conservative investors who invest their savings in bank deposits or keep it tucked away in bank savings accounts.

It is said that you should not put all your eggs into one basket. The same can be said about your deposits as well -- do not put all your money into one account or FD. The best way to ensure the safety of your bank deposits is to make sure that you make deposits in different rights and capacities while keeping the maturity amount up to Rs 5 lakh in accounts held in the same right and capacity.

(The writer is Naveen Kumar.)

TOP

How to pick an insurance policy to cut losses caused by natural calamities – CNBC - 16th March 2021

Natural disasters cause the loss of life and property in India almost every year. In case of natural disaster, home insurance is one of the most important insurance which can help people from tackling losses. There are two types of home insurance: basic fire cover and comprehensive policy.

According to Inderneel Chatterjee, co-founder, RenewBuy.com, while the basic fire policy covers structure against fire, lightning, and flooding; some of the policies might not cover earthquakes. The comprehensive plan, on the other hand, not only covers structure against natural disaster but also the household items. It might also offer personal accident covers as an add-on. It may also help in covering damages caused to four-wheelers due to natural calamities," Chatterjee explains.

How to choose the right policy?
In order to purchase the right kind of policy, Chatterjee tells that people need to compare different plans offered by different companies so that they can choose their cover plan accordingly.

"It is important to do thorough research and understand all the benefits that would suit an individual and his/her family. It is equally important to take cover for property, health, accidents and motor. One needs to remember that one natural disaster can destroy everything in one go. The best way would be to get oneself insured as per the needs and requirements of self and family," Chatterjee suggests.

How to make such a claim?
The first and foremost thing is to put insurance documents in a safe place so that one can get them easily whenever needed.

"These days, people can also use digital lockers (on cloud-based platforms) to secure all their insurance documents. Property claims, many times get rejected due to non-disclosure or misrepresentation. Thus, it is important to study home insurance policy closely and become familiar with the risks covered and the exclusions," Chatterjee advises. Additionally, people should list all the items in their house that have been subject to damage and keep it ready for the surveyor so that they can settle their claim faster with all the proofs of damage.

Is it possible to get a claim when a policy buyer goes missing after a calamity?
As per Chatterjee, with the motor or home insurance, the surveyor fulfills the claim by relying either on other documentary evidence of the existence or ownership like the sale deed in case of property or physical evidence at the scene to assess the loss. In case of natural calamities, plane crashes or situations similar to those, Chatterjee says, a list of missing people who are presumed to have expired, is issued by the government. "Most insurers take this list into consideration for the claim process of the policy buyer, in case he or she goes missing after the calamity," he adds.

(The writer is Anshul.)

TOP

Bite-size insurance products whet customer appetite – The Hindu Business Line – 15th March 2021

Amidst muted sales and low penetration, insurance companies are taking a leaf out of the FMCG playbook and introducing sachet-size products at low premiums to get more people to purchase cover. The popularity of low-premium Corona Kavach and Corona Rakshak against Covid-19 has given a boost to sachet-size insurance products.

Comprehensive cover
Companies are successfully selling cover for range of issues — from vector borne diseases such as dengue and malaria, credit card protection, flight delay, personal accident from participating in a sport, at the gym and even from firecrackers, emergency hospital cash, to cyber security plans — at premiums as low as ₹200.

Compared to a comprehensive insurance cover, these policies are typically for a specific requirement and condition and, therefore, the cover is lower. "The concept of sachet started when we realised customers may not be very happy paying a ₹5,000 premium and we discussed whether we can break it into smaller fragments and create customised products for ₹500 or ₹1,000," said TA Ramalingam, Chief Technical Officer, Bajaj Allianz General Insurance, adding that the small ticket size of such products make them very affordable. Bajaj Allianz GI offers sachet insurance such as personal accident policies against an injury from a firecracker, while travelling in a local train, policy for vector borne diseases and also a group cover that covers financial losses like email phishing and spoofing.

Appetiser for more

Mayank Bathwal, CEO, Aditya Birla Health Insurance, said such bite-size insurance products have seen good pick up across platforms. “Sometimes it’s good to give customers a small offering so that they just experience the product... they will hopefully come and buy a bigger product,” he noted.

Rakesh Goyal, Director, Probus Insurance, said that while a few companies are trying to sell such sachet products, many insurtech and e-commerce companies are taking this up in a big way. “If India needs to improve insurance penetration, there is a need to push such small-size products,” he said.

Companies such as PhonePe, Flipkart and Paytm also offer small-size insurance products. The industry is still at a nascent stage and renewals and distribution are a challenge for such products and, often, customers are not even aware that such policies exist. Insurers also point out that distribution channels and agents may not be very keen on pushing such products given the low premium.

(The writer is Surabhi.)

TOP

How Covid pandemic changed the insurance industry – The Print – 12th March 2021

The insurance industry had to cautiously manage the process of claims management in consonance with the phases of the Covid lockdown. As the industry leveraged technology to bring in hassle-free services, it also brought greater transparency and efficiency. Let us take a look at some of the common challenges the insurance industry faced and the solutions it adopted during the pandemic.

Since the only evidence of protection was policy documents, there were some initial, yet critical apprehensions. These included the continuity of cover, the relevance of certain conditions in policies, and incumbency to substantiate the loss due to operation of the insured peril.

The General Insurance Corporation of India and, later, individual companies resolved these issues. Firstly, the policies would continue without any let up. However, if stoppages were inevitable due to the lockdown, the shutdown needed due diligence exercised in line with OEM/technical specifications to maintain the currency. Secondly, the applicability of certain policy conditions were decided on a case-to-case basis. Finally, proving losses that gave rise to claim entailed the operation of the insured peril, or not fall in exclusions.

Insurers of Marine and Liability policy faced peculiar challenges during the pandemic. These were insured in view of the conditions and circumstances of the loss. Under Fire Policy, unoccupancy of business premises for 30 days consecutively renders policy voidable. Hence, during the pandemic, insurers took a pragmatic approach of treating claims payable if otherwise admissible. Similarly, as manufacturing activities were stopped, claims on the account of the start-up industries were put under strict scrutiny. This is expected to be complied with the risk management philosophy involving earlier shutdown and start-up methods.

