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INSUNEWS

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QUOTE OF THE WEEK

"Patience, persistence and perspiration make an unbeatable combination for success."

Napoleon Hill

INSURANCE TERM FOR THE WEEK

Collision Coverage

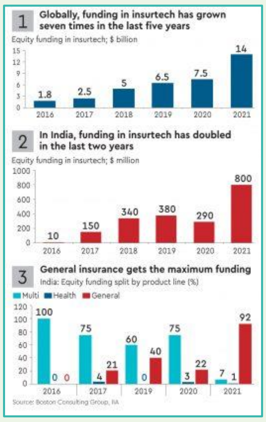
Collision coverage refers to auto coverage for vehicle damage caused by a collision with another vehicle or an object. It pays for the damage even if it is the fault of the insured. The insurer will pay for the damage, with the insured paying a deductible.

Collision coverage is similar to auto liability insurance, but with one important difference. Auto liability coverage pays for damage to another person's vehicle caused by the insured or their car. Collision coverage, on the other hand, pays for damage to the insured's vehicle.

Collision coverage, however, does not pay for damage to the vehicle that is caused by anything other than being hit by a car or by an object such as a falling tree. Damage caused by vandalism, for instance, is excluded.

INSURANCE INDUSTRY

Data Drive: Tech-ing insurance forward - Financial Express – 27th April 2022



With funding for insurance tech (insurtech) in India growing significantly, from $290 million in 2020 to $800 million in 2021, multiple insurtech startups have gotten launched.

This is key for innovation and increasing insurance penetration in the country. Insurtech firms in India are well-positioned to cater to the nuanced needs of customers, and enablers such as India Stack and a regulatory sandbox approach have provided a strong platform.

The writer is Saikat Neogi.

TOP

As Covid slackens, insurance firms gear up for FDI - The Economic Times – 26th April 2022

After emerging from the pandemic less scathed, insurance companies are set for a new growth chapter. The companies, which have good solvency ratios, are looking at getting foreign direct investment for investment. Despite the government raising the FDI bar in insurance firms to 74 percent last year, there has not been much investment flow in the sector with few companies such as Ageas Federal Insurance and the Future Generali insurance joint ventures using this route. Many companies are waiting and watching the sector while some are in negotiations to review their own JV contract clauses. As much as Rs 26,000-crore FDI has flowed into the growing insurance sector since 2015 after the cap was raised to 49 percent from 26 percent. About 22 of 56 insurance companies in the country have received around 40 percent in FDI. The average FDI in private insurance companies (excluding reinsurers) is about 31 percent. With the increase in FDI limit to 74 percent more money is set to flow into the sector, which can see a boost due to the rise in business.

The IRDAI plan

The Insurance Regulatory and Development Authority of India (IRDAI) will relook at regulations, capital requirements and introduce new products to widen the penetration and give insurers more flexibility in their operations, chairman Debashish Panda has recently said.

Working groups will be formed to relook at current regulations with an aim to lighten them and give more flexibility for companies to launch new product, Panda had said. "Broadly we will have a principle based regulations rather than rule based regulations. We will fix the broad framework and then give companies the flexibility to work within that. The whole aim is to have lighter regulations and if there are over a 100 regulations we can bring it down to 10 to 15. The insurance industry has matured now and they understand the rules of the game and the market," he said. The IRDAI plans to form three to four different working groups to relook at regulations to remove those that are not required, identify ones that need modification and those that are completely outdated. "We will also have IRDA officials besides industry people to deliberate and discuss on the changes so that there is a consultative process right from inception. We also want to propose an amendment to the Insurance Act to reduce capital requirements.

How FDI will benefit

Along with the entry of new foreign investors, the hike in the FDI limit will also allow the existing foreign partners in insurance companies to take a controlling stake in their joint ventures. There are more than 20 joint ventures between domestic and foreign partners, including Star Union Daiichi Life Insurance, ICICI Prudential, HDFC Standard Life, Bajaj Allianz.

The insurance penetration in the country is just over 3% of gross domestic product with respect to over-all premiums underwritten annually. This is far less as compared to Japan which has an insurance penetration of more than 10%. Increased FDI limit will strengthen the existing companies and will also allow the new players to come in, thereby enabling more people to buy life cover.

Reduced losses

Most of the private sector insurance companies have been making considerable losses and the hike will bring much relief and cut their losses.

With more money coming in, the insurance companies will be able to create more jobs to meet their targets of venturing into under-insured markets through improved infrastructure, better operations and more manpower.

The biggest beneficiary will be the consumer as with more players in the sector, there would be stringent competition resulting in leading competitive quotes, improved services and better claim settlement ratio. With the increase in FDI, the insurance companies will get a level playing field. Currently, the state-owned Life Corporation of India controls around 70% of the life insurance market. Apart from bringing the much-needed funds, the FDI hike will also bring in better technical know-how, innovation, and new products to the advantage of the consumers.

The move will spur the ongoing digitalisation initiatives of the sector and help reach more consumers in Tier II and III cities.

Along with the decision to launch the IPO of LIC and privatise one of the government-owned general insurers, would make the sector more transparent, competent and efficient.

The market size

India's insurance sector consists of 57 insurance companies. Of which, 24 companies are life insurance providers and the remaining 33 non-life insurers. Of the total, seven are public sector companies, LIC of

India, GIC of India, New India Assurance, United India Insurance, Oriental Insurance, National Insurance and Agriculture Insurance Company of India.

Though the industry is expected to increase at a CAGR of 5.3 per cent between 2019 and 2023, the current Covid pandemic has accelerated the market, which grew nine per cent in fiscal 2021-22. In March 2021, health insurance companies in the non-life insurance sector grew 41 per cent, driven by rising demand for health insurance products amid the Covid surge.

TOP

How much Insurance should an individual buy? Find out – Financial Express – 26th April 2022

It's the uncertainty in life that makes us think more about our loved ones' financial security. To meet such needs, life insurance is one of the first things that spring to mind.

Supriya Rathi – Wholetime Director, Anand Rathi Insurance Brokers says, "The need for purchasing an adequate Insurance cover has grown amidst the present COVID-19 pandemic. However, the under-insured Indian population is perplexed by it."

She further adds, "In hindsight, it's the lack of understanding regarding the sum insured that might lead to financial adversities."

Hence, it's imperative to evaluate the criteria that should be used to answer this impending question – 'How much Insurance do I need?'

Here are some of the factors to consider before you make this conclusion;

1. Life goals

Most primary life goals, both yours and your loved ones' necessitate proper financial assistance. The 30s is an ideal age bracket for an individual to get insured as you get a big enough tenure to create a decent nest egg for the future.

Rathi explains, "When we consider the effects of compounding and the averaging of lows and highs, the money tends to multiply in bigger proportions over the long term. The end goal here is to equip one's family with much-needed financial security in the event of his/her untimely death."

Hence, list your significant life goals so you can estimate how much money your family will need to achieve their aspiration.

2. Current Financial Liabilities

According to experts, first, take a note of all the assets that you've purchased through loans and now imagine that your family would end up bearing the burden of these debts if you won't be around.

To avoid that, you can make a list of all the loans that you've taken out and then Rathi adds, "check at several term insurance plans that can provide adequate coverage at a modest premium. Even the most basic term insurance can aid one's family during a financial crisis."

3. Age

Your age is a significant parameter as it has a direct impact on the premium for life insurance maximum amount. When you are young, you are eligible to buy an adequate sum assured at low premiums as against a later stage in your life where the premiums are high and the sum assured is less.

Rathi explains, "The 30s is where an individual is free of the financial commitment that comes with the consequent ages. Those in the 40s comprise the largest faction of the life insured as they are after all the core earning members of the family.

"Although, the burden of their children's educational expenses and parents' medical expenses is taken into consideration at that age," she adds.

4. Estimated working years

A decisive aspect of your retirement planning is to take care of your financial responsibilities during your working years.

"The coverage amount that one chooses must dovetail with the premium that he/she can afford during these years. Life Insurance premium is a responsibility that can be handled during one's work life," points out Rathi.

