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QUOTE OF THE WEEK

"The quality of a person's life is in direct proportion to their commitment to excellence, regardless of their chosen field of endeavour."

Vince Lombardi

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Permanent Life Insurance

Permanent life insurance is an umbrella term for life insurance policies that do not expire. Typically, permanent life insurance combines a death benefit with a savings portion.

The two primary types of permanent life insurance are whole life and universal life. Whole life insurance offers coverage for the full lifetime of the insured, and its savings can grow at a guaranteed rate. Universal life insurance also offers a savings element in addition to a death benefit, but it features different types of premium structures and earns based on market performance.

INSURANCE INDUSTRY

Insurance: Insurers can now invest in Fund of Funds - Financial Express – 21st May 2021

The Insurance Regulatory and Development Authority of India (Irdai) has allowed insurers to invest a portion of their investable funds in "Fund of Funds" (FoF). FoF is a pooled Fund which makes investments in other funds falling under Alternative Investment Funds (AIF) into which the insurers are already authorised to invest some specified portion of their investable fund. By investing in FoF, the insurers can diversify their investments to the extent it is safe and profitable.

Investments made by life insurers and pension funds can help in the growth of our real economy. Insurers are considered to be in a better position to invest in AIFs like FoFs. It is beneficial also for insurers and pension funds to achieve desirable asset liability matching by investing funds in areas which need long-term financing.

Investments in AIFs

Mature markets of the world have proved that direct long-term investments in AIFs have been able to diversify risks and increase total returns. For this reason, long-term savings oriented life insurance products and annuities are most favoured products in those countries. In Taiwan, the country with highest insurance penetration, about 80% of insurance products sold are whole life products, because people get handsome returns from these products. The focus everywhere is shifting from de-risking of investments to re-risking, since risk-free investments is fetching lower and lower returns as interest rates continue to plummet.

Recently, domestic private retirement funds were allowed to invest up to 5% of their investable funds in AIFs. The recognised provident funds have also been allowed to invest in domestic venture capital, SME funds and infrastructure focused AIFs. Annual premium income of the insurers pooled together exceeds the total capital available in the entire AIF space of the country. So, even a small portion of this fund can transform the AIFs.

Portfolio construction

Claims under life insurance policies can be estimated with a significant level of accuracy. This enables the insurers to invest in less liquid assets (like FoF) quite confidently, fetching better returns and getting cash inflow that can match fairly well with cash outflows. This policy can immunise an insurer's value against possible interest rate changes. Insurers everywhere are making fundamental changes in their portfolio construction, to achieve a better risk adjusted return. Irdai's recent policy can enable insurers to compete better in the financial market and contribute more for further economic growth.

Insurers and annuity fund managers need to make investments in areas which are less correlated to the traditional approved investments. Since FoF invests money in a wide spectrum of industries, they are likely to earn higher than average returns. Large insurance companies and pension funds can invest in FoF to invigorate the startup ecosystem. This will not be a bad investment as startups had been growing at 12-15% annually even up to 2019. The Covid pandemic has dampened the spirit of the startups to some extent but they can be back on their feet again if long-term financial support is available.

Insurers investing in riskier instruments should follow sound underwriting principles to reduce total risks. Persistency of insurers has to improve significantly so that more money can remain invested for a longer term. Insurers need to have a fair amount of knowledge of the projects where their money is being invested. They need high quality data to ascertain the long term viability of these projects.

Product innovations may be required to ensure that surrendering of certain types of policies in the near or short term is not allowed or allowed with heavier penalties. Further, tax reliefs can be granted to those investing money in very long-term policies (25 years and more). If such measures are taken, there is no reason why the latest initiatives of the government and Irdai to allow insurers and annuity fund managers to invest money in FoF cannot be a game-changer for the industry.

(The writer is Nirjhar Majumdar.)

TOP

Government notifies rules with regard to amended insurance laws - The Economic Times – 20th May 2021

The government has notified rules pertaining to amended insurance laws that seek to raise foreign direct investment (FDI) limit in the insurance sector to 74 per cent from the current 49 per cent. These rules may be called the Indian Insurance Companies (Foreign Investment) Amendment Rules, 2021, according to a gazette notification.

"Total foreign investment in an Indian insurance company shall mean the sum total of direct and indirect foreign investment by foreign investors in such company, calculated in such manner as is specified in regulations made by the Authority (IRDAI) with regard to registration of Indian insurance companies," it said.

The Insurance (Amendment) Bill, 2021, was passed by Parliament in March. The Bill amended the Insurance Act, 1938. "In the principal rules, in rule 3, for the word 'forty-nine', the word 'seventy-four' shall be substituted," it said. FDI in the insurance sector was increased from 26 per cent to 49 per cent in 2015.

The announcement for hiking the FDI limit was made in the Union Budget 2021-22 on February 1. The new arrangement is expected to benefit 23 private life insurers, 21 private non-life insurers and seven specialised private health insurance companies.

TOP

Insurers to make life, health cover norms tougher: A new cover story in times of Covid - The Economic Times – 18th May 2021

Just when Indians most need the financial anchor that insurance provides, insurers will be making the purchase of life and health covers tougher for millions. And application rejection rates are likely to go up. The cold logic of the insurance business — stricter underwriting norms for future policies to make up for high payouts on current ones in a covid-ravaged nation — will especially affect Indians with comorbidities, history of mental illness, who are frontline workers or unemployed or self-employed, or have a low credit score. Those recently recovered from Covid will also bear the brunt. Insurers, both life and health, have been asked to make underwriting norms much more stringent by global reinsurers — companies that insure the risk of insurers — to cut their losses, as per industry executives. ET spoke to over half-a-dozen insurance industry insiders to understand how these new norms will impact prospective policyholders, whether they are buying a new policy or renewing an old one. Those who spoke to ET include executives in insurance companies, brokerages, distributors and officials in supervisory bodies.

On the term life side, companies have been instructed to conduct physical medical examinations of applicants — a departure from the telemedical assessment. This means that those with a history of serious ailments or comorbidities will find it harder to get their applications approved. Moreover, prospective policyholders who are self-employed, students, frontline workers prone to accidents or are thought to be more exposed to potential infection, applicants with annual income less than Rs 5 lakh or those without college degrees can face higher rejection rates. Part of the reason is that actuarial assessment by insurers correlates life expectancy with "standard of living," and that assessment is being applied harder, industry insiders said. Worse for customers, tighter norms come on top of a 25-30 percent hike in term prices being quoted by most life insurers beginning FY22. However, India's largest life insurer, the Life Insurance Corp of India, hasn't revised its prices. ET couldn't independently verify whether these tighter standards will be enforced by LIC as well.

Reinsurance contracts signed by insurers in FY22 will put these new norms into force. However, most insurance companies have not yet made revised criteria public. Swiss Re is the dominant foreign reinsurer working with life companies in India. RGA, Lloyd's of London, Munich Re also have exposures in the Indian market. "There has been a view for several years that in India underwriting criteria have been lax and liberal for several years and not proportionate to premium pricing," said the chief executive of a private life insurer. "India has among the lowest term prices in the world. The pitch to reinsurers has always been that for these prices the insurers will onboard only quality policyholders. However, the current pandemic has tossed all mortality assumptions out of the window," the person added.

Meanwhile, on the health insurance side too prospective policy buyers should expect a stringent underwriting process. According to insiders, these are on account of both the pandemic as well as the Insurance Regulatory and Development Authority's (Irda) new rules for health insurance on standardisation of terms and conditions. Patients with long-term illness history can expect a more stringent health insurance application process as Irda rules no longer allow for exclusions on pre-existing conditions. Those with existing mental health ailments could face an even higher rejection rate as the Supreme Court has made it mandatory for insurers to cover costs of mental health treatments as well.

(The writer is Ashwin Manikandan.)

TOP

Insurance industry in India: heralding a technological transformation – Dataquest – 17th May 2021

If we look at how the insurance business has been carried out over the years, it is evident that functions such as underwriting, issuing policies, distribution network and claim settlement etc used to be heavy on paperwork and manual effort. If a person needed to buy a policy then he will contact an agent who would get the form filled and deposited personally. The person would then need to wait for weeks to get the policy issued. Claim settlement was another such laborious issue. However, with the emergence of insurtech, things are changing rapidly. Insurtech is a broad term given to various advanced technologies such as automation, computerized processing, AI, data analytics, machine learning and digital marketing etc. Various insurtech startups and platforms are creating customized tools based on these technologies to make insurance a less labour intensive and more efficient business.

In the post-pandemic scenario, technology is going to be the key to consumer satisfaction and it is transforming the insurance sector as well with automation of conventional processes. To see how things are changing through insurtech, let's start from the way insurance companies market their products these days. Since the distribution has gone digital, it has also simplified and empowered the sales operations. The customers can directly evaluate the products available online and interact with the sales personnel through live chat and make the purchases online from either the insurance company website or the insurance aggregator platforms.

Although, in a country like India, majority of the insurance sales still take place offline, the trends are definitely changing. Most of the leading insurers have already developed advanced digital platforms for consumers to buy policies online. The day is not far when most of the insurance sales across India will take place digitally. The direct digital access to insurance products and online purchases are not the only areas of insurance operations that are being transformed by technology. For instance, underwriting is a specialized activity which is now witnessing digital transformation that is highly data driven. Wearable medical devices provide precise data related to a person's health condition and also facilitate continuous monitoring to aid the underwriters.

One of the biggest transformations which is going to lead to mass adoption of insurance in India in the years ahead is the digitization of application and policy issuing processes. Barely a decade ago, the process required filling up of complex forms and things like e-signatures and e-policies which are common now, were considered unthinkable. This has led to great efficiency in seamless customer service and things will only get better with further innovation. An important and impactful change brought by technology is the process of claim settlement. Automation of the processes has literally created capabilities which would have been considered as science fiction a generation ago. The technology driven claim verification, evaluation and pay-outs have become almost a breeze. For instance, if a car gets damaged in an accident, there are tech tools which enable accurate assessment of the losses and insurers are empowered to make payments almost on-the-spot.

Usage of technology driven platforms especially social media has transformed marketing operations in the insurance sector already. Insurers are constantly using automation to mine social media data and revamp their customer experience based on the insights generated from data analytics. The impact of digital marketing in insurance is even greater in the post-pandemic scenario as most of the audience is likely to look online for the right products.

This digital marketing integration has directly led to the revamp of distribution channels for insurtech companies. With e-commerce features, there is a rising trend of direct distribution wherein customers looking for insurance products directly access the company website online and through mobile devices to search, analyse, and buy insurance policies online. This digitization is doing away with the need of an elaborate intermediary distribution network. Regular insurance products such as car, personal, health and property insurance are now being sold online seamlessly.