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There was a spurt in claims under liability policies. As bookkeeping and monitoring of employee honesty proved to be a challenge, fidelity and crime policies witnessed an increase in claims. The commercial and service industry faced several data breaches and compromises during the pandemic times. This increased the claims as well. The industry had declared that infectious diseases are not covered as risks under any policy. The insured, thus, had to bank upon the other risks provided under the policy and the situation was not treated as force majeure. To deal with the challenges, the insurance industry adopted several measures. Employees willingly adopted for work from home with the help of robust connectivity and gadgets. Both insurers and the insured had to ensure that they enhanced their respective technological support to manage their operations. This also helped insurers collaborate effectively despite faceless service operations.

Digitisation of insurance claims

One of the most crucial changes was the digitisation of the entire process of claims management and data storage.. This helped to marginalise certain shortcomings. Players in the claims market were compelled to be proactive as their activities were captured digitally. As travel time and search time for key functionaries reduced, meetings were more structured and purposeful. There was also a greater participation of decision-makers and regulation was transparent.

However, the digitisation process also came with some pain points. The area of negotiation which occupies a greater space in processes in complex claims requires human interaction. Moreover, the absence of a responsive system from any of the service providers and stakeholders created a disconnect in rendering obligated services. A threat to data privacy and cybercrimes loomed large creating hesitancy in the mind of the insured in sharing sensitive data. Digital and programmed communication was also found inadequate as they required top-up mails from service providers. Through the pandemic, the insurance industry has enhanced processes and managed bugs effectively. In retrospect, the industry has adapted to changes with utmost coordination and best governance practices.

(The writer is K. Rajendran.)

TOP

HEALTH INSURANCE

Higher sum insured health insurance policies cater to all medical emergencies - The Indian Express - 17th March 2021

For most people in our country, health insurance has always remained low in their priority list as maximum people majorly depend on household income and savings for expenses related to healthcare. This is an important reason why individual health insurance penetration in India is as low as 3 per cent. Moreover, of all those people insured, around 80 per cent have health insurance with a much lower sum insured than actually required. With medical inflation rising at the rate of over 50 per cent i.e. from 4.39 per cent in 2017-18 to 7.14 per cent in 2018-19, having a health insurance policy with a higher sum insured has become a basic necessity as it can help you cover any medical emergency.

Meeting Global Standards

Healthcare is heavily regulated in developed economies like the USA, UK and Singapore where standards of health are profoundly believed to influence economic performance and quality of life. This is an important reason why the current laws in these countries ban annual dollar limits on individual health insurance plans for any health benefit.

Most health insurance plans in these countries come with unlimited coverage and cannot fall short of the sum insured in case of any medical emergency. The minimum coverage that most policies offer is USD 1 Million which is enough to pay for the most advanced treatment possible at any hospital. However, most people in India buy health insurance plans with a lower sum insured to save on the premium. Also, there aren't any regulations in place which make it mandatory for people to buy health covers with higher sum insured so that they can afford quality healthcare. Often people in our country fall short of coverage when taking advanced treatment for a critical illness.

Considering the present scenario, it was important to meet the global standards and introduce higher sum insured health insurance policies at an affordable price. Fortunately, in the last 12 months, many prominent health insurance companies have come up with 1 crore sum insured health plans that are a combination of the base plan and super-top policy.

These plans are as good as unlimited coverage policies being offered in the USA, UK and Singapore and are in fact much more affordable and easy to buy. The Rs 1 crore sum insured health insurance policies are best to meet both – individual as well family floater insurance needs as the coverage is optimum to take the best available treatment for any ailment at your choice of hospital and city.

The cost of health insurance in India and other countries

While the costs of healthcare have become prohibitive over the years, the fact remains that healthcare in India is still much more affordable than in a number of developed countries, like the US. The monthly premium of a Rs 1 Crore health insurance plan in India for a 32-year male living in a metro city costs between Rs 600–800, while adding a spouse to the plan brings the monthly premium to Rs 1,100–1,300.

In the USA, prices of health cover vary depending on the state and county where you live. The average monthly healthcare premium without subsidies in the USA is 18 and under: $152, 18-24 years: $177, 25-34 years: $239, 35-44 years: $303 and 45-54 years: $400. Talking about the price of health insurance in Singapore, on average, people pay around S$1,000 to S$1,500 per annum for a policy that covers medical expenses of up to S$1 million per annum. The average premium for UK private health insurance is £1,435 per year.

Take Note

In the last decade, lifestyle-related diseases such as diabetes and cancer have been on a constant rise in our country. While each one of us continue to make conscious efforts to maintain a healthy lifestyle by regular workout and taking healthy diet, it is equally important to stay financially protected against any unexpected healthcare exigency. It is not always important that one may fall prey to a major illness only due to a poor lifestyle, many ailments are hereditary as well. Under such conditions, a health insurance policy with a higher sum insured i.e. Rs 1 Crore would serve as a financial shield against all possible odds.

(The writer is Amit Chhabra.)

TOP

Benefits of having a group health insurance from your employer – Live Mint – 17th March 2021

Gone are the days when employees would only appreciate the figure on their pay check. Today, they look for meaningful compensations too. One such example is group health insurance, which has gained precedence due to the pandemic. Considering this, employees expect a hands-on, comprehensive policy to cover their medical needs.

"Group health insurance is not just beneficial for employees but even for the employer. Healthier employees make a more productive workforce. Especially, in the event when a family member is hospitalized, employees are under a lot of stress. Health insurance at least takes care of financial stress the employee might be in owing to the costs of medical treatments. It is a vital step towards the mental health safety of your employees," Biresh Giri, EVP - Actuary & Underwriting, ACKO Insurance said.

Let's take a closer look at several advantages of having group health insurance from your employer.