Having said that, according to experts, the best-case scenario is when you select a limited pay option with your life insurance plan so you can finish paying the premiums early on while the policy continues till a later age.

Bottom line

If you need life insurance, it's imperative to know how much and what kind you need.

"A sufficient life insurance coverage would be where one's family can maintain their lifestyle as it is," clarifies Rathi.

The writer is Priyadarshini Maji.

TOP

Insurtech drives new-age digital customers – The New Indian Express – 25th April 2022

The insurance landscape has been transforming over the years due to emerging and cutting-edge technologies such as data analytics, behaviour analysis, Internet of Things (IoT), Artificial Intelligence (AI) and Machine Learning (ML).

Start-ups too are introducing innovative products and solutions to increase insurance penetration in India. They are also trying to solve many pressing challenges such as cost-efficiency in the insurance space. In India, insurance penetration was just 4.2% in FY21. During the pandemic, just like other sectors, the insurance sector too witnessed massive digital adoption. Many insurtech companies are now coming up with new offerings addressing niche needs such as pet insurance. Also, there are new covers for LGBTQ, sex-change surgery and IVF, among others.

"Insurers have embraced disruptive changes across 3 vectors - Customer experience, distribution experience and product innovation," says Abhishek Gupta - CMO, Edelweiss Tokio Life Insurance. Even in terms of pricing, insurers are leveraging digital solutions like AI and ML to explore ways to identify risk profiles of individual customers. This will enable the sector to personalise product pricing to a considerable degree, which in turn will elevate the end customer experience, he adds.

Insurtech platform Zopper, which recently clocked $100 million in annualised insurance premiums, uses AI and ML techniques to simplify customers' insurance buying process. For instance, customers can buy motor insurance through WhatsApp, on an automated chatbot. Customers need to share the photo of their vehicle's registration certificate and Driver's License, and they will see quotes from multiple insurers. They can select the insurer of their choice and proceed to payment. "This reduces the insurance purchase effort by 90%," says Mayank Gupta, Co-Founder and COO, Zopper.

Backed by marquee global investors, Tiger Global and Blume Ventures, Zopper says that the share of digital insurance is anticipated to grow to 19% by 2027, and it looks forward to scaling to 50 million policies over this period.

New products targeting niche needs

Employee health insurance platform Plum has introduced digital claim experience over WhatsApp. The platform has come up with Plum Lite for SMEs and start-ups, and new covers for LGBTQ and mental illness OPDs, among others.

"We are helping insurance companies by expanding the coverage through the introduction of new-age covers which were previously unheard of. Our mission is to insure 10 million people by 2024," says Abhishek Poddar, Co-Founder and CEO, Plum. Liberty has introduced AI-based technology for quality checking of Pre-Inspection conducted in case of Motor Break in policies. This is expected to transform the car inspection quality check process, which is currently dominated by manual inspection.

According to Insurance Regulatory and Development Authority of India (IRDAI), there are 57 insurance companies - 24 in the life insurance business and the rest in the non-life insurance space. Premiums from India's life insurance industry are expected to reach `24 lakh crore by FY31. Insurtech firms have successfully integrated many cutting-edge technologies into insurance. Besides new-age technologies like AI, automation has aided the distribution, and mobile-first interfaces have made paperless claims quicker and accessible.

Penetration is a function of access and ease of use. By making GHI (Group Health Insurance) more accessible and inclusive and by simplifying its ease of use, companies are making insurance less formidable and much more affordable, says Poddar.

Now, companies are also talking about wearable technology which will monitor customers' physical activity through apps in order to mitigate risks by assessing relevant data. "Another area that has seen the adoption of innovation in the insurance realm is the claim process. Today, the detection of fraudulent claims and their accuracy is being taken care of by technologies like ML which detects the genuineness of a claim by comparing it with previously registered fraudulent claims," says Ankit Agrawal, CEO and Co-founder InsuranceDekho.

A report by S&P Global Market Intelligence data says that in the Asia Pacific, India is the second largest insurance technology market, as the country accounts for 35% of $3.66 billion of insurtech-focused venture investments.

All about innovation

- According to IBEF, the life insurance industry is expected to increase at a CAGR of 5.3% between 2019 and 2023
- In terms of insurance density, India's overall density stood at $78 in FY21
- In September 2021, new premiums of life insurers registered 22.2% growth, up from 2.9% in September 2020

- Insurtech industry is also adopting wearable technology to monitor the physical activity of customers
- ML/AI helps in fraudulent claim detection

The writer is Uma Kannan

TOP

Insurance takes on a new cover - Business Standard – 24th April 2022

Ever since InsurTechs set a digital footprint in the insurance industry, technology has greatly equalised barriers and accelerated the crucial metric of penetration. Traditionally, insurance has been perceived to run on a feet-on-street kind of model. But the advent of digitisation has made the consumer's journey a lot easier and is propelling a more holistic view of long-term value creation. While this transition continues to transform insurance, stakeholders view this as an opportunity to provide consumers with the best of both worlds. New-age insurance is about marrying tech with tradition — the "phygital model". While digitisation has changed the insurance landscape by reducing the friction points, the industry is also tapping the potential of the human touch to cater to every kind of consumer effectively. Historically, the insurance sector has functioned on the physical model through offline agents, banks or offices until online channels brought about a paradigm shift. Customers are inclined towards availing the benefits of a hybrid model now. This physical-digital convergence especially caters to customers who have so far solely relied on offline channels. An end-to-end digital journey is still the preferred choice of those who have already shifted to online channels. However, the "phygital model" is helping a huge share of offline customers as well with the online transition. This way, the online initiation of the customer journey can just as easily culminate in an offline purchase. Already, the model has gained significant prominence and accounts for around 10 percent in the industry.

Within the industry, there are some interesting trends in the adoption of this model. If we talk about investment-cum-insurance products, like ULIPs or guaranteed return plans, it's mostly the younger consumer base that opts for an absolute online purchase or online research and offline purchase. If we talk about health or life insurance, the younger segment prefers an end-to-end digital journey, whereas the older set is comfortable with an online-offline outcross. This trend is not just limited to buying — the growing demand for this model has expanded to claims assistance as well. Identifying the need for the human touch in claims assistance, the insurance ecosystem has made it possible for consumers to have their concerns addressed at physical stores in several cities. While the adoption is higher in tier-I cities, consumers in smaller cities buying insurance offline are also now warming up to the hybrid model. Online channels have demonstrated exponential growth over the last few years, especially after the pandemic. Enabling the last-mile offline distribution makes it possible to offer the customer multiple touch-points and facilitate the purchase from the comfort and safety of one's home. This shift draws a parallel from other industries as well, like health care, where people now prefer an online consultation first before they consult a specialist in person.

Talking about insurance, implementation of the point-of-sale person not only acts merely at the point of sale, but also as the customer's point of contact. Also, if an agent wants to become a part of the distribution process, they can easily sign up and do so. This, in turn, helps grow the B2B as well as B2C arm of the insurance ecosystem. Digitisation across the value chain is empowering consumers with easy discovery, research, assistance and purchase. Offline channels are further strengthening this conversion capability by serving every kind of consumer. The key factor behind the popularity of the phygital model is bridging the trust deficit. This holds especially true for the potential consumers of remote areas, still getting acquainted with the digital processes. Unifying digital with physical helps make the entire process digitised yet empathetic. InsurTechs have now enabled a life-like experience with integrations like video interactions and screen-sharing devices that make the customer's journey contactless yet interactive. However, if they choose the last-mile offline medium for purchase, this is where the "phygital model" sets in, making it a completely personalised experience.

The writer is Sarbvir Singh.

TOP

Insurers likely to look at enhanced FDI cap – The Hindu Business Line – 24th April 2022

The enhanced 74 per cent foreign direct investment window and nudges by the regulator for listing received a lukewarm response, although there are expectations that the insurance sector could see renewed investment activity on these fronts in the coming months.

This was also recently flagged by the new IRDAI Chairman Debasish Panda, who said the regulator is reviewing investment norms for the sector to bring in more investments and deepen the insurance penetration in the country.

Key measures under this would be listing as well as higher foreign direct investment.