Insurtech is also going to drive inclusion. We are soon going to see the implementation of micro insurance regulations in the technology driven landscape. We are already seeing changes in the global insurance ecosystem and technology has now enabled insurers to reach new mass markets with ease. Data gathering and analytics will boost penetration of insurance products in previously under-covered areas such as non-urban India. Through the power of automation, digital smart phone apps and advanced analytics, AI and IoT tools, we will see digital insurance companies enjoy greater efficiency and customer satisfaction with even a lower human workforce. These type of leaner organizations with wider coverage are going to gain prominence in the future insurance ecosystem.

(The writer is Subhajit Mandal.)

TOP

INSURANCE REGULATION

Indian insurance regulator closely monitoring policy holder services during pandemic, say key officials - India Blooms – 18th May 2021

He was speaking at a webinar titled 'Health & Term Insurance for MSMEs: Open Issues, Way Forward & Role of IRDAI', organized by the PHD Chamber. Mathur said that the IRDA has allowed new policy products like 'Corona Kawach', 'Corona Rakshak' and 'Arogya Sanjeevani' to tide over these difficult times of pandemic. He said that the situation is being constantly monitored on a daily basis, for all stakeholders.

IRDA, according to Mathur, is also taking initiatives to facilitate the settlement of claims and benefit the policy holders such as quicker approvals; covering tele-medicine services under health insurance, doing away with submission of hard copies for settlement of claims, directing hospitals to provide cashless treatment as per contract, among others. Pradeep Multani, Senior Vice president, PHD Chamber said that health insurance provides people with a much needed financial backup at times of medical emergencies. In India, countless families have been hit financially due to high treatment cost at most private hospitals.

It has, thus, become extremely important at this juncture that people should introspect their insurance needs as per requirements, said Multani. In India, the MSMEs are considered as the growth engines of the economy. However, it is disappointing to note that healthcare coverage in terms of group health penetration is alarmingly low, he said.

It is therefore very important that the healthcare insurance industry develops infrastructure and delivers affordable healthcare to the sector. Jyoti Prakash Gadia, Chairman, Banking, Financial Services & Insurance Committee, PHD Chamber, said that MSME units lack the requisite expertise to understand the importance of Health Insurance; thus it is important to sensitise them about the benefits of health insurance, which will outweigh the costs associated with it. SK Sethi, Senior Member, PHD Chamber siad that financial liability is best managed through insurance and must be taken by all on priority. Insurance experts who dwelled on the different aspects of health and term insurance included Pushan Mahapatra, President-Strategic Investments & Head-Open Market, SBI General Insurance: Dr. Syed Asif Hussain, Chief Underwriter/ Head of Claims,Tata AIA Life Insurance Company Limited, and Shailesh Kumar, Co-Founder & Insurance Head, Insurance Samadhan.

TOP

LIFE INSURANCE

Little cover: Insurance firms hike term premium, eligibility norms - The Economic Times – 19th May 2021

The television may be teeming with ads offering "Rs 1 crore insurance for as low as Rs 400", but insurance firms are now taking a hard look. With the raging Covid pandemic leading to a spike in death claims, insurance firms are relooking at the term insurance plans. Term insurance rates are being hiked 25-30% from this fiscal going by the reinsurance contracts signed by insurers.

On top of the hike in premiums tighter norms are being implemented while signing policies and rejection rates are high. Some firms have raised the income requirement bar from Rs 3 lakh to Rs 5 lakh, while medical reports are being asked from customers seeking a policy, instead of telemedical earlier. Many have stopped offering term insurance for people above a certain age. Moreover, self-employed, students, frontline workers prone to accidents or are thought to be more exposed to potential infection may face higher rejection rates. Current Irda rules don't require insurers to disclose rejection rates. Insurers are also not required to state reasons for rejecting a health or term policy.

The rationale

The quantum of compensation in a life insurance policy is usually a significant amount. If the insurance company accepts too many such risky policies, it may become challenging for it to honour the claims later if a large number of people gets affected due to post-covid medical complications. This has resulted in insurers raising their guard before accepting new policy applications.

When it comes to claim amount per insurance cover, health insurers face lesser risk than life insurers however, in a pandemic situation, health insurers have also become cautious in accepting new policies.

Cooling off period

In the case of life insurance, the covid survivor will get a waiting period ranging from one-three months or more, depending on the criticality of the infection, the prevalence of underwriting checks as required. However, a three-month waiting period may not be sufficient in some cases as this waiting period can further be extended. some insurers have increased the scrutiny for pre-existing diseases such as lung and chronic diseases or even diabetes.

Health insurance

Patients with long-term illness history can expect a more stringent health insurance application process as Irda rules no longer allow for exclusions on pre-existing conditions. Those with existing mental health ailments could face an even higher rejection rate as the Supreme Court has made it mandatory for insurers to cover costs of mental health treatments as well.

For those recovering from Covid, an unofficial cooling-off period of 45-90 days after a Covid-negative report has been mandated before a policyholder can be eligible for either a health or term life cover. This, because the mid-term effects of coronavirus are yet unknown to the medical community. There have been many instances of people having developed medication complications after recovering from Covid-19, some of which can be life threatening as well.

Death claims

Life insurance companies have paid Rs 2,000 crore towards Covid death claims in the last fiscal. These claims were over the normal death claims settled by them every year. The 24 life insurers settled over 25,000 Covid death claims. According to the latest industry data compiled by the General Insurance Council (GIC), health insurers have received over 14 lakh Covid claims worth over Rs 22,000 crore as on May 14.

TOP

Best governance practices through enhanced processes can help in achieving financial inclusion in Insurance - Financial Express - 18th May 2021

Financial Inclusion is in simple words the availability of financial services to everyone and has been the goal of our government post-independence. While the initial initiatives were around making banking services available, significant steps have been made to use the banking channel to offer life insurance in the last few years. Insurance has played a significant role in enhancing financial inclusion in India and is now included in the measurement of financial inclusion. Technology & simple yet easy processes have made and can continue to make a dramatic difference to enhance life insurance penetration. It is an interesting area and warrants a discussion.

In another fortnight, banks across the country who have participated in Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) will execute the 7th year of its operation. PMJJBY offers a life cover of Rs 2 lakhs of sum assured at a nominal premium of Rs 330/- to anyone who has a bank account and is in the age group of 18-50. It may not be a lot but a sum of 2 lakhs would give a return of approximately Rs 1000 p.m. which can supplement the earnings of the dependants.

Basic Process: The key processes to reckon with include customer onboarding which happens across the year, the renewal which happens on June 1st and claims which are filed on the loss of life by the nominee. As banks are the primary distribution channel, the front all of these. They collect premium through their various touchpoints along with a proposal along with an auto-debit mandate and have the capability of giving a Certificate of Insurance to the customer across the table. Based on the inputs received from the bank, the insurer also can send the certificate of insurance. The bank sends renewal reminders through SMS to its customers and debits their account on June 1st to ensure continuous coverage. Claims forms are accepted at the branch and shared with the insurer for processing and have a high settlement ratio of near 100% as only fraudulent claims get repudiated.

Process Improvements: Several enhancements have been done to the above process. Some of them include pro-rated quarterly premium, lien period of 45 days for new policies, digital customer onboarding through mobile & internet banking and process to ensure that claims are paid by only one insurer. Further, the claims processing has seen significant improvements basis close coordination & integration between banks & insurance companies over time on account of a learning curve effect. Recent improvements include allowing the insurers to offer this product to customers directly.

Innovation & thinking out of the box: They hold the key to further improvements as the existing process is lucid. While this is a highly regulated product and the product structure & the process is tightly governed by the Department of Financial Services, Financial Inclusion need not get restricted to one product in the life insurance industry. They can be offered by insurers through existing and new products that they can develop.

Channel: Financial inclusion can be driven through channels beyond banks & postal services. India is seeing rapid advances in the adoption of digital means of doing business across geographies. Necessity has driven channel innovation in the last year impacted by a pandemic. This opens several vistas through which life insurance could be sold in the future. A seamless process developed by any product or service which reaches out to the masses is a recipe for success and may very well lead the life insurance penetration in the country.

Bite-Size: Shampoo sachets may have caused a revolution in the FMCG industry and were quickly adopted by tea, coffee, toothpaste, snacks, soft drinks, nutrition drinks and many more. They have made hitherto unaffordable products available to the bottom of the pyramid customer. This has particularly been successful in small retail shops which the producers have grown to nurture. Bite-sized life insurance covers could very well do the same with shorter tenure, lower sum assured and lower premium, and play a big role in building financial inclusion.

Sandbox: The Insurance Regulatory & Development Authority of India launched the regulatory sandbox in 2019. The objective is to strike a balance between orderly development of the insurance sector and protection of interests of the policyholder, whilst driving innovation. The categories allowed include distribution, products, underwriting, policy & claims servicing and any other that is recognized by the regulator. With several Insurtech firms, Brokers, Corporate agents & Insurance companies treading the path of innovation, we can expect exciting processes to emerge soon.

With the use of Artificial Intelligence and machine learning gaining prominence in the industry, process improvements will cut across barriers and play a role not only in servicing customers but also in the sales & distribution journey. If each one of the 135-crore people of India must get insured, someone needs to keep asking the tough questions.

"If you do not know how to ask the right question, you discover nothing." – W. Edwards Deming

(The writer is Sunder Natarajan.)

TOP

For a life term of no regrets – The Hindu – 16th May 2021

In July last year, just as many others fearing the pandemic, Ashish (35), bought a term life insurance policy at ₹300 per month with a cover amount of ₹50 lakh to protect the financial future of his dependants that included his wife and two children. However, within a few days, he realised that while deciding on the cover amount, he did not take into consideration the home loan of ₹50 lakh he had to repay. Fortunately, he got the cover amount enhanced to ₹1 crore as his insurer provided a grace period of 30 days to make changes in the policy. Had Ashish not enhanced the coverage amount, his family would have not been able to meet even half of the expenses upon his demise.

Similarly, four years ago, Bengaluru resident Nishant (45) bought a term life insurance with a ₹2 crore cover for future financial protection of his family that included his 42-year-old wife and two children aged 19 and 17.

While buying the policy, Mr. Nishant had chosen the right life cover, but did not think through as to how his family would manage the corpus of ₹2 crore upon his demise. Unfortunately, Mr. Nishant passed away due to a terminal illness last year and his family received ₹2 crore from the insurance company. On the advice of near and dear ones, his wife invested the entire amount in a shopping complex, which was coming up nearby, but is nowhere near completion now. She is stuck in a limbo on the expenses that are to come up in the next two months for the children — post graduation in the U.S.

Remember core goal

In both scenarios, the core objective of a term life insurance plan — financial protection of the dependants in case of the sudden demise of the breadwinner — could have been better served. While the intent of buying the term life insurance was right, the decision had been taken without evaluating and comparing certain important aspects.

While planning to buy a term life insurance plan, it is important that you do two things — one is to review and calculate the financial needs of your family in the coming years; and second, to compare the plan that you opt for with those available in the market, to choose the most suitable one.