What is group health insurance?
Also known as group mediclaim policy or corporate health insurance, a group health insurance policy offers coverage to a group of people. In organizations, employers offer this policy to build trust and loyalty within employees. In this case, the premium amount is borne by the employer.

Some of the advantages of group health insurance which can benefit employees are:

Free health insurance coverage
A group health insurance base policy is purchased by the employer and is free of cost to the employee. If an employee feels he/she needs more coverage (in a few cases including coverage for the parents) then they can opt for it at an additional cost.

Faster turnaround time
One of the major benefits of a group health coverage is an instant query redressal or faster claim settlement for employees. Companies prefer insurers that offer priority services to their employees.

Easy access to family health insurance
Giri said that if an average family-person wants to buy a family floater health insurance plan that covers themselves, their spouse, two children, and one set of parents, this can be an expensive affair. "But a group health plan covers immediate family members (usually up to 5 members) without additional premium payment. Additionally, group health insurance offers easy access to policy for parents, which is otherwise difficult due to their age and medical conditions," he said.

No waiting period
Usually, insurance companies have a waiting period clause when it comes to pre-existing diseases, maternity benefits, etc. As per the clause, an insured person cannot raise a claim for these conditions for a few years. This limitation is mitigated with group health policies. Here the coverage begins from the first day of the policy, be it for employees, their spouse, kids, or parents.

No medical screening required
Medical screening determines the current health status of a person who wants to buy a health insurance plan. The premium of a policy can increase depending upon the test results of the initial screening. However, a group health insurance does not require the employees to take any medical tests that can affect the premium of the policy. The coverage is similar for all the employees irrespective of their health status. "Mostly, all the benefits are common across the majority of group health Insurance plans. However, some InsurTech companies are providing a blend of wellness benefits and insurance. This

includes rewarding employees for staying healthy, providing teleconsultation with doctors, preventive healthcare, and much more. The future of Group Health Insurance is to be a connected ecosystem for all health & wellness offerings," said Giri.

(The writer is Navneet Dubey.)

TOP

All you need to know about critical illness insurance – The Hindu Business Line – 13th March 2021

Having an insurance policy, be it life or health, is a must for you and your family. The outbreak of the Covid-19 pandemic couldn't have reiterated its importance any more. At times of emergency, an insurance policy helps ease your financial burden, to an extent. While a life policy supports your family when the primary breadwinner is not around, a health cover takes care of hospitalisation and other medical expenses. In addition to a basic life policy (term insurance) and health policy, insurers also offer critical illness (CI) products, either as optional or as standalone cover. Given the huge medical expenses related to critical illnesses, a CI policy could come in handy, particularly if you have a family history of diseases such as cancer or cardiac ailments.

A CI policy is a benefit product, which means the insurer will make a lumpsum payment at the time of diagnosis, after which the policy terminates. The policyholder can use the money for medical or non-medical expenses, however they deem appropriate. There is no restriction on the end-use of the money. A health policy, on the other hand, is an indemnity plan — it covers for your hospitalisation expenses. Most insurers cover almost the same list of critical illnesses. These include cancer (of different kinds up to specified stages), heart attack (first/second time), kidney failure, liver failure, stroke, major organ transplants, multiple sclerosis, lung-disease, major burns, trauma and major surgeries. But there are a few things to note. One, a critical illness policy will not cover minor ailments and regular hospitalisation. Two, it will not cover the listed critical illnesses diagnosed within the waiting period. Three, the policy will not cover diseases developed due to smoking or through consumption of tobacco. Four, the policy will not pay any benefit in case of death of policyholder within the survival period or waiting period. Most insurers have a survival period clause wherein the policyholder must survive for a minimum time period, usually 7-30 days, after the diagnosis of a critical illness.

You can buy a CI plan either as a standalone policy or as a rider, with both life and health insurers. Most life insurers offer CI cover as a rider, but a few, including ICICI Prudential Life and HDFC Life, offer standalone CI plans. On the other hand, almost all health/general insurers offer CI product as standalone policies. You should choose a CI policy based on premium, sum insured (SI) and the diseases covered. These aspects apart, there are also other features to consider. Renewability: I plans offered by life insurers are for a fixed term, after which the policy terminates. For instance, in SBI Life's Poorna Suraksha, which offers CI benefit as an optional cover (rider), the maximum policy term is for 30 years. But CI policies from health/general insurers provide lifelong renewability. However, keep in mind that life-long renewability is valid only till the policyholder is in good health. Once you get diagnosed with a major illness and make a claim, be it a policy with a life insurer or a general/health insurance company, you can't renew the CI policy. Generally, the waiting period — the time-frame for which the insured has to wait before the policy coverage can kick in — offered by health/general insurers are shorter (90 days) than those offered by life insurers (180 days). However, this time-frame could vary with plans. For instance, Bajaj Allianz Life's Smart Protect Goal plan — which offers CI benefit as optional cover — has a waiting period of 180 days, while the waiting period is 90 days for the standalone CI plan offered by Bajaj Allianz General.

This is lower for CI products with health/general insurers. It is basically a time-frame where the insured must survive for a minimum time period after the diagnosis. Usually life insurers have a survival period of 14-30 days, and health/general insurers have a period of 7-30 days. For instance, in Bajaj Allianz Life's CI optional cover, the survival period is 14 days from the date of diagnosis of the critical illness. In the case of Bajaj Allianz General's CI policy, the survival period is 30 days. But in the case of CI product offered by both SBI Life (Poorna Suraksha) and its general insurance arm, the survival period is 14 days. A few insurers including Star Critic are Plus and Care Assure don't have the survival clause in their policies (only waiting period). Other factors: Lastly, CI products offered by health/general insurers come with other advantages including SI enhancement, no-claim bonus and portability. Policyholders also get the benefit of reward points, which can be adjusted for lowering the premium at the time of renewal. For instance, HDFC ERGO's my: health Suraksha plus offers preventive health check-up on renewal of policy with the insurer. Similarly, Star Health's Star Criticare Plus offers up to 10 percent discount on premium if more than two family members are added to the plan. The CI benefit offered by life insurers don't offer portability as most have CI benefit as optional cover. However, some policies do waive premium upon diagnosis of a critical illness for the policyholder until the policy term, such as SBI Life's Poorna Suraksha, for instance.