"This can be done by measures such as listing of insurance companies, which would also enable greater transparency and disclosure," he had said, noting that with the LIC listing, close to 60 per cent of the market would get listed.

"That brings in a lot of transparency, disclosures, and access to the market to raise capital. This will help them grow, and our ultimate target of deepening insurance penetration will happen," said Panda.

Solvency ratios
Experts point out that most insurers continue to have good solvency ratios despite the Covid-19 pandemic leading to higher claims. However, they would require capital for business expansion.
Higher FDI limits will attract more foreign capital, which will aid in increasing insurance penetration in India, said LIC has said in its DRHP.

Higher FDI limits will also enable more global insurance firms to enter India and bring in their best practices, thereby increasing competition and better pricing of insurance products, per the LIC document.
"There are several other benefits on increasing the cap, which include: (1) because of better availability of more capital than earlier, the insurance companies can increase impetus on business growth and diversification of their portfolio and (2) more options available to consumers with an increase in competition, which also leads to better offers for them," it further noted.

This is crucial for a country like India, which is under-insured, compared to more developed economies.
While the penetration of life insurance sector went up from 2.15 per cent in 2001-2002 to 3.20 per cent in 2020-2021, non-life insurance penetration went up from 0.56 per cent to 1.00 per cent in the same period.

Insurance density (ratio of premium in US dollar to total population) in India remained same during 2019-20 and 2020-21 at the level of $78, according to IRDAI's Annual Report. Enhanced FDI cap

However, nearly a year after the government permitted higher foreign direct investment of up to 74 per cent in insurance companies, only a few insurers have used this window to increase stake in their Indian ventures.

This includes Ageas Federal Insurance and the Future Generali insurance joint ventures.
Shailaja Lall, Partner, Insurance, Shardul Amarchand Mangaldas & Co, said the insurance market in India is evolving and maturing rapidly.

"The 74 per cent FDI cap for insurance companies is also seeing its fair share of interest. The good thing is that there are no conditionalities, such as the requirement for Indian ownership and control, which existed earlier.

"Many companies are waiting and watching. Some are also in negotiations to review their own JV contract clauses," she said, adding that it is also about how many companies want to consolidate their operations in India. To be fair, a number of insurers have used the enhanced FDI cap of 49 per cent. Many insurance intermediaries and brokers such as Willis Towers Watson, Marsh and Gallagher have also used the 100 per cent FDI window for their Indian ventures.

Data with IRDAI indicate that against the 49 per cent FDI cap in insurance sector, the average foreign investment in Indian life insurers was 35.44 per cent as on March 31, 2021. It was 27.68 per cent for private sector non-life insurers and 29.38 per cent for private standalone health insurers in the same period.

Faster approvals

There is expectation of some streamlining of processes and approvals to enable investments in a smoother and faster manner. However, a blanket 100 per cent increase in FDI cap for the sector may not be in the offing.

G Srinivasan, Director, National Insurance Academy, said the higher FDI window of 74 per cent will lead to more capital into the insurance sector, which will enable more expansion and penetration.

"However, it will happen only gradually, and it is a call that has to be taken by each insurer on whether or not to increase FDI," he said, adding that there may also be need to review the processes for such approvals so that they can go through more quickly.

Lall also said the processes must be streamlined for faster approvals. "For instance, any change in shareholding of more than 1 per cent needs approval from the IRDAI, and can take as long as three months. This can be very time consuming for a PE investor," she said.

Further, from a regulatory perspective, foreign investors will evaluate whether they want to be in a regime where there can be a lot of unforeseen regulatory changes, which may impact their investment and control, she said. An industry source noted that many companies were looking at the higher FDI window. But they had put their plan on the backburner as the government left the top position vacant for about 10 months after IRDAI chief SC Khuntia completed his term on May 6, 2021.

The IRDAI has been nudging insurers to list on the bourses for some time now. But only a handful of companies have done so. This includes HDFC Life, ICICI Life Insurance and ICICI Lombard General Insurance, SBI Life Insurance, New India Assurance and the latest being Star Health and Allied Insurance. While state-run life insurance behemoth LIC is set to debut on the bourses sometime this quarter, most other insurers do not have such plans for now.

"Listing is in the interests of all stakeholders and will lead to more governance and transparency. It will also improve the profile of the sector and increase insurance penetration," said Srinivasan, but added that the decision to list will depend on the promoters and the board of each insurer.

The head of an insurance company also agreed and said the decision on when to list rests with shareholders.

"But as an insurance company, we are very forthcoming with disclosures. The idea behind listing is to bring more transparency and that we are already doing through our regular disclosures," he said, adding that with the mega initial public offering of LIC coming in, more companies may consider listing on the bourses.

Lall said that with so much PE investments in insurance companies, there could be more instances of listing when they choose to exit.

The writer is Surabhi

TOP

LIFE INSURANCE

Insurer warns of possible data theft, flags security risks – Live Mint – 29th April 2022

Life Insurance Corp. of India has warned that its information technology infrastructure is exposed to cyber attacks and breaches, which can jeopardize the security of the information stored and transmitted through its computers, damaging its reputation and leading to litigation.

LIC said it needs to spend significant resources to protect against security breaches that can come from employees, agents, vendors and other stakeholders. “While our corporation has not experienced such incidents during the period from 1 April 2018 to the date of this red herring prospectus, our computer networks and IT infrastructure may be exposed to computer attacks or disruptions," the company said in its red herring prospectus.

The security warnings come days ahead of LIC’s initial public offering (IPO), which goes live on 4 May to 9 May. Allotment to anchor investors starts 2 May.

The government expects to raise about ₹21,000 crore from the public offer, India’s largest IPO, at the upper end of the price band. The state-owned insurance firm said it has to spend more on securing its client and customer data. “We may be required to expend significant resources to protect against the threat of the security breaches or alleviate problems caused by these breaches."

“...any security breach, data theft, unauthorized access, unauthorized usage, virus or similar breach or disruption could result in loss or disclosure of confidential information, damaging our reputation, litigation, regulatory investigations or other liabilities, which could have a material adverse effect on our business, financial condition, results of operations and cash flows," LIC said.

It warned that a security threat may come from a third-party vendor or it maybe unable to defend itself against the advanced techniques used by hackers. “We may be unable to anticipate the techniques or implement adequate preventative measures. Even if we anticipate the attacks, we may not be able to counteract the attacks in time to prevent them," said LIC. “...our arrangements with third-party vendors and service providers expose us to the risk of such third parties failing to maintain and protect our security and confidentiality or our policyholders’ information and data,“ the RHP added.

The government will sell a 3.5% stake, or 221.3 million shares in LIC. Out of this, 22 million will be reserved for policyholders and 1.5 million for staff of the insurance firm.

The writer is Devina Sengupta

TOP

Documents required to surrender postal life insurance – The Economic Times – 28th April 2022

Postal Life Insurance (PLI) has risen from a few hundred policies in 1884 to over 50 lacs policies as of March 31, 2021, according to the India Post website.

PLI covers employees of the Central and State Governments, the Defense and Para-Military Services, Public Sector Undertakings, Banks, Educational Institutions, Local Bodies, and many other professionals.

- Under PLI, these are the schemes offered:
- Whole Life Assurance (Suraksha)
- Convertible Whole Life Assurance (Suvidha)
- Endowment Assurance (Santosh)
- Joint Life Assurance (Yugal Suraksha)
- Anticipated Endowment Assurance (Sumangal)
- Children Policy (Bal Jeevan Bima)

According to the India Post website, below are things an insured person should note after buying a policy:

1)I have kept the Policy bond in a safe place
2) I have informed someone as to where the bond is kept
3) I have checked the Policy schedule in the 1st page
4) I have noted the policy number in my diary along with due dates and Premium amount
5) I have noted the Post office Phone number in my diary
6) I have noted details of PLI INFO Center
7) I have understood that in my own interest I should keep PLI informed about my Change in address, phone number, email id.
8) I have noted that I should pay premium even if I have not received the notice
9) I have a nominee under this Policy

Now, if for any reason you want to surrender a PLI insurance policy, there are a few documents you will have to submit. Here is the list of documents which you need to keep handy before starting the process of surrendering the PLI policy, according to the India Post tweet on its official Twitter account.
Checklist of Documents to be submitted for surrender –

- Cancelled Cheque (Required only in case of EFT as disbursement type)
- Cancelled cheque/EFT Form
- D.O.C for last one year in case of Pay Recovery
- Duplicate Policy Bond(in case of document lost)
- Indemnity Bond if duplicate bond not available.
- Loan repayment receipt book(in case of existing Loan on policy)
- Policy Bond.
- Premium Receipt Book
- Surrender Request Form.