For the first, consider the financial needs of your family and the life cover that you need. Your financial status today may not be the same tomorrow, it will only increase with time. Similarly, the expenses of your family are sure to rise in the years to come. When deciding on the cover amount, there are a few things that must be considered including the current family expenses, liabilities such as home or car loan, one-time expenses like children's education and marriage, and retirement planning of the spouse.

Part lump sum options

For the second, select the best plan from those available in the market. For example, Mr. Nishant's family would have been in a better position had he compared and chosen a plan that had terminal illness benefit, wherein Mr. Nishant could have received the ₹2 crore death cover months before his death.

He could have allocated the money for the right financial instruments had he chosen a plan that gave a part of the claim pay-out as a lump sum and a part in monthly instalments. Terminal illness is defined by a few plans as an illness that would lead to death in the next six months and a terminal illness benefit in a term plan pays out the life cover amount before the demise. Similarly, there are plans where you can choose whether the family should be given ‘a lump sum ₹2 crore on death’ or ‘₹50 lakh on death and ₹15 lakh every year for the next 15 years’.

Another important aspect that demands your due consideration while buying a term life insurance plan is coverage tenure — the number of years you want your policy to protect you. Ideally, you must buy a term plan by factoring in the earning capacity or retirement age. This is since you would have taken care of your children’s education or marriage, and post-retirement planning by then. The other aspect is the coverages your plan provides, such as terminal illness and waiver of premium in case of disability.

One of the strong pillars of comprehensive financial planning is protecting the future of your dependants through a term life insurance policy. In the past few months, there has been an increase in the sale of term plans across all customer segments. It is true that theCOVID-19 pandemic has reinforced the importance of financial protection in the minds of consumers in a way like never before. While it is good that more and more people are rushing towards buying term plans to provide financial protection to their dependants, it is equally important to buy the right product after comparing the various plans available, especially amid growing concerns around the second wave of the pandemic which is considered more dangerous than the first wave.

(The writer is Sajja Praveen Chowdary.)

TOP

Know the condition before opting for a fixed deposit with free life insurance - Live Mint – 15th May 2021

Some banks are offering free life insurance if you open a fixed deposit (FD) with them. But such insurance policies come with a cap and could have conditions and some restrictions. Take DCB Bank Suraksha FD as an example. The bank has tied up with Aditya Birla Sun Life for the life insurance policy. It's available for those between 18 and 54 years. According to the bank's website, customers who have completed 55 years are not allowed to open Suraksha FD.

The life insurance is equivalent to the amount held in the fixed deposit. If you have ₹1 lakh in the FD, the insurance cover is ₹1 lakh. However, there's a cap of ₹50 lakh. If you hold more than this limit, the cover will still be ₹50 lakh. The interest rate is 6.75% on the Suraksha FD, which is for a three-year tenure. There is a restriction on the age and the tenure as there's a cost attached to it.

ICICI Bank offers a free life insurance cover of ₹3 lakh. According to its website, the insurance policy available for one year if the customer opens an FD of ₹3 lakh or more. The tenure of the FD should be over two years or more. . It's available for customers in the age group of 18 to 50. The bank offers the group cover in partnership with ICICI Prudential Life Insurance.

For both the banks, the life cover is withdrawn in case of premature withdrawal. In the case of joint accounts, the bank covers the primary holder. As these fixed deposits come with conditions and restrictions, don't opt for them only for the free life insurance cover. Go for them only if you would have selected the bank without the life cover. Also, don't rely on life insurance that comes free with financial products like FD or mutual funds. Buy a term plan that offers a cover of at least 10 times your annual salary. These additional cover can only further boost the primary life insurance policy that you have.

TOP

ULIP vs ELSS Mutual Fund: Key things that an investor must know - Live Mint – 15th May 2021

ULIP vs ELSS Mutual Fund: Unit Linked Insurance Plan or ULIP and Equity Linked Savings Scheme or ELSS Mutual Fund are one of the investment options that helps an investor get income tax benefit on investing and beat inflation by big margin in long-term. Both are market linked but ULIP is mix of both debt and equity while ELSS Mutual Fund is 100 per cent market linked. According to experts, both investment tools help an investor get to the tune of 12-15 per cent return if the investment is for 20 years or more. But, there are some differences in both investment options that an investor must know.

Speaking on ULIP vs Mutual Funds (ELSS) Kartik Jhaveri, Director — Wealth Management at Transcend Consultants said, "When it comes to tax saving, both are tax saving investment options but in ELSS mutual funds, one can get income tax exemption on up to ₹1.5 lakh investment in single financial year while in the case of ULIP, the Government of India has made it ₹2.5 lakh from this fiscal year. In ULIP there is five year lock-in while in ELSS mutual funds lock-in period is three years." Jhaveri said that ULIP is mix of both debt and equity while ELSS mutual fund is 100 per cent equity investment. He said that ULIP maturity amount is 100 per cent income tax exempted while ELSS mutual fund maturity amount requires Log Term Capital Gain or LTCG Tax.

Speaking on ULIP vs Mutual Fund (ELSS plan) SEBI registered tax and investment expert Jitendra Solanki said, "In ULIP entry load in early phase of investment is high as it requires fund management charges along with the insurance premium payment. ULIP is an investment-cum insurance plan where the investor is insured. But, in the case of ELSS mutual funds, there are only fund management charges that one needs to pay. In simple terms, if an investor pays ₹100 in ULIP plan, he would be able to get around ₹90 to ₹95 invested while in the case of ELSS mutual fund; out of ₹100 payment around ₹97.5 would get invested."

Solanki said that an investor has an option to choose debt or equity or both while investing in ULIP and has the option to switch even during the lock-in period. Apart from this, one can increase or decrease one's equity or debt exposure from zero to 100 per cent depending upon the market movement. So, ULIP gives an option to maximise one's returns when the market is moving upward while it also helps an investor to minimise one's loss when the market is on the sliding note. On how much one can expect to get in return if the investment is for 20 years or more both the experts said that one can expect 12-15 per cent return on one's investment depending upon the market performance in the last two years of the maturity.

(The writer is Asit Manohar.)

TOP

GENERAL INSURANCE

Govt to provide medical, accident insurance to over 13,000 athletes, coaches - Live Mint – 20th May 2021

The government has decided to widen its medical insurance cover for sportspersons by increasing the number of beneficiary athletes and including contractual coaches and support staff from this year in the wake of the COVID-19 pandemic. The Sports Authority of India (SAI) on Thursday said that with this decision, the coverage would increase to more than 13,000 athletes, coaches and support staff.

Sports Minister Kiren Rijiju said the well-being of athletes, coaches and support staff are his ministry's priority and the decision is in line with that objective. "We want to ensure that all our athletes and contractual staff have health cover during these difficult times and even after," he said. "They are our national assets." All national campers, probable national campers, Khelo India athletes and junior campers training at SAI Centres of Excellence across the country will be provided an insurance cover of ₹5 lakh each. Earlier the coverage was limited to the duration of national camps but now it has been extended to throughout the year as coronavirus continues to wreak havoc in the country.

"This is new because this is for all contractual coaches and staff who were not covered before," an official source told PTI. "The ambit of the insurance scheme has now been widened keeping in mind safety and security of athletes and coaches as COVID-19 continues to wreak havoc in the country. "Earlier an athlete or a coach was covered only during a national camp or national and international event but this move will now ensure coverage for the entire year, which means on and off the field," the official added. The health insurance also includes ₹25 lakh accident or death coverage. "Through this initiative, we are ensuring that all national-level athletes have insurance cover not just during the national camps but throughout the year," Rijiju said.

"We have significantly raised the insurance cover for Khelo India scholars and junior athletes up to ₹5 lakh per athlete each year," he added. This policy will come into effect irrespective of the dates of a national camp and even if camps have not been in operation this year. "This will ensure continuity in the insurance and will provide much needed support to national-level athletes, coaches and support staff associated with National camps." SAI has asked the National Sporting Federations (NSFs) to identify athletes and support staff for inclusion in the insurance scheme. Data of those covered under this insurance scheme will be stored in the National Sports Repository System to "create a transparent, easy to access process which can be monitored regularly."

TOP

Insurance policies to protect against natural calamities – Live Mint – 20th May 2021

The cyclone Tauktae has caused massive damages across different states. In cities like Mumbai, there were pictures of trees falling onto the parked car. In Gujarat, it killed over 45 people and caused damage to property. The Central government announced ₹1,000 crore financial aid for those affected by the cyclone in Gujarat.

Every year, natural disasters cause loss to life and property all over the country. When a natural disaster like this strikes, comprehensive home and motor insurance policies can come in handy to tackle losses. Unless there is something expressly excluded in a policy, a policyholder's loss is covered to the extent of the sum insured.

HOME INSURANCE

The Insurance Regulatory and Development Authority has now standardised home insurance. You can take a Standard Fire and Special Perils (SFSP) from any insurer with the same terms and conditions. If you want to go beyond this, you also have the option to take a comprehensive policy or householder's insurance.

The standard policy covers a structure against fire, lightning and flooding. A comprehensive plan covers a structure against natural disaster and also items inside it. For example, it covers loss due to burglary and theft, breakdown of electrical equipment, and so on. It may also offer other options like personal accident cover as add-ons.

Before taking a home insurance, go through the list of exclusions in the policy before buying one.

MOTOR INSURANCE

Natural disasters can affect the exterior of the car, or both body and interiors, or lead to complete loss. The claim amount that the insurer will pay you depends on the age of the car, as insurers consider depreciation of the vehicle as well as the parts. Despite the comprehensive policy, you may get only a part of the claim for damage to plastic and rubber parts. In the case of a total loss, the insurer will pay up to the car's insurance declared value (IDV). If your car is less than three-four-year old, you can also buy some add-ons that will help you in the case of natural calamities. For example, you can buy the engine protection cover, which pays for the damage to the engine due to flooding. You can also buy the return to invoice add-on cover that will offer the car's purchase value in case of total damage.

TOP

Deposit insurance limit for institutional investors must be raised: Marathe - Indian Cooperative - 19th May 2021

Considering the news that the amendment to the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act, 1961 will be tabled in the upcoming monsoon session, Sahakar Bharati has called for raising deposit insurance limit for institutional investors to Rs 25 lakh.

Talking to Indian Cooperative correspondent Sahakar Bharati 's one of the founder Chairmen and RBI central board director Satish Marathe said, "We had demanded a separate Deposit Insurance Limit for Institutional Depositors, Special Provision in the DICGC Act, 1961 to protect the interests of Depositors of fraud affected banks like PMC Bank Ltd, Pen Urban Co-op Bank Ltd, etc.