Now that you have an understanding of a CI policy and its features, you can further narrow down on a plan based on certain criteria. When regular health plans do cover common critical illnesses, the SI may not be high. Not all health policies have in-built coverage for critical illnesses; it is available as an optional cover only. CI plans (standalone or rider) cover a broad ranges of critical diseases. For instance, Care Health's Assure, a standalone CI plan, covers 20 critical illness with in-built personal accident cover, health check-up and second opinion. The SI starts from ₹1 lakh and goes up to ₹3 crore. Similarly, Max Bupa's CritiCare covers for 20 common critical illnesses. Some plans such as CritiCare covers pre-existing diseases, too, after a waiting period of 48 months.

(The writer is Bavadharini K. S.)

TOP

Health insurance premium may not rise this year – The Hindu Business Line – 14th March 2021

Your health insurance premium is unlikely to be revised this year as most insurers are not looking to hike rates. Insurers also clarified that customers would not have to provide proof of Covid vaccination while renewing or purchasing a health plan. Many insurers had revised premium rates last year after meeting IRDAI norms for standardisation of exclusions. "Usually, insurers revise their premiums once every three to four years based on the behaviour of a particular product. If that coincides with a pandemic year, it should not be considered as an indication that it has been done due to the pandemic. Last year, the regulator wanted to standardise some exclusions, so some insurers have utilised it (to revise premiums), others are yet to utilise it," said an insurer. Another insurer said, as of now, most companies are not looking to increase premium rates this year. "Whatever had to be done, has been done last year," he said. Health insurance companies also stressed that with respect to premium pricing, they would not be discriminating between customers on the basis of vaccination. "It is for the safety of individuals to get the vaccine, but it is not that the insurers would use it to price the premium," one of the insurers said.

(The writer is Surabhi.)

TOP

Do NRIs need health insurance in India? – The Hindu Business Line – 13th March 2021

Pratik is 48 years old and has been working in the Middle East for over 15 years. He stays there with his wife and two kids. He wants to retire in India. He has saved enough to provide for all his goals. Until now, he has invested only in the NRE (non-resident external) bank fixed deposits. He and his wife have purchased a house in India and have accumulated physical gold gradually. Pratik has no exposure to equities yet. Over the past 12-18 months, the interest rates on NRE FDs have been going down. He worries that his money is not productively invested. With the sudden run-up in equity markets, he wants to invest in equity, too but is unsure on how to approach it. He has sufficient life cover. His employer covers him for medical expenses in the Middle East. Should he purchase a health insurance plan in India too?

Buying health insurance in India seems like an additional cost. However, there could be two situations where buying health insurance in India can be useful. One, something might happen to a family member during their visit to India, the treatment of which requires hospitalisation. Two, a family member may want to get a medical procedure done in India instead of in the Middle East. Also, right now, he and his wife are fit and can easily buy health insurance. However, as they get older, they might contract an illness which can make it difficult or prohibitively expensive to purchase health insurance. It's better to buy a health cover when you are fit. Therefore, it is important that he buy a health insurance plan in India. He can go for a small cover of say about ₹10 lakh.

(The writer is Deepesh Raghaw.)

TOP

Should you go for diabetes insurance? – The Hindu Business Line – 13th March 2021

India has about 77 million people with diabetes, making it the second most affected country in the world, according to a report by International Diabetes Federation. The numbers are expected to increase in the coming years. Sedentary lifestyle, unhealthy diet and tobacco use are some of the major factors for diabetes in the country, according to the WHO. To address specific disease-related medical expenses, a few health insurers have come out with a standalone diabetes cover. While your regular health policy also covers you for diabetes and other pre-existing conditions, it comes with a waiting period, unlike in case of standalone covers. So, should you go for such a cover?

The basics

As a policyholder, you have to wait for 30 days after the commencement of the policy before an insurer starts covering you. This is the initial waiting period that everyone has to go through. In case of pre-existing diseases such as diabetes, the waiting period is anywhere between 2 to 4 years for a regular health plan. With health covers specifically designed for diabetes, this waiting period either gets reduced or removed. In other words, those with diabetes get covered from day one. HDFC Ergo Health, Aditya Birla Health and Star Health Insurance are some insurers that offer specific policies for chronic conditions such as diabetes (pre-existing disease).

A diabetes plan works similar to any other health plan where it provides cover for hospitalisation, outpatient medical expenses, and pre and post hospitalisation expenses. For instance, HDFC Ergo Health's Energy Plan provides coverage for all hospitalisation expenses arising out of diabetes and hypertension, and HbA1C (blood sugar level check) check-up benefit. However, the plan doesn't cover outpatient expenses (OPD). But, Diabetes Safe insurance policy from Star Health Insurance covers OPD expenses. While the plan covers hospitalisation expenses, there is no coverage for pre and post hospitalisation expenses.

Some plans offer cumulative bonus benefit and restore benefit as well. For instance, the Diabetes Safe policy offers automatic restoration of base sum insured (SI) upon the exhaustion of basic SI. Similarly, HDFC Ergo's plan too offers both restoration (upon complete or partial exhaustion of base SI) and cumulative bonus benefit. Care Health Insurance's Care Freedom plan too recharges the base SI automatically once the existing SI gets exhausted. But this plan covers for diabetes only after a waiting period of two years.

Do keep in mind that, while there is no waiting period for diabetes, other pre-existing diseases waiting period applies. A few plans do have co-pay clause too (where the policyholder bears expenses up to a certain limit). For instance, Energy Plan provides the option for co-pay of 20 per cent on the eligible claim amount. But in the case of Care Freedom, co-pay of 20 per cent applies under all variants.