The writer is Sneha Kulkarni

TOP

Your vacation plans and lifestyle should not bear the brunt of inflation. Here's how – The Economic Times – 25th April 2022

After more than two years of confinement during the pandemic, many people are itching to travel again and are making extensive summer vacation plans. And yet, with global inflation rising at a fast clip in the wake of geopolitical strife and supply chain disruptions, one common worry gripping many is the impact of higher prices on everything – more immediately, on travel and vacation plans and in the long term, on one's overall lifestyle.

In March, retail inflation - as measured by the Consumer Price Index (CPI) - surged to a 17-month high of 6.95%, up from 6.07% in February, according to the National Statistical Office (NSO) data.

"The price burden is on the common man and we are trying to relieve that stress," Finance Minister Nirmala Sitharaman said recently. Indeed, commodity prices are at multi-year highs owing to supply chain disruptions and ongoing geopolitical conflict between Ukraine and Russia, with food price inflation in rural areas more than doubling to 8.04% in March 2022 from 3.94% in March 2021.

Financial planning to combat inflation

In the wake of these developments, how can one ensure their lifestyle is not impacted as a result of rising inflation, not just in the short term but also in the long term? What steps should one take to combat the increase in cost of things across the board, from food to fuel and travel to tuition?

Admittedly, a necessary counter to this is adopting sound financial planning and building new financial habits that will help you tide over economic uncertainties and combat the impact of inflation.

Experts recommend adopting a range of strategies to hedge one's finances against inflation, including investing in real estate and commodities that are resilient to the effects of inflation, as well as long-term investments that have the potential to deliver inflation-beating returns.

In prevailing economic conditions,it is also wise to invest in an insurance plan that's designed to take care of your short-term financial needs while also securing your future in the long term. One such life insurance plan is HDFC Life Sanchay Par Advantage Plan, which provides coverage for your entire life by offering a comprehensive solution that enables you to generate a regular and consistent flow of income as well as build a corpus.

Offered by HDFC Life, the HDFC Life Sanchay Par Advantage is a non-linked, participating, life insurance plan that helps policyholders achieve their life goals and secure their future without making any compromises. In many respects, it is an unconventional combination of life insurance with immediate income options for your various needs and customizes your savings plan to match your expenses and financial needs.

What makes HDFC Life Sanchay Par Advantage stand out

- Immediate or deferred income options: There are two plan options available that offer lifelong benefits with flexibility of payouts and whole life cover.
- Immediate income option: The option provides regular income by way of cash bonuses (if declared) at the end of each policy year, payable from the first policy year, and also provides a lump sum at maturity
- Deferred income option: This option provides guaranteed income for a guarantee period, and also provides regular income by way of cash bonuses (if declared) throughout the policy term.
- Low premiums and multiple frequency: The premiums can be paid monthly, quarterly, half-yearly or annually. The policy can be availed with a monthly premium of as low as Rs 2,188.
- Flexibility: The plan is for everyone who seeks flexibility in an insurance plan. It provides for deferral of survival benefits at any point during the policy term. The policyholder can defer the survival benefit arising out of declared cash bonuses or guaranteed income and accrue them instead. The

survival benefits are paid on policy anniversaries but the policyholder can choose to receive the survival benefits on any one date as per their choice.

Other key features:
- Life cover with protection upto 100 years of age
- Additional income is offered for policies with annualized premium of more than or equal to Rs 1 lakh
- Tax benefit: You will be eligible for tax benefits as per prevailing tax laws under Income Tax Act, 1961.

Contingency planning: You can boost your contingency planning and top up your savings plan with these three additional riders: HDFC Life Income Benefit on Accidental Disability Rider, HDFC Life Critical Illness Plus Rider, and HDFC Life Protect Plus Rider.

In a macroeconomic environment where inflation is expected to persist longer than expected, it's only natural to expect people to prioritize their spending and cut down on travel and vacation expenses. But by investing in various plans such as HDFC Life Sanchay Par Advantage and adopting other measures to curb the effects of inflation, you can ensure your purchasing power does not erode in the wake of rising prices.

TOP

Why women should invest in Life Insurance? Here are few tips – The Times of India – 24th April 2022

The insurance market in India is showing clear signs of expansion, asking insurance providers to be innovative in their approach. Insurance as a financial product occupies an important place in our current complex financial world. It has become so because risk, which can be insured, has considerably increased in almost every walk of our lives. This has naturally led to the overall growth of the insurance sector as well as the evolution of a variety of insurance covers. In India, the overall market size of the insurance sector was projected to be around US$280B in 2020.

With such huge market potential, one may believe that it's due to the significant penetration density in the country. However, India's insurance penetration was pegged at 4.2% in FY21, with life insurance penetration at 3.2% and non-life insurance penetration at 1%. Another stark statistic provided by IRDAI annual report for FY20 showed the number of life plans purchased by women during the financial year dropped 11.76% on a YoY basis. Women contributed 34% for the first-year premium in FY20, down from 37% the year before. Moreover, nearly one-third of the policies bought by women came from just three states – Maharashtra (11.98%), Uttar Pradesh (9.87%), and West Bengal (10.60%).

This then begs the question – why women are lagging in being part of such a crucial financial product?

The answer is not so straightforward. One key aspect that does crop up is the lack of awareness among women about life insurance as a financial product and its benefits. In this article, we try to precisely address that – things women should know while purchasing a life insurance policy.

Winds of Change
Insurance policies are designed to help people have a financial cushion for their loved ones and prepare for emergencies. Women have always played the role of chief caretaker in any family. Moreover, in recent years, we have witnessed a progressive shift in society, with women taking a substantial lead in contributing to the growth of the household. While they have been a crucial element in managing

household finances for years, they now need to cater to a completely different set of financial objectives for themselves.

It's Great to be Woman

One of the most significant benefits of life insurance for women is that it is cheaper for them. As per several research studies, women tend to outlive men, and thus, life insurance premiums are considerably lower for them than men. It is often advised that purchasing term life insurance is a more affordable way to get greater coverage. Plus, buying a policy at a young age will help further cost reduction as the premiums go up with advancing age.

Contributing to Family Income

Conventionally, small savings have been the primary domain of Indian women. However, with insurance products such as Unit Linked Insurance Plans or ULIPs, they can save and generate better returns and contribute to the family income while being secured. Additionally, as more women enter the workforce and become independent earners, they need to protect their income. Life insurance can offer a promising avenue as a savings mechanism to boost their financial independence and habit of long-term savings.

Not a Breadwinner? They Can Still Be Financially Independent

What's more important is that life insurance is not only essential for working women but even for single women, homemakers, single mothers (divorced or widowed) to help them achieve financial independence at various stages of their lives. A life insurance payout can go a long way in covering such costs and offering a financial safety net to their families.

It Helps During Pregnancy

It is a common myth that pregnant women are ineligible for life insurance. They need to approach the right insurance provider to get comprehensive coverage for their pregnancy. While it's always advisable to have a life insurance plan before pregnancy, it may be a mistake to purchase it after childbirth. Often women develop certain conditions during pregnancy, such as gestational diabetes or postpartum depression, making it harder for them to get coverage or incur higher premiums.

Creating a Legacy

Women are often considered the "Money Manager" for a family. As we move towards an even more progressive society, their role will only witness an increasing evolution. Naturally, creating a legacy must be a part of the thought process of every woman. Policies such as whole life plans can act as an ideal mode of accumulating wealth for the next generation and ensure that the children and grandchildren receive the sum assured in their absence. Single mothers can use the maturity amount as a source of steady income to cover their child's existing and future expenses.