Firstly, the Deposit Insurance Limit for institutional investors has to be raised to Rs 25,00,000. Secondly, there should be a provision if a respective bank wants to give more protection to the depositor's money beyond Rs 5 lakh", he demands. He further added that at present depositors of the fraud affected banks have to wait for long to get their money back. So, there should be a time bound access to funds. And in this context RBI should frame a strategy because the apex bank is the authority for revival merger, or cancelling the license of any of the banks", said Marathe on the phone. Considering the profile of the Indian Banking Sector, it is estimated that 75% of the banks (PSUs or Foreign Banks) are never likely to fail and hence, even if, the Deposit Insurance Limits are raised there is no case for enhancing the present Deposit Insurance Premium. It is reported that the Deposit Insurance and Credit Guarantee Corporation will pay a total claim of about Rs 14,100 crore in case of defaulting co-operative banks in the wake of the scam at the PMC Bank.

Finance Minister Nirmala Sitharaman in her Budget speech in February said the government had approved an increase in the Deposit Insurance cover from Rs 1 lakh to Rs 5 lakh for bank customers last year. Media reports hints the government may bring in an amendment to the DICGC Act with a view to affording account holders a hassle-free access to funds to the extent of the deposit insurance cover. The amendment to the (DICGC) Act, 1961 is an important announcement made by the Finance Minister. It is said the bill is likely to be tabled in the upcoming monsoon session of parliament. DICGC, a wholly-owned subsidiary of the Reserve Bank of India, provides insurance cover on bank deposits.

(The writer is Rohit Gupta.)

TOP

Vehicles, buildings damaged due to cyclone? Insurance plans that can protect you against natural calamities – Times Now – 19th May 2021

Cyclone Tauktae made landfall along the coast of Gujarat on Monday night and the process continued for three hours, the India Meteorological Department (IMD) informed. Apart from Gujarat, the 'very severe cyclonic storm' has also forced the governments of Maharashtra, Kerala and Goa to issue alerts to its citizens in coastal areas and concerned authorities. Dadra and Nagar Haveli & Daman and Diu have also been on high alert. The cyclone caused massive damage in the costal states. A large number of vehicles and buildings were damaged or destroyed due to the cyclone, and the resultant flooding is causing even more damage.

Here's how your insurance policy can help you recover

Naval Goel, CEO & Founder of PolicyX.com said: "When it comes to home and car insurance, apart from the specific exclusions of your policy, all damages are covered up to the extent of the sum insured. In the case of natural disasters, insurance companies usually set up helplines to resolve and fast track claim services. In such scenarios, the insurance regulator comes out with specific guidelines for insurance companies so that the insured can easily get the required assistance in the hour of need. Natural disasters come under the "Act of God". It is always advisable to opt for comprehensive coverage that can provide protection during natural calamities like "Tauktae"."

Motor Insurance

There are two kinds of damage that a disaster like a cyclone can cause to a vehicle. Firstly, any kind of damage to the exterior of the car. Damages to the exterior of a car could be recovered easily from the own-damage insurance part. However, the kind of damage is caused to the mechanical parts such as the engine, industry experts say it is better to not start a car submerged because of waterlogging as manual intervention after the damage and before the survey may lower the probability of the damage being covered.

Home insurance

Natural calamities such as floods, earthquakes, or a storm can cause damage to property. There are two types of property or home insurance policies. A basic fire insurance policy and a bundled or comprehensive policy, or householder's package. The basic fire insurance policy covers fire, lightning, storm, and flooding. Some insurers offer the cover for earthquakes as an add-on. However, the premiums can vary according to the geographical zone your house is located in. While opting for a home insurance plan, it is advisable to check what natural disasters will be covered. Also, the policy buyer must make sure that the plan covers the natural calamities that the region is prone to.

(The writer is Aparna Deb.)

TOP

Insurance & real estate: Panel moots cover for allottees & successors - Financial Express – 17th May 2021

In order to protect owners of real estate from challenges to their property titles, a working group of Insurance Regulatory and Development Authority of India (Irdai) has recommended a comprehensive insurance cover for all promoters, allottees and successors. It also recommended legal expenses policy for land title owners and developers/promoters and retail policy for allottees, individual customers and financiers who purchase units in Real Estate (Regulation and Development) Act (RERA) projects.

The Real Estate (Regulation and Development) Act, 2016, gave statutory recognition to the concept of title insurance. Title insurance is an indemnity cover which insures against financial loss from defects in title of a real property. Title insurance helps to defend against a lawsuit attaching the title or reimburse the insured for the actual monetary loss incurred up to the limit prescribed in the policy. At present, title insurance products are offered by a few general insurance companies and they cover the developer, the society and all shareholders in the society for a term of up to 12 years. However, none of the insurers at present has filed a retail product.

How title insurance helps

A title insurance covers against losses caused by the title problems that have their source in past events. Insurers underwrite the covers by searching public records to develop and document the chain of the title and to detect known claims against or defects in the title. Moreover, institutional lenders require title insurance to protect their interest in the collateral of loans secured by real estate.

Proposed title insurance coverage

The panel in its report has recommended that promoters can buy the policy at the beginning of the financial appraisal and due diligence of the project/ application for RERA approval. The state governments will decide the minimum mandatory cover as per their local situations. Retail individuals can buy the cover at the time of the possession. It has suggested the sum insured of the policy for promoters be a certain percentage of the project value and for retail buyers should be the purchase value of the property.

The panel has suggested synchronised efforts to popularise the new insurance products so there is demand for the title insurance product from individual buyers, banks and lending institutions. It suggested promoters can opt for the full comprehensive product available with insurance companies. They may also opt for a minimum legal defence cost liability policy while in process for registration and approval with RERA authorities.

Allottee/ individual buyer retail policy

The retail policy will cover any defect in or lien on the title at the date of cover caused by forgery, fraud, undue influence, duress, incompetency, incapacity or impersonation; failure of any person or entity to have authorised a transfer or conveyance; a document affecting title not properly created, executed, witnessed, sealed, stamped, acknowledged, notarised or delivered, etc. In addition, the insurer will pay the costs, legal fees and expenses incurred in the defense of any matter covered by the policy. Exclusions from the coverage of the policy would be laws restricting, regulating, prohibiting, or relating to contaminated land, pollution or other environmental protection; any governmental, police or emergency power; or any compulsory acquisition by a government authority, nationalisation, etc.

The insured will have to notify the insurer in writing within 10 days if he is named a party, or is called to give evidence. In case of a claim, insurer will pay the limit of indemnity or settle with the insured or with a party other than the insured.

(The writer is Saikat Neogi.)

TOP

Govt May Table Amendment to DICGC Act in Monsoon Session – Live Mint – 16th May 2021

In a bid to ensure timely support to depositors of stressed banks, the government may bring amendment to DICGC Act in the monsoon session with the objective to provide account holders easy and time-bound access to funds to the extent of the deposit insurance cover. Last year, the government raised insurance cover on deposit five-folds to ₹5 lakh with a view to provide support to depositors of ailing lenders like Punjab and Maharashtra Co-operative (PMC) Bank. Following the collapse of PMC Bank, Yes Bank and Lakshmi Vilas Bank too came under stress leading to restructuring by the regulator and the government.

The amendment to the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act, 1961 is the budget announcement made by the Finance Minister and the Bill is almost ready, sources said. It is expected that the Bill will be tabled in the upcoming monsoon session after being vetted by the Union Cabinet, sources added. Once the Bill becomes the law, it will provide immediate relief to thousands of depositors who had their money parked in stressed lenders such as PMC Bank and other small cooperative banks.

As per the current provisions, the deposit insurance of up to ₹5 lakh comes into play when the licence of a bank is cancelled and liquidation process starts. DICGC, a wholly-owned subsidiary of the Reserve Bank of India, provides insurance cover on bank deposits. Finance Minister Nirmala Sitharaman in the Budget speech in February said the government had approved an increase in the Deposit Insurance cover from ₹1 lakh to ₹5 lakh for bank customers last year.

"I shall be moving amendments to the DICGC Act, 1961 in this session itself to streamline the provisions, so that if a bank is temporarily unable to fulfil its obligations, the depositors of such a bank can get easy and time-bound access to their deposits to the extent of the deposit insurance cover. This would help depositors of banks that are currently under stress," she had said. It could not be presented in the Budget session due to curtailment of the last session following the spread of second wave of COVID-19 pandemic. It is to be noted that the enhanced deposit insurance cover of ₹5 lakh is effective from February 4, 2020. The increase was done after a gap of 27 years as it was static since 1993. The cover is provided by the Deposit Insurance and Credit Guarantee Corporation (DICGC), a wholly-owned subsidiary of the RBI.

With increased insurance cover, the banks are paying a higher premium of 12 paise against 10 paise per ₹100 deposited without any additional burden on account holders. The deposit insurance scheme covers all banks operating in India, including private sector, cooperative and even branches of foreign banks. There are some exemptions such as deposits of foreign governments, deposits of central and state governments, and inter-bank deposits. It can be recalled that way back in 2009, the Raghu ram Rajan committee on financial sector reforms had recommended strengthening the capacity of the DICGC, a more explicit system of prompt, corrective action, and making deposit insurance premia more risk-based.

TOP

HEALTH INSURANCE

Health insurance premium hiked? Port to a new health insurer – Times Now – 21st May 2021

After the insurance regulator (IRDAI) mandated norms on standardisation of health insurance exclusions came into force from October 1, 2020, several policyholders have complained of huge hikes in premiums. In a circular dated March 16, 2021, addressing CEOs of all General and Standalone Health Insurance Companies, IRDAI informed that it has added some additional norms in addition to the norms specified at Clause (C) of Chapter-III of the guidelines that general and health insurers should adhere to while effecting modification of existing products.

According to the new norms 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. However, it is clarified that insurers are permitted to effect minor modifications as stipulated at Clause (G) of Chapter – III of consolidated guideline on product filing in health insurance business. Several policyholders have seen their premiums at renewal shoot up 30-100 percent in some cases over the last few months. With the second wave of the deadly pandemic likely to push up claims further, insurers' loss ratios are bound to come under pressure.

Dealing with health insurance policy hikes

The Insurance Regulatory and Development Authority of India (IRDA) has devised a convenient method that comes as a welcome relief to those unhappy with their current health insurance providers - Health Insurance Portability. Health Insurance Portability allows policyholders to transfer their existing health insurance policies to a new health insurance provider. Portability safeguards customers from being taken for granted by insurance companies, gives them flexibility, and offers better and more options.

The best part about Health Insurance Portability is that customers have the freedom to switch to a better health insurance provider, without having to worry about losing accrued benefits from the previous policy. The policyholder may also carry forward the waiting period for coverage of pre-existing diseases.
When should you move? Firstly, remember that you can port only to a like policy. So, while you can shift to and from an individual plan to a family floater policy or a general insurer to a health insurer, you cannot move from an indemnity plan to a critical illness plan. Next, consider the reason you want to move.