Your choice
The biggest advantage with most diabetes-only covers in the market is that, you get coverage without pre-existing condition waiting period. However, the premium outgo can be relatively higher. For instance, HDFC Ergo Health's 30-year my: health suraksha plan (regular health cover) costs ₹11,768 (excluding tax) per year for ₹10 lakh SI, while its Energy plan (diabetes plan) costs ₹,980 (excluding tax).

Your choice should not only be based on premium outgo but also your age, lifestyle and family history. Suppose, if you are in the early 20s, despite the likelihood of contracting the diseases (such as on account of family history), you could still wait for 24 to 36 months for the diabetic cover to kick in. So, you may not need a standalone diabetes-only cover.

A comprehensive health insurance policy covers for pre-existing diseases including diabetes with a waiting period of 2-4 years. For instance, in Optima Restore policy from HDFC Ergo Health, the pre-existing waiting period is 36 months. You can reduce your pre-existing disease waiting period if you feel it is too long. In the case of ICICI Lombard's Complete Health Insurance policy, you can reduce the pre-existing waiting period if you opt for SI over ₹2 lakh.

Alternatively, if you have contracted diabetes and your waiting period with a regular health policy is not over, then you can consider a standalone cover. However, there are regular health covers in the market that provide coverage for chronic illness including diabetes, asthma and cholestrol without any waiting period. For example, Activ Health from Aditya Birla Health, a regular health plan, provides coverage from day one.

(The writer is Bavadharini K. S.)

TOP

50 lakh gig workers under ESIC to be brought under social security net - Financial Express – 13th March 2021

The labour ministry has set a target to bring 40-50 lakh platform and gig workers under the Employees' State Insurance Scheme (ESIC), once the Social Security Code is implemented.

The code, passed by Parliament last September, seeks to extend ESIC benefits to these two categories of workers, which are among the least privileged among the labour force.

It has been proposed that the platforms and aggregators such as Swiggy and Uber will contribute either 1-2% of the annual turnover or 5% of the total amount payable to such workers, whichever is lower, to a social security fund.

The Centre was planning to implement the four labour codes passed by Parliament recently from April 1, 2021. However, as FE had reported, the implementation is likely to be delayed as most of the state governments are yet to frame the rules under the codes.

India is one of the few countries where steps have been initiated to bring workers of such category under social security. The standing committee on labour had recommended framing of schemes for platform and gig workers in the labour codes. Sources in the labour ministry said that an estimated 40-50 lakh such workers are likely to join the ESIC scheme soon after the code is implemented, but the number might go up in future. The idea is to bring all workers under some sort of social security net, they said.

In the budget for 2021-22, the government had proposed to set up a database of informal sector employees including gig and platform workers which may help in offering social security and welfare benefits to them. As per government's latest data, between September, 2017 and December, 2020, over 4.63 crore new subscribers joined the ESI scheme. As on March, 2018, ESIC had around 13 crore beneficiaries eligible to avail ESI benefits.

ESIC is applicable to establishments having more than 10 workers. Option for becoming member of ESIC has also been given to establishments with less than 10 workers under the social security code. ESIC is now present around 570 districts in the country and the government plans to extend its coverage to all 740 districts in the country. ESIC had recently tied up with Ayushman Bharat to extend cashless medical services through Ayushman Bharat empanelled hospitals to its around 1.35 crore beneficiaries in four states where its own facility is not available.

TOP

MOTOR INSURANCE

Comprehensive car insurance: know why it is a must-have for your four wheeler - The Hindu – 16th March 2021

So, you have bought the car of your dreams. You saved every extra buck from your hard-earned money to meet your goals, and researched the car market thoroughly to ensure that you are investing in the best possible four-wheeler for you and your family. But, what about maintaining your car and ensuring that you protect it against any untoward harm in the future?

This is where car insurance steps in. A third-party liability motor insurance is a necessary mandate from the Government of India for any passenger or commercial vehicle plying on Indian roads. Considering that the road is always an unpredictable place where accidents, carelessness and sheer bad luck can bring harm to you and your vehicle, a good car insurance policy is a must to protect you against any damages caused to life and property.

Why Do You Need Car Insurance?
If you own a four-wheeler, you already understand that your car needs maintenance and upkeep. Cars are machines, and quite expensive ones at that. From a mere dent on the boot from a careless motorbike rider to an unforeseen accident on the highway or a theft, it is crucial that you protect your property against untoward harm, or yourself from the financial implications arising out of such incidents.

Any car that sees the road every day is susceptible to a diverse range of threats. And, at every stage of your car's recovery and safety, you have to shell out a reasonable amount of money. Whether you are a new car owner or simply shopping for a new auto insurance, it is important to understand why you should invest in comprehensive car insurance from a reliable service provider like Bajaj Allianz General Insurance, and what the benefits of choosing a comprehensive insurance policy are.

What Are The Benefits Of Comprehensive Car Insurance?
Comprehensive car insurance comes with a wide range of coverage options that gives you the maximum protection. It includes multiple risk factors associated with the car, its passengers, any property or valuable within your car, and also offers coverage for any damages caused to third party vehicle and its passengers. What's more, comprehensive car insurances also protect you from a financial setback in case of any unforeseen events - like weather damage, natural calamities, car theft, fire and more.

To summarize, the benefits of comprehensive car insurance include:
1. Coverage of damage to your own vehicle - Whether your car has been in an accident, been a victim to theft, facing technical glitches or suffered a natural calamity, comprehensive car insurance can cover the financial losses arising due to a variety of reasons.

2. Protection against third-party liabilities - If your car has been in an accident that has caused any damage to someone else's vehicle, you are liable to pay for any damages caused and bear the expenses that arise from it. Comprehensive car insurance takes care of these expenses so you don't have to pay out of your pocket.

3. A cover for any bodily injuries or loss of life - As we have established before, cars are susceptible to accidents, and sometimes these turn into tragedies that don't just cause harm to your property but also your life. Should an accident in your car leave you permanently disabled or cause your untimely demise, a good comprehensive car insurance plan will offer suitable compensation.