For most women, family's security, both physical as well as financial, is the biggest priority. A right insurance product can provide a financial security net for themselves as well as their family. In case they are earning, they can also contribute to the family's income or specific goals through savings-oriented policies. Such policies provide an avenue for long-term wealth creation, healthy returns, and tax benefits along with the primary objective of protection. Similarly, insurance will act as a strong backup plan to tackle unforeseen circumstances. Having a substantial cover goes a long way in ensuring a quality lifestyle and managing educational and other expenses in the absence of their partners.

Single women can opt for a life insurance plan that helps secure their savings, income, and further investments. Moreover, the policy can provide funds to pay off debts, loans, and taxes, which otherwise would have become a burden for their family members.

In Conclusion
Today, having a full-proof financial plan is required independent of the earning status of the member. As the risks associated with different walks of our lives keep increasing, the importance of insurance has never been greater. Women need to be exposed to the right insurance product as early as possible to ensure the financial safety of themselves and their loved ones. Over the years, insurance products have evolved and offered a wide range of cover and other benefits. Choosing the right coverage depends on various factors such as individual requirements, health demands, and financial objectives. Buying comprehensive life insurance cover will thus be the right step in empowering women in our country.

The writer is Anup Seth.

TOP

Busting the most common life insurance myths – Financial Express – 23rd April 2022

Before starting an investment journey, one should take adequate insurance cover to ensure that the investment journey doesn't get interrupted by any unforeseen eventualities resulting in huge financial losses. So, the basic of a financial plan is to take insurance cover to protect the investments.

"When it comes to financial planning and opting for Life Insurance, there are lots of myths out there. But it is very hard to figure out what's true and what isn't. People try to make general estimates to determine the kind of policy and the amount of coverage one needs and at times believe that at a certain stage they do not need Life Insurance at all. However, it is important to know that in insurance there is no one-size-fits-all model. There is no thumb-rule to buying life insurance and it largely depends on the individual and his/her family's financial goals, income profile and risk appetite," said Anil Kumar Singh, Chief Actuarial Officer, Aditya Birla Sun Life Insurance Company Ltd.

"In your search for the right policy, it is important to understand the truth behind some common misconceptions on life insurance," he added.

Singh lists the following six common misconceptions about life insurance:

1. Life Insurance is expensive
The cost of life insurance, often referred to as the premium depends upon several factions including the age of the life to be insured, current health status and any pre-existing medical conditions. Insurance premiums are inversely proportional to life expectancy, i.e. premium increases as life expectancy decreases or more simply put, the older you get, the more life insurance is going to cost you. Today, there are multiple options available for individuals to invest in life insurance. Policies can even be customised to suit individual needs and budgets. All these help in getting the desired insurance at a comfortable premium. Most importantly, life insurance must be treated as an investment for protection and not an expense, as one can be assured that the family will be taken care of in case of unfortunate death or any other unforeseen conditions.

2. Not everyone needs a life insurance cover, especially young people
It is a common myth that life insurance is not a required financial instrument for young people. Although the main premise of life insurance is to provide financial security to the insured and their family, it is also a product that one must buy before you foresee an obvious need. That appropriate time to purchase life insurance is when one is young and healthy. Delays might harm the prospects of getting insurance at the desired price. Deterioration in health conditions or the occurrence of unforeseen situations could make the insurance plan expensive. It is important to start early and start smart.

3. The duty of the insured is completed once a Life Insurance policy has been purchased
Individuals tend to buy life insurance and forget about it. It is necessary that individuals keep assessing their protection needs at every life stage and remain abreast with trends that might have a direct impact on life insurance policies. Things change over time and so do the benefits of life insurance. Newer and more innovative solutions may come up that better meet individual requirements. Once can explore the possibility of a top-up to the existing policy.

4. Life insurance is for paying off debts
With changing lifestyle aspirations and large expenses such as home-loans, education loans and other such debts, life insurance is increasingly sought as a safeguard against debts. Life insurance is not only about paying debts. It is in fact necessary to minimize debts to realise the returns from life insurance. When calculating life insurance requirements, one must consider both existing debts and other future financial requirements for the family. In this way you can clear the debts and also secure enough money for the family's future.

5. Term life insurance coverage from the employer is enough
This may sometimes be the case, but most often cover provided by employers is simply not enough to take care of your family's needs. Some employers offer limited cover like covering death through accident and not illness, etc. It is important to review the policy and benefits in detail and evaluate the available choices keeping the bigger picture in mind.

6. Life insurance policy only benefits in the eventuality of death or post the term ends
Life insurance policies offer a number of living benefits including the ability to access the policy's cash value through withdrawa1ls or tax-free loans for other needs, such as funding your child's education, a hard-earned retirement income or other lifelong savings needs. Therefore, it serves as long term financial protection not only during an unforeseen or catastrophic situation but also as a savings when in need.

"While some myths are benign and do us no harm, that is not necessarily true of those myths that relate to our personal finances. Life insurance is a simple product and a comprehensive solution for protection once you overcome these myths," said Singh.

The writer is Amitava Chakrabarty.

TOP

GENERAL INSURANCE

Cyber security insurance policies see a growth due to rise in cyber attacks – The Times of India – 28th April 2022

Insurance companies are witnessing a growth in the individual, corporate and commercial segments of cyber security insurance policies due to the rise in the number of cyber-attacks.

While Bajaj Allianz General Insurance has witnessed a 30 percent increase in the number of corporate cyber policies since 2018, Tata AIG General Insurance is seeing the commercial cyber insurance vertical growing by double digit since the product was launched in 2014. For ICICI Lombard, corporate cyber liability insurance is one of the most sought after products during the pandemic time due to the spike in the number of cyber-attacks in India and globally.

As per reports, India was in the third spot in the number of data breaches detected across the world in 2021, with nearly 8.7 crore breaches reported between January and November of last year.

Cyber security insurance policies cover a range of areas including cyber bullying and extortion/ransomware, legal expenses, data restoration cost, identity theft and phishing. While cyber insurance was a product targeted towards large businesses among the high-risk healthcare, financial, professional services and IT sectors in the past, the recent trends have highlighted the increased cyber security spending among the small and medium size businesses, according to the insurance industry sources.

A major reason for an increase is due to the cost to recover from a cyber attack has become significantly high. "In these scenarios, a cyber insurance policy can act as a life-jacket and could save a company from heading towards insolvency," said Najm Bilgrami, vice president & head - financial lines, Tata AIG General Insurance.

The demand for individuals seeking cyber insurance has also spiralled, which provides coverage for protection from several issues including cyber frauds, social media liability, malware attack and spoofing. The core cover of the policy is only for the individuals and not for the device used by them, according to insurance industry sources.

TA Ramalingam, chief technical officer, Bajaj Allianz General Insurance said that the growth in the individual segment is in the vicinity of about 20%. "Our individual cyber insurance policy has pegged a significant growth of above 100% since its launch. This indicates the growing awareness and need for cyber insurance," he said.

Sanjay Datta, chief — underwriting & claims, ICICI Lombard, GIC said, We have also seen an increase in uptake in the individual cyber space as well due to increased digital footprint of an individual and perils that come along with the connected life such as identity theft, cyber bullying and fraudulent use of financial platforms."

According to Tarun Mathur, CBO-GI, Policybazaar.com, an online insurance platform, the cyber insurance market is expected to grow globally at a CAGR of 27 percent from 2017 to 2024. "The cyber security insurance was introduced as a standalone product in India in 2014 and since then it continues to grow with researches reporting that the nation is expected to spend up to $3 billion on cyber security in 2022," he added.

The writer is Yogesh Kabirdoss.