How to port your health policy

1. Start the porting process at least 45 days before the renewal of your existing policy. Research well before porting to the new policy.
2. Fill in the Proposal Form and the Portability Form available with the new insurer. It will require your personal information, and medical history with pre-existing diseases and past claims.
3. Submit the relevant documents, which can include:
    - Filled in Proposal and Portability forms.
    - Identity and residence proofs.
    - Medical history, past claims and newly diagnosed disease, if any.
    - Policy certificates of previous years.
    - Latest notice of renewal listing coverage continuity and other details.
    - Self-declaration in case of no claims.
    - Investigation report, discharge summary and other documents in case of claims.
4. The relevant data will be put up on the official portal of Irdai and the existing insurer will have to provide the information regarding your medical and claims history to the new insurer. This is why you don't need to inform your existing insurer about porting as he will automatically know once it is put on Irdai portal and information is sought.
5. After receiving all the details, the new insurer has to underwrite the proposal and inform the policyholder within 15 days. If it doesn't, the policy is automatically considered to be accepted.
6. There are no extra portability charges, only the premium, which can increase depending on the sum insured, medical condition and claims history. If you are above 45 years or have a medical condition, you will be required to undergo a pre-policy medical check-up.

TOP

Maharashtra: Mucormycosis treatment to be covered under government insurance schemes - The Indian Express - 18th May 2021

Patients of mucormycosis, a fungal infection mostly seen in COVID-19 survivors, will be covered by government health insurance schemes PMJAY and MJPJAY, the Maharashtra government said on Tuesday. The disease will be treated under the state's Mahatma Jyotiba Phule Jan Aarogya Yojana and the central Pradhan Mantri Jan Aarogya Yojana where a family gets health cover of up to Rs 1.50 lakh, said a government resolution (GR). The GR said that 11 surgical packages and eight medical packages will be offered for mucormycosis patients.

Additionally, the State Assurance Society will bear a cost of up to Rs five lakh, the order said. "Anti-fungal medicines are costly and currently there is a shortage. Every district's civil surgeon will manage the stock availability and its distribution," said state health minister Rajesh Tope. The GR indicated that mucormycosis infections had become a serious concern. Tope had said earlier that there were around 1,500 cases in the state. As per government sources, at least 52 persons have died of mucormycosis in the state since the outbreak of coronavirus last year.

TOP

COVID-19: Know how home hospitalisation works in health insurance policies - Financial Express – 18th May 2021

As India continues to battle with the interminable surge in the number of COVID-19 positive cases, the healthcare system across the country is overwhelmed owing to the acute shortage of hospital beds. Multitudes of patients can be everyday seen gasping for breath while their family members plead for admission to health workers outside the overbooked hospital premises. The panicked hunt for hospital beds is a recurrent theme across the country as India only has about 0.5 hospital-bed for every 1,000 people, against a global average of nearly 2.9.

Scenes of family members hoping to prolong the lives of their loved ones infected with COVID-19 with prayers until they find a hospital bed have become the new normal. As per most hospital authorities, they have never ever experienced such a stupendous patient inflow before, and the utter dearth of hospital beds is making things worse.

Domiciliary Hospitalisation to the Rescue

Fortunately, the only ray of relief during such severe crises is that many hospitals due to the immense shortage of hospital beds have started giving home treatment to patients infected with the coronavirus. Numerous hospitals and healthcare workers across the nation have started giving home treatment to patients wherever needed. Something worth mentioning here is the fact that even if you are not able to get a hospital bed for treatment of COVID-19 and are taking treatment at home, you will still be able to claim the expenses from your insurer.

Considering the acute shortage of hospital beds and the rapid pace at which COVID-19 is spreading in India, insurers are also covering domiciliary hospitalization – expenses incurred during treatment at home are covered. However, both these conditions must be met for availing domiciliary hospitalization. First, the patient’s condition is extremely serious and critical to visit a hospital, second; medical facility at the hospital like bed, oxygen, etc. is not available for proper treatment. Only under both these two conditions, a COVID-19 patient can avail the hospitalization at home benefit.

If you have any existing policy, it is better to check and confirm that domiciliary hospitalisation is covered, and if you are buying a policy now, this should form a key decision while choosing your insurer. Some insurers do provide domiciliary hospitalization for other illnesses but do not cover COVID-19 as it is classified under Upper Respiratory Tract Infection. While your insurer may cover regular hospitalisation due for COVID-19, a few insurers may not cover home treatment. It is always advised to check with your insurer beforehand prior to filing a claim.

It is equally important to note that your insurer will only cover you if the treatment lasts for at least three days, that is 72 hours. Treatment at home for less than 72 hours will not be covered by the insurer. The various procedures covered under home treatment include medication, CT scan, X-ray, nurses and doctor’s visit at home to measure vitals, set-up of ICU if need be and all other essential procedures that need to be conducted until you test negative for coronavirus.

Extent of Coverage

Another important thing to know before filing an insurance claim for home treatment is the extent of coverage. While most health insurance plans cover you for domiciliary hospitalization up to the entire sum insured, there are even some plans that have sub-limits on the coverage amount. For instance, for a Rs 10-lakh sum insured policy, treatment costs up to Rs 1 lakh will be covered for domiciliary hospitalization.

The claims process is fairly simple and just needs some basic documentation which includes the Covid Positive report from an ICMR approved lab, all relevant bills, investigation file or line of treatment and any relevant documents supporting which clarify that hospitalisation was needed. Post this, insurers process the claim amount into your bank account as a reimbursement claim.

Take Note
Domiciliary Hospitalization is mostly covered under the reimbursement process wherein the customers first need to make all payments by themselves and later submit the bills to the insurer to get the expenses reimbursed. It is, therefore, advised to keep all the original copies of the expenses done handy as the insurer may ask for every small bill of the expenses made and will only pay for expenses for which original bills are available.

TOP

Is Your Employer's Group Health Policy Enough to Meet Your Healthcare Needs? – Outlook - 17th May 2021

The health insurance industry has consistently played a pivotal role in providing a financial cushion to high healthcare costs. A robust health insurance policy provides health benefits and security at all times, pandemic or not. One can rest assured about their financials during these uncertain times with sufficient coverage.

It is essential to have an appropriate health insurance policy that offers sufficient coverage for self and family. Taking this measure while planning your finances will help alleviate the requirement to pay a significant amount of out-of-pocket money due to hospitalisation expenses. The hospitalisation costs in India are increasing at a rate higher than price inflation. Treatment of critical illnesses, chronic ailments, and the like will result in a financial burden without a suitable policy.

According to the Longitudinal Ageing Study in India report 2020, the proportion of the working-age population (15-59 years) is projected to rise to 62% by 2050. This statistic suggests that there could be a significant rise in people under the salaried class. A substantial number of salaried individuals are likely to rely on only an employer-provided group health policy rather than investing in an individual health insurance policy. However, it is necessary to note that these group insurance policies provide limited coverage and might not be fitting for certain illnesses or severe health conditions.

A solution to this would be holding an individual health insurance policy irrespective of your employer's group health cover. Here are some compelling reasons for investing in a personal insurance policy:
Employment Status: One can avail of the benefits of their employer-provided health insurance cover only until they are working for that employer. Your policy is rendered invalid once your employment status changes. Resignation or termination from one's job can lead to a change in the employment status. If an unforeseen health situation arises while you are in between employment opportunities or on a sabbatical then you will be unprotected and won't have a health insurance policy as a safety net. An individual cover will protect you despite your employment status.

Differing Healthcare Needs: A group health policy provided by one's employer has a standardised sum insured for all the employees and their families. Your health care needs might vary from that of your co-workers; hence, an employer's health insurance coverage may not provide sufficient protection for you and your family. Ideally, the sum insured is calculated based on personal factors such as age, medical history, family structure, etc. An individual health insurance policy provides a custom-made approach by taking into consideration of these factors.

No Legal Ramifications: A group health insurance policy provided by the employers is one of the many incentives offered by them to entice and retain the employees. The employer will not face any legal ramifications if they decide to take away or reduce your group health cover benefits. This move can prove detrimental to your finances if you are incurring hospitalisation expenses while your company stops paying premiums.

Insufficient Protection: The total effective coverage provided by a corporate policy is likely to cover only 50 – 60 per cent of one's healthcare costs due to the low amount of cover, parental co-pay, sub-limits etc., which does not provide sufficient financial support to the policyholder.

Safety of Your Dependants: One of the crucial reasons for buying a health insurance policy is the extended coverage to the dependants. Employer-provided health insurance may or may not cover your dependents or might only cover X number of family members. For example, employer-provided policies may cover four dependants, i.e., spouse and children but might not include parents. Since older dependants are more likely to need a health insurance cover, this limitation proves to be a setback.

Bonus Not Portable: One can switch individual health insurance policies, and the bonus added would be portable. However, an employer-provided group insurance cover does not afford you the same convenience.

Tax Benefits: Health insurance premiums are tax-deductible under Section 80D. Corporate health insurance does not provide this benefit.

There are several other reasons why a corporate health insurance policy should be considered a secondary cover to an individual health policy. Further limitations include co-pay clauses, room renting limitation clauses, no coverage post-retirement, etc.

Looking at the advantages of an individual health insurance policy, it is advisable to invest in a personal health policy that takes care of your healthcare needs sufficiently and to treat a group health policy as a backup or additional cover. Doing so will allow you and your loved ones to have adequate coverage and financial protection which is a very desirable asset to have during these uncertain times.

(The writer is Anuradha Sriram.)

TOP

Over half of FY21 Covid health claims in just 6 weeks – The Times of India – 17th May 2021

Health insurance claims due to Covid reported since April 1, 2021 are 57 percent of the claims filed in the year ended March 2021. Non-life insurance companies are seeing a sharp spike in claims, which could impact their balance sheets if the trend continues. As of March 31, non-life companies, including health insurers, received 9.9 lakh claims for Rs 14,561 crore for Covid treatment. This went up to 14.8 lakh as of May 14, 2021, for Rs 22,955 crore. This means that in the first 44 days, Covid claims amounted to Rs 8,385 crore, which is 57 percent of the pandemic-related claims for FY21. According to New India Assurance chairman Atul Sahai, claims paid by his company are around Rs 2,200 crore. "Last year though we had claims, we were not worried about the impact on the balance sheet. This year it could reach a point where it does," he said. Sahai added that although the rising cases were resulting in losses on the Corona Kavach policies, public sector insurers are not looking at a price revision. Last year, health insurers had the advantage of a revision in premium rates. They also saw lower claims in the first half due to lockdown, when health claims were low and most treatments were done in government facilities. "Last year although some elective procedures were postponed, the health insurance claims were still over the pre-Covid trendline," said General Insurance Council secretary-general M N Sarma.