4. It covers more than just accidents - Sure, a much cheaper collision insurance or driver's liability insurance could have you covered in case of a shattered windshield during an accident. But, what if the windshield of your very expensive car (a costly replacement, by the way) is shattered due to hail or a rolling boulder from an earthquake? Comprehensive coverage will protect your car towards any, and all unforeseen damages, even when they are not caused by a third party.

5. A complete comprehensive cover - Every single accident is unique. Most comprehensive car insurances will not just protect your car from motor accidents, but also offer coverage for a variety of other reasons. Examples of such damages are - fire, flood, collision with animals, vandalism, windstorms, earthquakes, damages from falling/flying objects, as well as personal baggage theft.

So, as you can see, choosing comprehensive car insurance that offers optional, diversified coverage is a better option than the state-mandated third-party liability insurance, as it offers additional protection for accidents and vehicular damage that is not just caused by a motor collision. You can read more about the benefits of car insurance by Bajaj Allianz General Insurance and the multiple services they offer their customers online. By entering some rudimentary details on the online car insurance premium calculator, you can also compute your quotes for comprehensive plans in no time.

Value-Added Extended Benefits For Your Car Insurance
These are always a good consideration, irrespective of whether you are a new car owner or are shopping for a new, more advantageous insurance policy for an older car.

For example, a zero depreciation cover also protects your car against general wear and tear as well as ageing related expenses. Your car starts to depreciate in value the moment you drive it out of the showroom and to your home. In case your car is in an accident and the cost of damages now exceed the value your car is at, the zero dep coverage comes to rescue. For brand new cars, you can get a bumper-to-bumper cover so your car can be restored to original invoice price without a penny spent from your own pocket.

Some of the top additional conveniences to consider adding to your car insurance policy are:
* Zero Depreciation for bumper-to-bumper cover.
* Engine Protector to protect from technical glitches and malfunctions of engine.
* 24/7 Spot Assistance in case of a car breakdown.
* Key & Lock Replacement in case you misplace your car keys or they are stolen.

* Consumable Expenses to maintain, service, and/or replace spare parts, which can cost quite a bit.
* Personal Baggage that protects the belongings in your car in case of theft.
* Conveyance Benefit to cover any expenses and/or significant concerns a car owner may face post-accident.

A top-notch brand like Bajaj Allianz General Insurance offers extensive policies for vehicle insurance online as well as a variety of add-ons that give you more value for your money. Adding these benefits to your comprehensive car insurance makes your policy airtight, giving you more bang for your buck. They do add to the premium value, but often they are value additions that pay off much more in the long- run. However, they are optional, and you can choose to add only the add-ons that are best suited to your needs and your budget. Insurance is the subject matter of solicitation. For more details on benefits, exclusions, limitations, terms and conditions, please read sales brochure/policy wording carefully before concluding a sale.

TOP

High battery costs result in expensive insurance premiums for electric vehicles – Moneycontrol – 12th March 2021

Twenty-one new electric car models are going to be rolled out in 2021. In 2020, 3,400 electric cars and 1.52 lakh electric two-wheelers were sold in India, as per data from the Society of Indian Automobile Manufacturers. With the Government announcing a vehicle scrappage policy and kickstarting electric vehicle manufacturing, their numbers could increase over the coming years. Rising fuel prices and environment protection measures have been pushing some customers towards electric vehicles.

Yet, no specially-designed insurance policies are available for electric vehicles as they constitute a small part of the total traffic pie currently. "The percentage of such vehicles is less than 1 percent as of now," says Aditya Sharma, Head, Motor Business, Bajaj Allianz General Insurance.

But unlike insurance costs in the US (21 percent higher) and UK (14 percent higher), India offers a 15 percent discount on premiums for third-party insurance cover on electric vehicles. This policy essentially covers the costs involved in damage and injuries caused to other vehicles and individuals. The discount has been mandated by the Insurance Regulatory and Development Authority of India (IRDA) since June 2019. The own-damage cover for electric car insurance has been generally higher so far in India. "Own-damage premium is similar for both electric vehicles and other fuel. Third party premium for an electric vehicle is lower by 15 percent as compared to other fuel types," says Adarsh Agarwal, Appointed Actuary at Digit Insurance.

Some insurers offer a lower premium on own-damage cover – that offers protection for damage done to the policyholder's vehicle – for electric car variants.

But there is no fixed trend so far because the EV segment is still in a nascent stage. "Electric vehicle's own-damage premium rates are also reduced on account of low speed and lack of engine-related damage claims," says Amitabh Jain, Head, Motor, Health Claims and underwriting at ICICI Lombard General Insurance.

Insurance costs are high
Since the cost of electric cars is considerably higher compared to that of other fuel variants, insurance is also expensive. The costliest component to be insured in an electric car is the battery, which accounts for 40-60 percent of the vehicle cost.

As and when battery prices drop, vehicle and insurance costs would also reduce. But insurers have their eye on the performance of batteries and their durability as the claims amount would be skewed towards this hefty cost if it needs to be replaced. "As of now the rating for insurance for all parts are at par with other fuel types. However, batteries are treated differently in terms of coverage, ratings etc. Fuel type is one of the rating criteria alongside multiple other factors such as geography and claim experience," says Sharma.

A pure electric vehicle (not hybrid) comes without the engine. So there would be no case for engine oil replacement or engine damage coverage, resulting in low service and repair costs. However, battery replacement costs are high. Also, since electric cars have fewer parts, even if one small part is damaged, the functionality of the vehicle is significantly affected. Besides, only select garages offer such repair services. This pushes up the own-damage insurance cover.

Add-on covers

Add-on covers insure specific parts of your car. Check if your insurance company offers those. Some of them are quite handy and help you reduce your out-of-pocket expenses. Additionally, the fibre parts and glass parts would be costly to replace as both the spare parts and the labour charges for the same would be expensive. Agarwal of Digit Insurance says, "Add-ons such as a zero-depreciation cover become more important for electric vehicles, where majority of the parts are made of fibre or plastic and attract higher depreciation than metal parts."