TOP

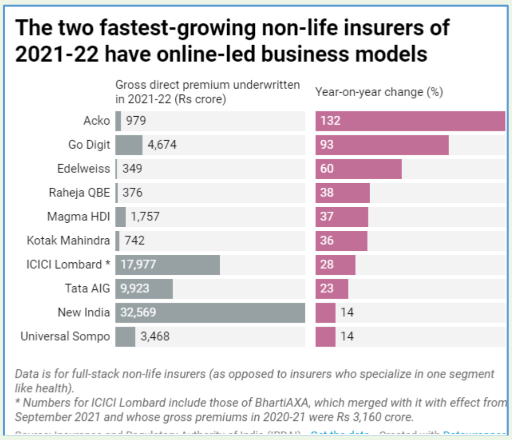
How general insurers fared in FY22, in charts – Live Mint – 226th April 2022

Financial year 2021-22 was a mixed one for the non-life insurance industry. Of its nine broad product segments, health insurance is where the industry gathers the most business from. In a year that saw the worst of the covid-19 pandemic, insurers have had to endure significant losses on this part of their portfolio. But the pandemic also drove home the case to have adequate risk protection, resulting in insurers expanding their customer base. As the dust settles, here are five takeaways from the financial performance turned in by non-life insurers in 2021-22.

1. Online validation

Acko and Go Digit, the two fastest growing companies in the non-life segment in 2021-22, both challenge the industry's historical sales template. Among the youngest, both their business models pivot around the online space. Both received their licences in September 2017. While Acko's latest growth in gross premiums is on a small base, Go Digit is already ranked 13th out of 25 full-stack non-life insurers. In 2021-22, it leapfrogged Future Generali India, Universal Sompo and Royal Sundaram.

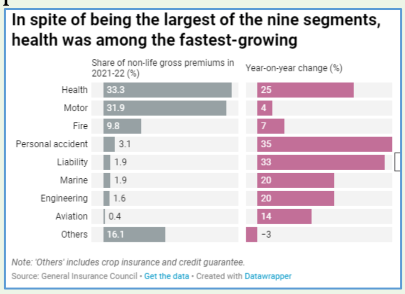
For both Acko and Go Digit, the segments of health and motor—the two mainstays for non-life insurers—are driving growth. Against the industry average of 65%, these two segments accounted for 74% and 92% of gross premiums of Go Digit and Acko, respectively. These numbers point to changing consumer habits, and a business case to sell insurance plans that have been historically sold offline via the internet, fully or partially.



2. Twin mainstays

In 2021-22, the health and motor segments accounted for 65% of the gross premiums collected by the non-life insurance industry. Seven years ago, in 2015-16, this was 72%. Thus, while the share of health and motor has come down marginally, a reliance on them for volumes and growth remains. In recent years, health has overtaken motor as the leading non-life segment. In 2021-22, which contained the second and third waves of the covid-19 pandemic, health widened its lead over motor.

In spite of being the largest of the nine non-life segments, health recorded the third-fastest growth in gross premiums in 2021-22, of 25%. This was more than twice the overall industry growth, of 11%. In the preceding three years, the health segment had recorded an average growth of 16% in gross premiums. In both health and motor, insurers are also able to levy an increase in premiums.



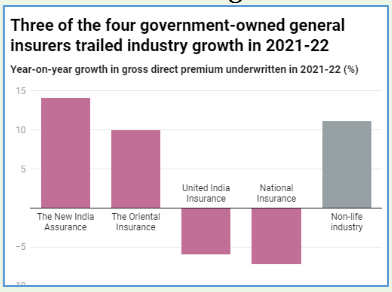
3. Health swings

For non-life insurers, while the health segment has been delivering revenue growth, profitability is more elusive, especially for government-owned insurers. Till 2018-19, the incurred claims ratio—the value of claims paid to the gross premiums collected—for the health segment was above 90%. Motor, too, was on the higher side, challenging profitability of insurers

Insurers are yet to release their incurred claim numbers for 2021-22. But given the surge in hospitalization due to covid-19 and the anecdotal data available, insurers are staring at a slippage in the profitability of their health portfolios during 2021-22. For example, ICICI Lombard General Insurance, a listed company, posted an operating loss of ₹380 crore in its health segment in 2021-22, against an operating profit of ₹186 crore in 2020-21. Looking ahead, as covid-19 vaccines provide a hedge against hospitalizations, a return to profitability, on the back of more policies sold, is likely in 2022-23.

4. PSU pangs

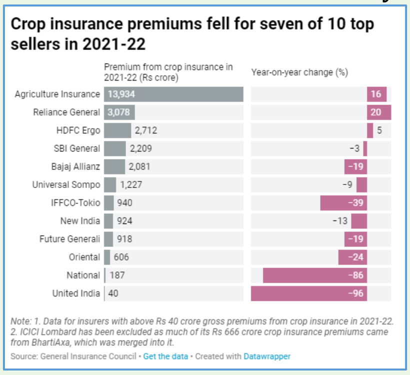
Among non-life insurers, one segment has its work cut out: the four non-life insurers owned by the government. In 2021-22, they faced severe growth pressures, and three of the four trailed the industry average. Further, two of them, National Insurance and United India, have in fact seen a drop in premiums collected. For both, the health segment has barely grown, motor has shrunk, and crop insurance has seen a massive drop. In the past year, the share price of New India Assurance has dropped 22%, even as the broad market has gained 21%.



Their performance has additional significance. Government-owned Life Insurance Corporation, the country's largest life insurance company, is being primed to go public. A lot is being pinned on that move: from how much funds the government can raise from this sale to the future returns that accrue to shareholders. So far, the precedent set by government-owned non-life insurers is not encouraging.

5. Coming a cropper

Another segment of the non-life industry that showed signs of concern in 2021-22 was crop insurance. These are insurance policies sold to farmers to protect them against weather-related losses on their agricultural produce. A pullback by the industry in this important risk-management tool comes at a time when the Indian farmer is stressed, and policy options that protect their downside while increasing their incomes are the need of the day.



Overall, the industry saw premiums collected from crop insurance drop 5% in 2021-22. Within this, the Agriculture Insurance Company, which specializes in crop insurance, recorded a 16% increase in premiums. But the group of full-stack insurers saw crop insurance premiums drop an alarming 18%. This included all four government-owned general insurers. Only Reliance General and HDFC Ergo expanded this segment. As the country heads into another farming season, these numbers should be watched.

TOP

Insurance coverage for fisheries, aquaculture units abysmal in India, says FAO report – The Hindu Business Line – 26th April 2022

Given the low penetration of insurance products in the fisheries sector, the FAO World Review of Capture Fisheries and Aquaculture 2022 has suggested involvement of public and private insurance service providers to undertake proactive measures to turn the tide on fisheries and aquaculture insurance in India. With weather playing truant in the fisheries sector, the involvement of insurance service providers should be encouraged for the overall competitiveness and efficiency of service delivery in the sector. The report assumes greater significance when occupational hazards to life and property of fishers and fish farmers are increasingly on the rise with the occurrence of frequent extreme weather events in recent times. However, there is a general lack of awareness on insurance solutions among fishermen and aquaculture farmers. The insurance coverage for fishing vessels, coastal immovable property and aquaculture units is abysmal in India. Appropriate extension efforts by government agencies /NGO's/aquaculture societies with due participation from the fishing community could bridge the gap and facilitate marketing of insurance products at the grass root level.

Given the strong network of micro-finance institutions and self-help groups in the coastal regions, the report pointed out that bundling of disaster risk insurance packages with existing micro-credit schemes can be a viable option. Shinoj Parapppurath, senior scientist, ICAR-CMFRI, Kochi and the author of the India chapter of the report indicated that prohibitive cost of the policies currently on offer is one of the reasons for the low adoption of fishing vessels and asset insurance in the coastal region. Moreover, there are no options to pay premiums in instalments, or in a way that matches fish landing patterns. However, innovative solutions whereby the payment of premiums linking with catch revenues or seasonal incomes could alter the way fishermen approach insurance packages. A similar scheme is operated by Matsyafed in Kerala whereby the interest on loans is paid back on a daily basis through deductions made on fishing revenue. Such a system can be emulated to collect insurance premium payments in instalments, the report said.

The FAO World review of capture fisheries and aquaculture 2022 has provided a comprehensive account of the present status of insurance in top 10 capture fisheries and aquaculture producers in the world. The India chapter gives interesting insights into the state of fisheries/aquaculture insurance and it presents a number of strategies and options to protect small-scale fishers from occupational hazards, particularly those arising from climate change-induced extreme weather events. Mariculture, the future source of marine fish, also requires insurance coverage and to be viable in the long run. New insurance packages covering marine and inland cages, sea farming, brood bank/hatchery units and seaweed farming units should be introduced on a priority basis, the report said.