The claims are higher despite there being several factors that are keeping costs under check. "What is different this time is that the average length of stay has come down from over nine days in the earlier part of the pandemic to around six days. One reason for this is that the treatment protocols have standardised. Hospitals are discharging earlier due to paucity of beds and recommending home isolation for remaining part of treatment," said Bajaj Allianz General Insurance head (health claims) Bhaskar Nerurkar. Another trend observed by Bajaj Allianz is that an increasing number of claims are coming from tier-2 and -3 cities in the second wave, which has seen a surge in numbers in April and May. Given the shortage in healthcare capacity and the need to avail private treatment, health insurance is turning out to be the only fallback for many. While regulator Irdai has asked companies to offer 'Corona Kavach' policies until September, prospective buyers say that they have not been able to purchase these covers from insurers' websites. Also, an insurance policy does not mean all expenses are covered as often those insured have to bear the costs in the first instance and seek reimbursement later. According to General Insurance Council data, 8.5 lakh cases, which is 86 percent of the 9.8 lakh claims received, have been settled and 1.4 lakh are pending.

(The writer is Mayur Shetty.)

TOP

How top-up health insurance plans give you more coverage at a lesser premium? Find out - Financial Express - 15th May 2021

Top-Ups and Super Top-Ups are two different concepts that address the requirement of enhancing sum-insured of your health policy. To start with, for existing customers with health insurance cover looking to increase their sum insured, it can be done in two ways – either by requesting the existing insurer to increase the sum insured or by separately opting for a top-up or super top-up plan.

Roopam Asthana, CEO and Whole-time Director, Liberty General Insurance, says "It goes without saying, that the latter is more beneficial as it provides higher Insurance cover at a lower cost." Any type of top-up health plan provides additional coverage over the available limit of one's base health insurance policy. Subramanyam Brahmajosyula, Head – Reinsurance and Product Development, SBI General Insurance says, "Apart from a base health plan, it is wiser to have top-up health insurance that comes at minimal premiums." Top-up plans are generally considered a safety net that helps if one exceeds the limit of their normal health insurance plan.

Shanai Ghosh, CEO and Executive Director, Edelweiss General Insurance, says "When you opt for a top-up/super top-up policy along with a base insurance policy you will have to maintain two separate policies. You can buy these either from the same insurer or separate insurer depending on the availability and the choice of the sum insured and the deductible matching your need."

How one can use top-up or super-top to get adequate coverage?
When an insured exceeds its base insurance limit, the top-up plan helps cover the additional expense but is beneficial in case of a single catastrophic event of hospitalization. A super top-up plan covers claims for cumulative medical expenses within a policy year once you've exceeded the deductible versus a regular top-up only covers claims when a single claim goes above the deductible. So in a top-up, the deductible is charged for every claim whereas in a super top-up it is charged on a cumulative basis in one year.

Rakesh Jain, ED and CEO, Reliance General Insurance says, “In a view of rising medical conditions, changing disease patterns and the cost burden chances of exhausting your base policy sum insured are higher and, in such cases, super top-up works best, as the deductible is applied to the extent of exhaustion of deductible in a cumulative manner and then the Super Top Up cover is triggered.” Note that, the deductible should be equal to your base health insurance plan – so the super top-up kicks in once your base sum insured are exhausted.

Having said so, Asthana of Liberty General says, “For customers with no insurance cover, it is advisable to opt for both base and top-up/super top-up product at one go, instead of going for a single base plan as it will help in saving money.”

Cover Type	Top UP	Super-Top Up
	Illustration 1	
With a single claim of Rs 8 lakhs (SI 5L)	Insured to bear Rs 2 lakhs from his base health insurance policy if any or from his pocket. The balance 5 lakhs will be paid by the top-up plan. (Sum Insured of Rs 5 lakhs exhausted)	Insured to bear Rs 2 lakhs from his base health insurance policy if any or from his pocket the balance Rs 5 lakhs will be paid by the Super top-up plan. (Sum Insured of Rs 5 lakhs exhausted)
	Illustration 2	
1st claim of Rs 1.5 lakhs	Top up will not triggered as Deductible not exhausted in single claim, customer has to pay from his/her pocket or from base health insurance policy	Super Top up will not triggered as Deductible not exhausted, customer has to pay from his/her pocket or from base health insurance policy
2nd claim of Rs 2 lakhs	Top up will not triggered as Deductible not exhausted in single claim, customer has to pay from his/her pocket or from base health insurance policy	Insured to bear Rs 50,000 from his base health insurance policy if any or from his pocket the balance 1.5 lakhs will be paid by the Super top-up plan.
3rd claim of Rs 3.5 lakhs same year	Insured to bear Rs 2 lakhs from his base health insurance policy if any or from his pocket the balance Rs 1.5 lakhs will be paid by the top-up plan.	Super top-up will pay balance Rs 3.5 lakhs. Sum insured of Rs 5 lakhs exhausted.

Source: Edelweiss General Insurance

How top-up health insurance plans give you more coverage at a lesser premium?
Top-up and super top-up insurance plans are triggered only when the hospitalisation bills exceed the sum insured under your base medical insurance policy, they are cheaper since they will come into play only when the sum insured under the base policy is exhausted. Hence, Brahmajosyula, of SBI General Insurance says, “top-up and super top-ups are a very cost-effective way of enhancing the coverage available under medical insurance and can be very useful especially in cases of prolonged and/or expensive hospitalisation stay.”

Since top-up coverages start after a certain sum insured it feels that they are cheaper. However, experts say, a policyholder needs to keep in mind the grounds up claim cost. Jain, of Reliance General, says “Many times top-ups and super top-ups are insurance cover in addition to the existing base cover and as the name suggests tops up the value of the existing cover. If the insurer has a base cover of Rs 10 lakh and feels that is not enough, he can opt for top-ups or super top-ups to increase this coverage to Rs 25 lakhs by adding the premium value for the difference amount only.”

(The writer is Priyadarshini Maji.)

TOP

Lessons to learn from first wave of COVID-19 pandemic - The Indian Express - 15th May 2021

The second wave of the ongoing COVID-19 pandemic continues to batter India in a way like never before as the country continues to report over 1.80 Lakh COVID-19 positive cases and close to 1,000 deaths every day for the last 10-days. Despite the government’s growing sense of foreboding, the second wave of coronavirus has engulfed India in such a manner that each day marks a fresh grim COVID-19 milestone.

After a sudden fall in the number of positive cases from November – January, the country has once again outstripped Brazil to become the second-worst affected nation globally. What is more concerning is the fact that this very time, younger people between 20 and 45 – the most economically productive age group in India – are getting seriously affected and are being hospitalised with severe symptoms. Unfortunately, the second wave of the ongoing pandemic is hitting India's workforce hard.

Learning from the past

Within the first six months of the COVID-19 pandemic in India, the queries for both life and health insurance shot up by 100 per cent in comparison to last year. While several industry experts connected this massive growth to an increase in awareness around the importance of insurance for financial protection against the pandemic, many even remarked it as 'panic-buying.

Numerous people bought a term or health insurance policy fearing they might get infected with the virus anytime and may need hospitalisation or probably even die if the conditions worsen. This panic situation left people to buy products that may prove to be inadequate if the need arises. While the intent – building a financial blanket – was right, the choice of policy, coverage amount, or tenure may not be sufficient. There were several incidences where customers fell short of the sum insured during hospitalisation due to COVID-19 and the family members had to borrow money from friends or break into the savings to pay the remaining hospital bills.

In certain cases, the dependents of the term insurance policyholders found the sum assured/coverage amount significantly less which was not even enough to pay for daily expenses. And, with the pandemic situation getting worse this year, it is feared that people might not just follow suit and buy insurance plans that even fail to deliver their core purpose – adequate financial protection at the time need.

It is important that people must learn from the mistake of others! One important thing that customers must know before buying any insurance policy is that insurance is a one-time purchase that must be bought with utmost consideration to avail its maximum benefits at the time of need.

Term Life Insurance

While it is good that people bought insurance in elevated numbers, it is equally important to buy the right products that precisely cater to your specific needs and requirements. Talking about term life insurance, given the severity of the virus, it is very important that you cover yourself under a term insurance plan, especially if you are the sole breadwinner of the family.

While deciding on the sum assured, there are a plethora of things that you must give due consideration like your annual income, family's monthly expenses, loans, if any and one-time expenses like child's education, marriage and spouse's retirement. Ideally, the sum assured of your term insurance plan must be 20 – 25 times your annual income while the policy tenure must be until your retirement age – mostly between 60 – 65 years.

Another important thing that must draw your attention is Claim Settlement Ratio – the total number of claims settled of the total claims received. Always go with the insurer that has a higher claim settlement ratio yet offers term plans at affordable premiums.

Health Insurance

Yet another major insurance cover that you need during unprecedented times like these is health insurance. The insurance penetration level of health insurance during the first wave of the COVID-19 pandemic was remarkable as IRDAI reported that the total number of lives covered under health insurance grew from 17.83 Crore during April – September 2019 to 30.22 Crore during the same period in 2020 – highlighting growth of 69.8 per cent.

While it is good that more and more people invested in health insurance, it is also important to buy the right plan. When buying a health cover, the foremost thing to do is buy a plan with higher coverage/sum insured mostly Rs 1 crore. A higher sum insured plan promises uninterrupted coverage no matter how big is the treatment cost.

Higher sum insured plans also offers an array of additional benefits such as zero co-payment, no room-rent capping or sub-limits on different procedures and coverage for telemedicine – which is very much in need considering the rate at which the virus is spreading. These plans have become all the more affordable as now you can easily buy such policies in monthly installments.

Motor Insurance
As COVID-19 positive cases continue to rise each day, many states have again started to implement partial lockdown and restrictions to limit the movement of people and contain the spread of coronavirus. And, with offices still shut in most cities and maximum people working home, the use of private vehicles is almost negligible.

During such times, when vehicles are hardly running on roads, there is no point spending extra to buy a comprehensive motor insurance plan when you can still manage with limited coverage. To provide required coverage and help customers save on motor insurance premiums, insurers have come up with insurance plans that provide only required coverage – Third-party + Fire + Theft insurance plan. The plan promises adequate coverage against damages from your vehicle to third party and damages to your vehicle due to fire and theft. These plans are available at a 50 per cent lower premium than regular/comprehensive plans.

(The writer is Tarun Mathur.)

TOP

MOTOR INSURANCE

Third Party vs Comprehensive Coverage in Vehicle Insurance: Which is Better? - Financial Express – 15th May 2021

Since a third-party motor insurance plan is mandatory to ply your vehicle on the Indians roads, there are fines for non-adherence to it as well. Insurance has also gained importance in India over the last decade with motor insurance accounting for 36.5% of the overall industry. This has also been expedited by the strict enforcement of mandatory motor insurance norms by the Government and the IRDAI. There has been quite a lot of changes in the norms in the last few years regarding third-party coverage and comprehensive coverage especially for new cars and bikes. Long term motor insurance plans have been withdrawn but bundled plans for new vehicles are still being followed.

Before mulling over the difference between the two basic types of motor insurance plans, let us understand each one individually.