Sharma of Bajaj Allianz General Insurance suggests buying a comprehensive cover to ensure that there are no surprises later. A comprehensive cover is one that includes both own damage (repair for your own vehicle) and third-party damage (external person or vehicles injury and repair costs). Only if a comprehensive cover doesn't cover specific parts should you consider an add-on cover. Edelweiss General Insurance says it is planning to introduce covers to protect damage to chargers and cables that are not part of the vehicle and are used for charging at home etc.

Check the deductible clause

Though you can track an electric car remotely if it gets stolen, the battery cannot be traced. But in case of a battery theft, insurers have a clause asking the car owner to shell out a percentage of the insurance claims – also called 'deductible.' So, keep an eye on this clause while purchasing an insurance policy. "Customers should check for battery theft deductible that might be there in the policy where the insurer might have to pay a part of the claim in case of a battery theft," says Agarwal.

Future of electric car insurance

As more EVs hit the road and companies study the damage and maintenance patterns, insurance premiums and policies will evolve. For instance, as battery costs reduce, insurance premiums may also drop. More add-on covers can also come if, as Jain of ICICI Lombard says, insurance companies identify certain parts of electric vehicles – other than the battery – that are more prone to damage.

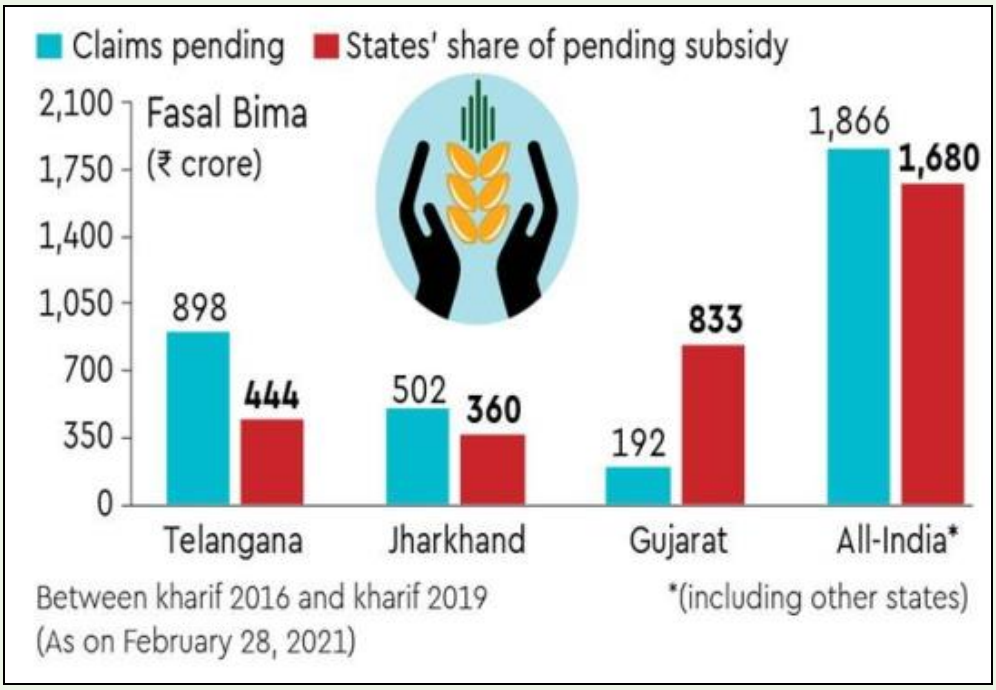
(The writer is Khyati Dharamsi.)

TOP

CROP INSURANCE

Unsettled Fasal Bima claims rise as states delay premium – Financial Express – 15th March 2021

Inordinate delays in payment of premium by many state governments are forcing insurers to hold up claim settlements under Pradhan Mantri Fasal Bima Yojana (PMFBY), Centre's flagship crop insurance scheme. Claims worth Rs 1,866 crore were yet to be paid to farmers, while defaulting states were to pay their shares of subsidy to the tune of Rs 1,680 crore as at the end of kharif 2019 season. The bulk of the outstanding dues are of Gujarat, Telangana and Jharkhand (together over 97 percent), resulting in farmers in these three states still waiting for unsettled claims of Rs 1,593 crore, according to official data (see chart).



While most of the claims were paid till 2017-18, the defaults occurred from 2018-19 onwards," a top executive of a leading insurance company said. Unless the government pays the subsidy premium in time, insurers would find it difficult to clear the claims within the stipulated period, he said.

The Centre also doesn't pay its premium share unless the state concerned clears its dues. Though there is provision for penalty for delayed payments of premium by state governments, this mechanism has not proven to be effective.

Under PMFBY, premium to be paid by farmers is fixed at 1.5% of the sum insured for rabi crops and 2% for kharif crops, while it is 5% for cash crops. The balance premium is split equally between the Centre and states. In the revamped PMFBY guidelines, a provision has been incorporated wherein states — where payment of state subsidy is excessively delayed — would not be allowed to participate in the scheme in subsequent seasons, according to PMFBY's CEO Ashish Bhutani. However, the Centre has been lenient in invoking this provision after many states withdrew from PMFBY.

In September 2018, the government imposed 12% interest for the delay in settlement of claims by insurers beyond two months of the deadline, after receiving all premia. It was made mandatory for states to pay 12% interest for the delay in release of their share of premium beyond three months from the cut-off date. The new guidelines also require 50% upfront premium (of the total premium amount in the previous season) to be paid to insurers at the beginning of the season by both Centre and states. The balance premium will be paid to the insurers in installments and it will be based on the business statistics and settlement of claims.

Finance minister Nirmala Sitharaman in July last year had directed officials to follow up with states if and where subsidy releases are pending, particularly in those states which are not implementing the PMFBY in kharif 2020. Prior to the finance minister's direction, the agriculture ministry had also written to the states to invoke the penalty clause on insurers that have defaulted on settling the claims made by farmers.