The writer is V Sajeev Kumar.

TOP

Hotel Association of India urges govt to bring down insurance premiums – Business Standard – 26th April 2022

The hotel association of India (HAI), the apex organization of the Indian hospitality industry, has written to the finance minister, Nirmala Sitharaman, highlighting the steep increase in insurance premiums for hotel properties in the last few years as several reinsurers, including state-owned General Insurance Corporation (GIC Re) have raised premium by nearly two and a half times they were in FY2018-19. In the letter, they have urged the government to bring down the insurance premium rates to the level they were in FY2018-19.

The association has alleged that insurance companies are not allowed to quote different rates to hotel properties based on the risk category of the insured, thereby putting all the hotels at par and leaving no scope for differentiated premiums depending on the quality of risk undertaken.

"Due to this, better-managed hotel properties that have invested more towards safety & preventive measures towards various risk exposures are charged the same premium rates as others", the letter mentioned. Earlier, the insurance companies offered discounts on premium rates for property insurance based on their respective underwriting parameters.

The tourism and hospitality sector was badly hit due to the Covid-19 pandemic, resulting in revenue losses. "It is a time for providing incentives to the sector to revive and grow but the current very high insurance premium rates as compared to pre-FY 2018-19 is a major disincentive", said MP Bezbaruah, Secretary-General, HAI.

"There two-and-half times increase is putting additional pressure on hotel chains, especially those who have invested a lot in safety and preventive protocols. During the time when the industry is showing signs of recovery, such premium rates imposed on the sector is a setback for the entire industry", he added.

The writer is Subrata Panda.

TOP

Trip insurance & safety net: Get hotel quarantine cover – Business Standard – 26th April 2022

Indians are travelling again after a two-year lull. Alongside rising demand for overseas tickets, online insurance portals have seen demand for travel insurance also shoot up in recent months. Amit Chhabra, head-health and travel insurance, PolicyBazaar, says, "We have seen a 40 percent increase in the sale of travel insurance between March and April. A similar jump happened between January and March this year." One regulatory development has also given fresh impetus to the sale of travel insurance. Naval Goel, chief executive officer and founder of PolicyX.com, says, "The Insurance Regulatory and Development Authority of India has made it mandatory for these policies to cover Covid. That, too, has contributed to our sales rising above pre-pandemic levels." Even as travel restrictions are being lifted, the recent surge in Covid-19 cases in some countries is a cause for worry. This looming threat has made it all the more important that you choose your travel insurance policy carefully. Your travel insurance policy will cover Covid-19 and other ailments. "Your insurer will pay for your treatment should you test positive in your destination country. Travel insurance will also cover hospitalisation due to other ailments and any emergency medical treatment," says Chhabra. Most policies also cover trip cancellation, missed connecting flights, baggage loss, passport theft, expenses arising due to curtailment of trip because of an ailment, and emergency evacuation due to medical causes.

"These policies exclude 'foreseeable' events. Many travel insurers have declared Covid-19 to be a foreseeable event. Had you purchased travel insurance after the insurer made this declaration, trip cancellation due to Covid-19 might not have been covered," says Goel. While hospitalisation will be covered, the insurer may not pay your bills if you are quarantined in a hotel. "If you were to test positive after you landed and had to quarantine in a hotel to abide by the destination country's isolation rules, check whether your insurer will pay for your hotel stay," says Chhabra.Another scenario is that you may have to stay at a relative, friend or acquaintance's residence while getting treated. Check whether the insurer will pay for the cost of your treatment. Whether coverage is available for each of these scenarios varies from policy to policy. Ensure you buy a policy that covers the cost of hotel accommodation up to the defined medical sum insured. Nowadays many people buy health insurance policies that offer global coverage. "Such a policy provides assurance of health care support to people travelling abroad on work, for education, leisure, or critical care," says Goel.

These plans cover hospitalisation charges, transportation during illness, surgery, and outpatient treatment. In case you have a travel and health policy with global coverage, and you get Covid in the destination country, which should you use? "You can contact either insurer and both will provide coverage. Opt for the one that has a network hospital in the vicinity. If one offers cashback and the other reimbursement, select the former," says Chhabra. Make sure the sum insured on your travel policy is adequate. M Barve, founder, MB Wealth Financial Services, says, "The cost of medical treatment can be exorbitant, especially in developed countries. Whatever sum insured you have will get exhausted very quickly. Buy sum insured of at least $100,000." Go through the policy wording carefully to understand its nuances. Fill out the policy form carefully and make correct disclosures. If you have a pre-existing disease, declare it at the time of purchase. If you fail to do so, you run the risk of your claim being rejected in a foreign land.

The writer is Bindisha Sarang.

[TOP]

Do you need to get a personal cyber insurance policy? – The Economic Times – 25th April 2022

As Covid has taken root in the country in the past two years, so has cyber crime, especially after people started working from home. Cyber security incidents jumped to 14.02 lakh in 2021, from 2.08 lakh in 2018, according to CERT-In. Meanwhile, the losses due to cyber crime—ATM/debit card, credit card and Internet banking fraud—were estimated at Rs 63.4 crore in 2020-21, as per the data published by private and public banks. Even as corporates have rushed to pick cyber covers, the focus on personal insurance has increased only after insurance regulator, Irdai, listed guidelines for the same in September last year. Unlike corporate covers that are provided by most insurers, very few companies currently offer personal or individual cyber insurance. Some of these include HDFC Ergo General Insurance, Bajaj Allianz General Insurance, ICICI Lombard General Insurance, Future Generali India Insurance, with several others in the process of bringing out products.

The writer is Riju Mehta

[TOP]

From no hidden charges to insurance on credit card frauds and lost cards, here are RBI's new guidelines for credit and debit cards – Business Insider – 22nd April 2022

With the rising adoption of credit cards in India, India's central bank, the Reserve Bank of India (RBI) has announced a new set of guidelines to protect consumers from frauds and hidden charges, among other things.

In its new guidelines, the central banker has a long list of guidelines, rules and penalties for banks and credit card issuers. It is worth pointing out that these new guidelines also cover debit cards, but the most important new additions are for credit cards.

This is understandable given that credit cards have exploded in popularity after the COVID-19 pandemic – the total outstanding credit cards in December 2019 stood at 55 million, which has now increased to nearly 72 million at the end of February 2022.

That is a growth of nearly 30%, and one of the motivations behind Axis Bank's acquisition of Citi India's retail assets, including the lucrative credit card business.
The broad idea of RBI's guidelines is to further enhance consumer protection, especially in cases of frauds, theft, unauthorised usage and more.

Here are the key highlights for guidelines related to credit cards:
- No hidden charges on credit cards issued free of charge.
- Card issuers can now consider an insurance cover for liabilities arising out of lost credit cards, or credit card frauds. For this, the issuer will have to obtain explicit permission from the card holder.
- Will require a one-time password to activate a credit card that has not been activated within 30 days from the date of issuance. This will help cover scenarios where an unauthorised person intercepts cards before their delivery to the customer.
- Credit information of the card holders shall not be reported to any credit bureaus like Cibil, CRIF, Experian, etc., before the activation of the card.

- Ensure complete transparency in the conversion of credit card transactions into equated monthly instalments (EMI) by clearly mentioning the amount of principal, interest, discount and charges, if any.
- EMI conversion with interest shall not be disguised as no-cost or zero-interest EMI.
- In case of rejection of a credit card application, the issuer shall convey in writing the reason for such rejection.
- Closure requests for an existing credit card shall be honoured within seven working days. Failure to do so shall result in a penalty of ₹500 per day of delay, payable to the customer.
- Closure of credit cards if not used for a period of one year, with a 30-day notice to the card holder.
- Any changes in charges related to the credit card shall be intimated 30 days prior to their implementation.

Here are the key highlights of guidelines related to debit cards:
- Debit cards shall only be issued to customers who have a savings bank or current account.
- No debit cards shall be issued to cash credit or loan account holders.
- Banks shall not force a customer to avail a debit card, and shall not link holding a debit card to avail any other facilities provided by the bank.
- Other form factors of debit cards, such as wearables, may be issued by scheduled commercial banks.