- Features of Third-Party Motor Insurance Plans
- The coverage is mandated by the Government of India
- Covers damages to a third party vehicle, property or person for whom you would be legally liable to make a payment

The premium is determined by the Insurance Regulatory and Development Authority of India (IRDAI). It is also reviewed regularly by IRDAI and updated every financial year.

The premium is low and depends on the engine capacity of your vehicle.

No other coverage is provided under standalone third party plans except personal accident coverage. On the other hand, comprehensive plans are way friendlier as it not only provides own vehicle coverage, but also allows you to customise it with a host of additional benefits!

Features of comprehensive motor insurance
This policy provides third party liability coverage as well as own damage coverage to your vehicle due to any natural or man-made disasters or theft.

Most plans have a host of add-on features which can be opted at an additional cost to enhance the coverage of the vehicle. The most common add-ons include engine protection for damage to engines due to water logging, zero depreciation, return to invoice, etc. The add-ons vary from plan to plan and needs to be chosen wisely. Comprehensive plans provide a No Claim Discount in premium for a complete claim free year.

Basically Comprehensive Plans are a niche higher than Third Party as it includes Third Party liability + Own Damage and hence priced higher as well. The most obvious differences are:

Which one should you choose?

Points of difference	Third-party policy	Comprehensive policy
Requirement	Mandatory	Optional
Coverage	Covers financial liability incurred in case of third party property damage, physical injuries and deaths	Covers third party liability, damages to the vehicle due to man-made or natural calamities and theft of the vehicle
Premiums	Premiums are low and fixed by the IRDAI.	Premiums are higher than Third Party and depends on the insurer
Premium calculation	Premium depends on the engine capacity of the vehicle.	Premium depends on the engine capacity along with the make, model and variant of the vehicle, registration location, age, add-on coverage benefits selected, etc.
Optional add-ons	Not available, except personal accidents	A range of add-ons are available, but varies from plan to plan
Tenure of the policy	Can be taken for one year for an old vehicle but for new ones, mandatory 3 years and 5 years for cars and bikes respectively.	Usually for one year for old vehicle but for new ones, bundled policies of one year own damage + 3 years thid party for new cars and one year own damage + 5 years thid party for new bikes

It is but obvious that a comprehensive vehicle insurance policy is the best bet to provide 360-degree financial protection to your vehicle. The repair costs can be considerable if your vehicle suffers any damage. Moreover, in the case of theft, having a comprehensive policy provides financial relief. A comprehensive policy covers the legal mandate of owning a third party cover and also provides additional coverage for any losses that you suffer from respect to your vehicle.
Though the third party policy fulfils the legal mandate and has a low premium, it does not extend coverage for any damages to your vehicle. If you suffer such damages, which might be probable, you would suffer considerable out-of-pocket expenses, especially in case of theft. The expenses incurred would far outweigh the saving in premium.

Pro Tip: If you use your vehicle sparingly or if the vehicle has become very old, a third party policy would do the trick. In that case, you might skip the comprehensive cover and opt for the mandatory third party policy. In all other cases, go for a comprehensive policy for all-around protection and to reduce your out-of-pocket expenses.

(The writer is Dhirendra Mahyavanshi.)

TOP

SURVEY & REPORTS

Insurers must boost digital play on Covid-driven interest in sector: study - Business Standard – 18th May 2021

Insurers need to rethink their distribution models to offer uninterrupted service, superior customer experience (CX), and maximum value as the industry's business dynamics continue to evolve, according to a new report by Capgemini and Efma. As natural disasters and emerging risks such as Covid-19 become more severe, and lockdowns and social distancing spur the adoption of digital channels, the world is more insurance conscious. More than 60 per cent insurance executives said Covid-19 affected their firm's customer acquisition efforts, and about 40 per cent cited an impact on customer retention, the report found.

The report, titled "World Insurance Report 2021" suggests that to regain lost ground, insurers should consider the 'CARE' approach, where Convenience, Advice and REach are at the heart of designing and evaluating the effectiveness of their channels. The report includes insights from the 2021 Global Insurance Voice of the Customer Survey, the 2021 Global Insurance Executive Interviews, and the 2021 Global Agents and Brokers Survey. Together, these sources cover insights from 25 markets including US, UK, France, Germany, Hong Kong and India.

The report found that while 87 per cent of insurers said they would invest in digital enhancements, only 32 per cent said digital channels were effective in securing sales because they lack personalised advice capabilities. Digital channels earned high marks for 24/7 availability, ease of updating information for insurers, and search capabilities. Yet, their inability to provide in-depth, personalized advice to customers seeking complex products such as retirement plans and annuities made it clear that agents and brokers are still essential for purchasing these types of insurance. "The global impact of all-at-once digital adoption has changed the way insurers need to operate to satisfy their customers. Digital investment in connected channels is a critical ingredient for insurers of the future to be successful," said John Berry, CEO of Efma. The report suggests insurers need to empower their distribution network with emerging technologies, including augmented and virtual reality and AI, and embed insurance in customers' daily lives by embracing open insurance, the report found.

The insurance customers surveyed said the ease and speed of access to information impacts the convenience of their experience. Seventy-seven percent of insurance executives say that agents and brokers are their most prominent distribution channel. However, more than 40 per cent of personal line customers said it was challenging to contact agents and brokers outside typical office hours – and lockdowns and social distancing complicate the situation. Unlike personal policyholders, commercial lines and small-to-medium businesses (SMBs) did not see an appreciable difference in the convenience offered by agents and brokers, digital channels or direct channels. More than 50 per cent of SMBs rated their experience of interacting with agents and brokers as convenient, while more than 60 per cent rated digital channels convenient.

"Insurers have an opportunity to convert digital traffic to sales by focusing on a hyper-personalised virtual experience," said Anirban Bose, CEO of Capgemini's Financial Services and Group Executive Board Member. "Today's customers expect interacting with their insurers to be easy, and providers need to ensure their channels enable a convenient and seamless customer experience. By investing in the right technologies, insurers can win and retain customers while empowering their agents and brokers to deepen relationships."

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India second largest insurance-tech market in Asia-Pacific: Report - The New Indian Express – 18th May 2021

India is the second largest insurance-technology market in Asia-Pacific and accounted for 35 per cent of the USD 3.66 billion insurtech-focused venture capital invested in the region, according to S&P Global Market Intelligence data. The data showed that at least 335 private InsurTechs are operating in Asia-Pacific, with about 122 of them disclosing USD 3.66 billion in aggregate capital raised via private placement deals. "China and India are collectively home to nearly half of private insurtech companies in the APAC region and attracted about 78 per cent of the investments," a report by S&P Global Market Intelligence said. The two markets will continue to corner the lion's share of investor interest on account of their large and fast-growing insurance markets, it added.

"India is the second largest insurance technology market in Asia-Pacific. India has at least 66 insurtech companies and accounted for 35 per cent of the USD 3.66 billion in insurtech-focused venture capital invested in the APAC region. "Insurance technology investors are attracted to India since it is one of the fastest-growing insurance markets in the world," S&P Global Market Intelligence fintech analyst Sam path Sharma Nariyanuri said.

Insurance premiums in India totalled USD 107 billion in India for 12 months ended March 31, 2020, after growing at a compound annual growth rate (CAGR) of 10 per cent from fiscal 2015 to fiscal 2020, he added. The report noted that big technology companies like Tencent Holdings, Ant Group Co Ltd, Amazon.com Inc and Grab Holdings Inc will influence the insurtech ecosystem in the region, thanks to their role as investors, partners and competitors.

For technology startups chasing consumers online, collaborations with popular lifestyle and e-commerce platforms could be important for scale. "While big techs are vying to become digital intermediaries in the insurance space, established carriers are building proprietary digital channels. Startups that assist both incumbents and big techs in making this transition will likely emerge as winners," the report said.

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Asia Pacific: M&A insurance on an upward trend – Asia Insurance Review

The general M&A insurance trend in Asia Pacific is changing rapidly. The trend has been upward despite a small dip last year due to COVID-19, according to London-headquartered BMS Group, an independent specialist insurance and reinsurance broker, in its inaugural "Private Equity, M&A and Tax Report - Redefining M&A Insurance for the 2020s". M&A insurance has been gaining ground as a value-adding tool in Asian M&A transactions over the past few years. It is expected that the use will see continued increase in uptake in 2021, the report adds.

However, in Asia Pacific, besides Australia and New Zealand, the use of M&A insurance is still lower than in Europe, UK and North America. The uptake of M&A insurance in the Asia Pacific accounted for 5.7% of all policies placed globally in 2020. About 1 in every 10 private equity transactions in the Asia Pacific region are insured. In contrast, 4 in every 5 private equity transactions in North America use M&A insurance. In Europe and the UK, this is now firmly around 2 in every 3.

The average premium rate in Asia-Pacific in 2020 was 1.31% on the policy limit, which is lower than the US (2.85%) but higher than Europe/UK (1.06/1.02%). The average policy limit was 25% of the enterprise value, which is in line with Europe/UK (26/27%) but higher than North America (19%). In Asia, while 1% of enterprise value (EV) remains the starting position, percentages are decreasing to 0.5% of EV or lower (even zero for real estate deals in more mature jurisdictions).

M&A activity in 2020 was relatively strong across the board in Asia, with certain industries (e.g. technology, consumer business) and jurisdictions (e.g. Vietnam, China) taking the lead. It is widely projected that Asian economies will emerge strongly from the COVID-19 fuelled global recession. Forecasted Asian M&A activity in 2021 is promising, backed by a strong first quarter. A key driver behind this is the global PE funds' increased focus and fund allocation to Asia.

Even though the number of policies placed has increased over the last five years, M&A insurance has not seen the same enthusiastic uptick as in North America and Europe. M&A insurance is still in its infancy in a number of countries such as China and India, two of the largest markets in Asia, due to unfamiliarity with such risk transfer solutions. In contrast, Asian financial hubs such as Singapore, Hong Kong, Seoul and Tokyo, have witnessed an increasing level of regularity and sophistication in its usage.

Outlook
BMS expects an increase in both demand for and insurers' appetite for Asian M&A transactions as deal parties seek to ringfence transactional liability. Insurers and brokers alike are already anticipating such increased demand by investing into additional resources in the region.

Ms Sandra Lee, Asia CEO for BMS Group, said, "Our outlook for the Asia-Pacific market in the rest of 2021 is strong, with considerable deal activity expected as major private equity players are attracted by the region's strong growth and fundamentals." Although there is much activity across the board, there is particularly strong activity in technology and real estate. The report follows a survey in January 2021 of 200 senior executives at leading global private equity funds, investment banks, corporate finance houses and various financial, tax, M&A, corporate advisers for their views on M&A insurance.