As many states were complaining about ever increasing premium, the Centre in February last year changed the guidelines. The Centre will foot the PMFBY subsidy bill to the extent of its formulaic share so long as gross premium level is up to 30% of the sum assured in non-irrigated areas and 25% in irrigated areas. The onus is on the states if they want to implement the scheme even if insurers quote any premium above 25-30%.

(The writer is Prabhudatta Mishra.)

[TOP]

PENSION

PFRDA looking to introduce minimum assured return product: Chairman – Financial Express – 12th March 2021

The Pension Fund Regulatory and Development Authority (PFRDA) is working on plans to introduce innovative retirement benefit products, such as one providing minimum assured return, to attract more subscribers, its Chairman Supratim Bandyopadhyay said.

"Apart from NPS and Atal Pension Yojana (APY), we propose to have some innovative products to attract more and more customers. The first product that we are targeting is a product which will have a minimum assured return," Bandyopadhyay said.

He was speaking at a virtual actuarial conclave organised by the Institute of Actuaries of India. Currently, pension funds are managed under the mark-to-market (MTM) accounting method, and so giving a guarantee, even if it is a floating guarantee, calls for a lot of skill and thought in designing the product, Bandyopadhyay said.

He urged actuarial professionals to help the pension regulator in designing the new product. "The moment they (pension fund managers) start giving guarantee on products, it will have a lot of bearing on their capital requirements and capital adequacy structure," he noted, adding that inputs from actuaries can play an important role.

Another area the regulator is focusing on is providing higher annuity or pension that can offer higher rates to subscribers at the time of exit from the National Pension System (NPS), Bandyopadhyay said. "At the time of exit (from NPS), the only option that we give is that at least 40 per cent of the retirement corpus has to be annuitised.

Currently, the annuity rate, which normally tracks interest rate in the market, is going down," he said. The lower annuity rates have resulted in discontent among the old generation, he added. "Can we have some different kind of annuity products wherein the annuity rates would vary according to some market related benchmark?" he suggested.

Bandyopadhyay further said the regulator is also planning to introduce an alternative mode of payout to the existing annuity. "…we are thinking in the lines of something called a systematic withdrawal plan. The kind of annuities we have, they will not give the benefits that we are thinking for the retired generation in the long run," he added.

He said the regulator is also considering giving pension projections to new as well as existing subscribers. A lot of other countries, as a best practice, are giving pension projections for the customers who are continuing or just joining to understand what kind of pension benefits they are going to get at the end of their working life," he said.

He urged actuaries to join hands with the regulator to give NPS subscribers some kind of pension projection. The chairman said the number of subscribers in NPS, including Atal Pension Yojana, has seen a y-o-y growth of 20 per cent as of February-end. As of today, 3 crore subscribers have joined APY, he said. During the lockdown when there were restrictions on mobility, there was an addition of more than 70 lakh new subscribers to APY alone, Bandyopadhyay added.

TOP

GLOBAL NEWS

Singapore: General insurance sector records flat growth in 2020 – Asia Insurance Review

The General Insurance Association of Singapore (GIA) yesterday announced that the sector recorded a marginal 0.2% decrease in gross written premiums to S$4.09bn ($3.05bn) for the year ended 31 December 2020, compared to 2019. The sector also recorded an underwriting profit of S$237.3m.

While COVID-19 has undoubtedly impacted the sector in 2020, the strongest business implications were felt during the circuit breaker period, the GIA said in a statement. Motor and Travel claims saw a decrease in 2020 following an improvement in the overall road traffic situation during the circuit breaker period and suspension of key activities in air travel.

As measures and restrictions progressively eased in the second half of the year, key economic and social activities regained traction and the sector is expected to observe the gradual return to pre-pandemic performance further into 2021. For example, based on latest statistics, the number of accident reports made monthly are back to more than 80% of December 2019 levels. Throughout Singapore's phased reopening, general insurers have played a key role in enabling Singapore's economic recovery by keeping insurance accessible and supporting Singaporeans when they need protection the most.

Recovery efforts

GIA's key initiatives for 2020 were geared towards accelerating economic recovery. Since November, the sector, in partnership with the Changi Airport Group (CAG) and Singapore Tourism Board (STB), has been facilitating the resumption of travel to Singapore and helping Singapore maintain its position as an air transport and business hub.

General insurers are steadily developing timely insurance products designed for both outbound and inbound travelers. To support customers further, the Association has also rolled out flexible premium instalment payment plans, which have been extended to policyholders till 31 December 2021.

Mr Craig Ellis, GIA president, said, "In our fight against COVID-19, the crisis has reminded us of the power of collaboration in finding solutions to ensure Singaporeans remain protected during this difficult period. General insurers have remained resilient and agile in response to addressing changing protection needs and evolving risks, further endorsed by the findings of our recent consumer survey, in partnership with YouGov.

"The only way forward for us is to continue what we started—proactively driving progress and innovation for our industry to propel Singapore towards its eventual recovery and ensuring insurance remains accessible when people need it most."

New opportunities amid changing protection needs

A survey, conducted with a representative sample of 1,000 respondents in Singapore, revealed new areas for general insurers to address.

Usage-based insurance (42%) and COVID-19 insurance (41%) surfaced as the topmost unmet needs sought by respondents. More than one in four (28%) also deemed the hospital cash insurance as the most important benefit within the next 12 months. Amid increasing digitalisation, where a growing trend to get general insurance products online has been observed, most—even among the younger, digitally savvy generation—still prefer to purchase general insurance through insurance agents and brokers, suggesting a preference for the human touch for more complex needs.

Driven by these learnings as well as the rise of emerging threats such as cyber risks and climate change, general insurers remain committed to pursuing innovation and collaboration towards a stronger and more progressive sector.

Amid the ongoing roll-out of COVID-19 vaccines and the gradual easing of certain challenges faced in 2020, the sector remains optimistic and determined to help steer Singapore towards post-pandemic recovery, the GIA says.

Through ongoing collaborations—such as the Global-Asia Insurance Partnership to address new risks—general insurers are committed to meeting consumers' emerging needs and ensuring that protection remains accessible to all.

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