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PENSION

Pension AUM cross ₹6-lakh crore: PFRDA Chief - The Hindu Business Line – 21st May 2021

The pension Assets Under Management (AUM) have reached a new milestone and crossed the ₹6-lakh crore mark two days back, Pension Fund Regulatory and Development Authority (PFRDA) Chairman, Supratim Bandyopadhyay, has said. It has just taken seven months for addition of ₹1-lakh crore in AUM, which crossed the ₹5-lakh crore mark in October 2020. "We had initially thought this ₹6-lakh crore AUM would be achieved by end March 2021. But we had missed it out due to market conditions. However, within one-and-half months we have now reached the ₹6-lakh crore level," Bandyopadhyay told Business Line.

It may be recalled that the pension AUM, as of end March 2021, stood at ₹5.78-lakh crore (₹4.17-lakh crore as of end March 2020). Bandyopadhyay said that the PFRDA was now looking at an AUM target of ₹7.5-lakh crore by the end March 2022. "I am happy that whatever projections we had made two years back.. we are on track. At this rate, I believe we are on path to reach the projected level of ₹30-lakh crore by the year 2030," he added.

Variable annuities
Bandyopadhyay said that work is on towards amendments to the PFRDA Act and once this gets Parliament nod, then pension fund managers and even the PFRDA will be in a position to roll out other pay-out products (such as systematic withdrawal plan) that will be distinct from annuities. He highlighted that annuity rates in the market have fallen and many retirees are unhappy about the current level of returns.

The need for variable annuities – where the returns vary according to the market related benchmark – has all the more increased, given that annuity rates have fallen in line with sharp fall in interest rates in the system. Meanwhile, the PFRDA Board has given approval for National Pension System (NPS) subscribers with corpus up to ₹5 lakh to withdraw their accumulations on retirement funds without mandating their investment in annuities. "This decision is expected to be shortly notified. We are also alerted our CRAs to be ready with the changes," Bandyopadhyay said.

The pension regulator's Board has also approved extension to the maximum entry age for availing the NPS benefits to 70 years from the current 65 years. Simultaneously, the exit age limit is also being extended from 70 years to 75 years. "This decision will be notified soon and will get implemented this year," he added.

MARS

The PFRDA has floated a request for proposal (RFP) to appoint a consultant to help design a Minimum Assured Return Scheme (MARS) under the NPS. The whole idea behind having MARS is to have a separate scheme that can offer a guaranteed minimum rate of return to NPS subscribers, especially those who are risk averse. Currently, the NPS gives returns annually, based on prevailing market conditions.

The appointed consultant, with requisite actuarial skills, is expected to help formulate/design a MARS that can be offered to the existing and prospective subscribers by pension funds. The chosen consultant is also expected to set up a procedure to evaluate and approve basic scheme design modifications by pension funds and supervise MARS. The consultant would be required to prescribe fees, solvency requirements, risk management and reporting mechanisms for pension funds in respect of MARS, according to the RFP document.

(The writer is K. R. Srivats.)

TOP

EPF account holders are eligible for pension benefit too – Live Mint – 15th May 2021

The Employees' Provident fund Organisation (EPFO) members are eligible for Provident Fund (PF) benefits under Employees' Provident Fund (EPF). In this EPFO benefit, an EPF account holder has to contribute 12 per cent of its basic salary in one's EPF account while its recruiter will also deposit 12 per cent of the employee's basic salary in their respective EPF accounts. This EPF contribution is mandatory for both employee and the employer. As per the EPFO rules, there are various EPFO benefits that an EPF account holder is eligible for but pension is one such benefit that most of the EPFO subscribers are unaware of.

Speaking on the EPFO pension benefits SEBI registered tax and investment expert Jitendra Solanki said, "To become eligible for the EPFO pension benefit, the employees needs to contribute for at least 15 years in one EPF account without any disruption. Actually, when an employee's EPF account gets opened, he also gets and EPS account where 8.33 per cent contribution of the employer is deposited while the rest 3.67 per cent is deposited in the EPF account. So, when an employee will check one's EPF balance, one's EPF balance won't be double of the employer's contribution."

Reminding about an important change in EPFO pension benefit rule Amit Gupta, MD at CAG Infotech — a SEBI registered tax and investment solution company said, "Earlier EPFO pension benefit was given to all employee but now it has been limited to only those employees whose monthly salary is ₹15,000 or below." So, those employees, whose monthly take home salary is ₹15,000 or below are now eligible for EPFO pension benefits.

On when and how much pension will be given to the EPFO beneficiary Jitendra Solanki said, "EPF pension under EPS benefit is given to the EPF account holder when the beneficiary turns 58 years of age. Minimum pension that an EPS beneficiary can expect is ₹1,000."

(The writer is Asit Manohar.)

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IRDAI CIRCULARS

Topic	*Reference*
Indian Insurance Companies (Foreign Investment) Amendment Rules, 2021	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4493&flag=1
List of Foreign Reinsurers Branch, Lloyd's India and Lloyd's India Service Companies in India as on 01-05-2021	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo3045&flag=1
For the benefit of regulated entities, all the regulations pertaining to the respective subjects (e.g. Health, TPA, Advt etc.) have been consolidated and made available under the following links-	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4133&flag=1
List of Valid Insurance Brokers as on 15.05.2021	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo2120&flag=1

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GLOBAL NEWS

Australia: General insurers seek more comprehensive motor vehicle theft data – Asia Insurance Review

The Insurance Council of Australia (ICA) has said that it aims to collect a more comprehensive range of motor vehicle theft data. “Through the Insurance Fraud Bureau of Australia, the ICA has established relationships with state and territory law enforcement agencies and will work closely with these?agencies?to support the identification and enforcement of motor vehicle crime, including insurance fraud and theft,” an ICA spokeswoman said, according to a report on insuranceNEWS.com.au.

She said, “The insurance industry currently shares details on motor vehicle crime and these changes will enable us to target more than motor vehicle theft data, better informing industry and stakeholders of the areas to target in order to combat not just motor vehicle theft but a range of motor vehicle insurance-related issues.”

National Motor Vehicle Theft Reduction Council
The range of data the ICA plans to collect goes beyond the remit of the National Motor Vehicle Theft Reduction Council (NMVTRC), from which the general insurers' association is withdrawing funding. ICA has decided not to renew its A$1.125m ($871,000) annual funding agreement which expires on 30 June. ICA provides 50% of the group’s funding, with state governments also contributing.

The NMVTRC will consequently cease operations on 30 September. The Council was formed in 1999 to push reforms aimed at reducing vehicle thefts across Australia. It says despite progress made, thefts continue to impact communities across the country, including through higher insurance premiums.

NMVTRC CEO Geoff Hughes told insuranceNEWS.com.au that insurers have invested A$25m in the scheme since 1999, and theft numbers have fallen 60%. "The ICA's withdrawal fundamentally impacts the public-private partnership model on which the NMVTRC was founded," he said. Until 30 September, the NMVTRC will focus on the completion of some key projects including publishing a full analysis of crime data for the fiscal year ending 30 June 2021, and finding an "appropriate custodian" for 20 years of national vehicle crime data.

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China: Govt to launch private pension pilot scheme – Asia Insurance Review

The Chinese government will launch a new pilot scheme for private pension funds as part of efforts to improve retirement funding in the country. The special commercial pension insurance scheme will be piloted in East China's Zhejiang province and the southwestern municipality of Chongqing starting on 1 June, according to a statement issued by the CBIRC. The trial period is tentatively set for one year.

The scheme will allow employees to open their own individual pension accounts at one of six participating insurance companies, which are PICC Life Insurance, China Life, China Pacific Life, New China, Taikang Life and Taiping Life. Individuals don't have to contribute to these accounts on a regular basis. Their money will be invested on their behalf by the insurance company. After accountholders turn 60, subscribers will be able to start withdrawing from the accounts. However, they will have to take the pay-outs over a period of at least 10 years.

The flexibility of these accounts will help workers who are self-employed or do not have regular full-time jobs — such as those in the emerging gig economy — to prepare for retirement, under the scheme, which would be part of the third pillar of China's pension system. The other pillars of the system are the state-run basic pension insurance fund (the first pillar) while enterprise annuities and occupational annuities form the second pillar. The Insurance Association of China estimated last year that the country could suffer a CNY8tn ($1.2tn) to CNY10tn pension shortfall over the next 5-10 years.

TOP

South Korea: Regulator announces plan to promote digital and contactless insurance sales - Asia Insurance Review

The Financial Services Commission (FSC) plans to promote the use of digital, AI-based and contactless insurance sales mechanisms as part of a broader aim to boost consumer confidence and promote innovation in the insurance industry. Insurance sales channels face structural changes amid an expansion of contactless services and digital technologies, an increasing number of platform businesses entering the market and the growth of general agencies.

To improve the effectiveness of consumer protection while removing some of the inefficiencies observed in the current insurance sales practices, the authorities have drawn up the following plan for insurance sales mechanisms:

A. Face-to-Face Sales
-Previously, insurance agents and brokers were required to meet customers face-to-face at least once to explain coverage details. However, with telemarketing safeguard measures in place, such as the

requirements for recording and confirmation by insurers, sellers are allowed to provide explanations via telephone calls. (Rule change completed on 25 March 2021.)

-When subscribing for insurance coverage using a mobile phone, customers faced the inconvenience of having to put their signature multiple times throughout the process. This electronic signature requirement will be reduced to only once at the beginning of the subscription process to improve convenience.(Further improvements are expected within May 2021.)

B. Telemarketing

- With the use of text-to-speech AI-based technology, insurance agents and brokers will no longer have to read the entire sales script that usually took about 30 minutes to finish. With an AI-based voicebot, the salesperson is able to instead focus on answering questions from the customer and providing supplemental information. (Implementation expected in 3Q2021.)
- Previously, telemarketing and mobile sales mechanisms were two distinct sales channels. However, a hybrid sales mechanism mixing the two will be allowed to improve convenience for both sellers and consumers. (Implementation expected in 3Q2021.)

C. Quality Assurance

- After a sale, insurance companies make quality assurance calls or send out relevant emails or text messages to their customers to check whether the sales process was appropriate or not. To improve the effectiveness of quality assurance, the use of AI-based voicebots will be allowed with an exception for quality assurance calls made to elderly customers (those aged 65 and above). (Implementation expected in 3Q2021.)

D. Others

- The authorities are also considering allowing the use of video calls in selling insurance policies, with adequate consumer protection measures. (Implementation expected in 1H2021)
- Some insurers and Fintech have submitted requests to turn the current telemarketing-only sales requirements into mobile mechanisms. After considering its potential, innovativeness as well as the level of consumer protection it guarantees, the authorities will decide whether to include this service into the financial regulatory sandbox programme. (1H2021.)
- The authorities will also consider drawing up a guideline on a standardised insurance sales script to ensure consumer protection and for more convenience.

Further action

The authorities will work to implement the measures swiftly by amending the relevant laws and taking immediate actions on measures that require no legislative change.

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