The writer is Rounak Jain

HEALTH INSURANCE

Maha to divert over ₹270 crore saved in insurance premiums to strengthen medical facilities – Hindustan Times – 29th April 2022

A unique tweak in the terms and conditions for the state government's flagship medical insurance scheme has helped the state save over ₹270 crore, which in turn will be used to create tertiary medical care services like dialysis centres, cath labs and operation theatres across Maharashtra. This is the first time that the public health system is being strengthened through such alternate sources of funding.

On Thursday, the state cabinet approved the strengthening of medical facilities through the ₹272.71 crore available with the State Health Assurance Society that administers the state's Mahatma Jyotirao Phule Jan Arogya Yojana (MPJAY) which provides cashless medical care to beneficiaries in empanelled hospitals.

This capacity addition will include radiation oncology units at four places, namely Thane, Ratnagiri, Baramati and Jalna, and cath labs, cardiovascular and thoracic operation theatres, laminar flow theatres (which reduce infections in the air), Extracorporeal Shock Wave Lithotripsy (ESWL) machines used for non-invasive urinary and kidney-related procedures and 25 to 30 dialysis units in 19 districts with no medical colleges.

"At times, cancer patients have to wait for up to two months for radiation therapy in government hospitals, thus delaying their treatment as the number of these facilities is less," noted Rajesh Tope, minister for public health.

"In 2020, when we signed a contract with the United India Insurance Company Limited, we inserted a clause wherein the insurance company will have to refund a part of the premium paid if the claims were less than 85% of the premium," said Dr Sudhakar Shinde, CEO, MPJAY, adding that this was done for the first time in the country.

A premium of around ₹1,600 crore or ₹797 per family is paid to the insurer under the scheme in which all families that have ration cards in the state are covered. Shinde added that for instance, if the company paid 75% of this amount as claims, it would have to refund the gap (10%) between this and the ceiling of 85% to the government. "This way, we were repaid ₹272.71 crore in the financial year ending 2020-21. This was because non-Covid medical procedures and surgeries had fallen during the Covid-19 pandemic," explained Shinde.

He added that conversely if the number of claims paid by the insurer exceeded 115% of the premium, half of the bridge amount above this threshold would be paid by the government. "This means that the insurance company's risk is capped between 85% and 115% and this helped us get the most competitive quotes in the country," explained Shinde.

The MPJAY extends blanket protection to all families in the state which hold ration cards.

The integrated Mahatma Jyotirao Phule Jan Arogya Yojana (MJPJAY) and Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) were launched in Maharashtra on 1 April 2020. While the MPJAY is fully funded by the Government of Maharashtra, the AB-PMJAY, which covers weaker sections like rag pickers, domestic workers, casual labourers and manual scavengers, is jointly funded by the central and state governments in a 60:40 ratio.

The MPJAY was earlier known as the Rajiv Gandhi Jeevandayee Arogya Yojana and was started on 2 July 2012 in eight districts and later expanded across Maharashtra from 21 November 2013. It covers all hospitalisation expenses up to ₹1.50 lakh per family per policy year on a floater basis and for renal transplants, this limit has been enhanced up to ₹2.50 lakh. However, AB-PMJAY provides a health cover of ₹5 lakh per family per policy year.

MJPJAY beneficiaries get the benefit of 996 medical and surgical procedures with 121 follow up procedures and the AB-PMJAY beneficiary are covered for 1,209 medical and surgical procedures.

TOP

How to ensure there is no out of pocket expense in health insurance – Financial Express – 28th April 2022

Hospitalization costs because of medical inflation are rising. On buying a health insurance plan, a small fraction of the coverage amount goes as premium to the insurance company. A policyholder, therefore, expects the insurer to pay the entire hospitalization bill amount to the hospital. However, there could be instances when the insurer pays only a partial amount and the policyholder has to bear the balance as out-of-pocket expenses. In spite of having a medical insurance cover, a policyholder may have to pay a portion of the bill to the hospital.

"According to SecureNow's internal research based on a sample of over 500 recent claims, approximately 20% of the bill amount is not reimbursed," says Kapil Mehta,Co-Founder, SecureNow Insurance Broker.

Mehta shares three instances when cashless health insurance policies do incur out of pocket expenses:

a. When expenses are higher than the sum insured, the difference is paid out of pocket by the patient. As per SecureNow's research, certain diseases such as cancer and medical occurrences such as maternity are pocket-heavy, have high per-day costs, and can reach the ceiling sum insured limit very quickly.

b. There are certain non-payables listed by the insurer that includes consumables and other administrative expenses. These are usually required to be paid out-of-pocket by the patient.
c. Insurance usually covers OPD costs for 30 days prior to the admission (pre-hospitalization) and until 60 days after discharge (Post hospitalization). Beyond this, the expenses are incurred out of pocket.

While purchasing a health insurance policy, keep a few important things in mind to make sure there are no out-pocket expenses or they are kept to the minimum.

There is no fixed rule to decide on the amount of health cover. Based on the city where you reside, type of hospital, your medical history etc, decide on the amount of coverage. "It's advisable to choose a higher sum insured if one can afford a higher premium. In metro cities, a sum insured of Rs 15 to Rs 20 lakh is suggested," says Mehta.

Further, there are OPD plans available with health insurance companies that cover Doctor consultations, Diagnostic tests, Pharmacy expenses amongst other coverage.

Remember, between the cashless and reimbursement health cover plans, the out-of-pocket expense could be more in the case of the latter.

Most health plans do not cover consumables and administrative expenses incurred during hospitalization. "Consumables could make up anything from 5% to 15% of your hospital bill, depending on the services available. One can avoid this cost by considering a small add-on rider to your health insurance plan," says Mehta.

Lastly, the most important feature in health insurance covers that could pinch your pocket is the existence of sub-limits in them. All the expense heads such as doctor fees, ICU charges etc of a hospital bill are pegged to the room-rent of the hospital. If you exceed the room-rent as applicable to your policy, the claim will get proportionately reduced. Therefore, make sure either you hold a plan without any sub-limit on room rent and other expenses or stick to the room rent applicable as per your plan.

"The room- rent sub limits help keep costs down. However, if it is important for you to stay in a single room with no caps then you should buy insurance without this restriction – many products are available. Here I would suggest that you buy insurance with minimal disease or procedure related sub-limits," adds Mehta.

The writer is Sunil Dhawan.

TOP

Irdai proposes to standardise administration of group health insurance products – Financial Express – 28th April 2022

Insurance regulator Irdai on Thursday proposed rationalisation and standardised administration of group health policies.

Group insurance facilitates enhancing the access to insurance to both formal and informal sectors of the society, Irdai said, while issuing the 'exposure draft on group insurance products under health insurance business and other operational matters'.

If operated prudently, it offers the advantage of beneficial coverage at a moderate cost, said the Insurance Regulatory and Development Authority of India (Irdai).

On underwriting and pricing aspects, the draft said the policy should specify the manner in which its risk and costs are analysed and factored into the premium cost.

"All risk factors per unit of coverage such as individual, family, group floater, etc, should be separately analysed and priced," it said.

Further, pricing should be based on sound actuarial principles, supporting data considering all the relevant aspects of pricing such as morbidity experience by gender, by age group, by occupation, by group size etc, expenses, terminations, profit margin apart from any other relevant criteria.

"Insurers must justify the rates and terms offered to any group to the authority, if called upon to do so," the draft said.

On servicing norms for the insurers and master policyholders, the draft suggested that all group health insurance policies having named beneficiaries should have ID cards issued to enable them obtain cashless services, wherever applicable.

Master policyholder refers to the person to whom a group insurance policy is issued by an insurer.

The draft further said unnamed policies may be issued by insurers provided the group has non-tamperable registers or records or procedures to identify the member insured/covered.
The regulator has invited suggestions and comment on the draft from stakeholders by May 13, 2022.

TOP

NHA rolls out Nurse Module of Health Professional Registry under Ayushman Bharat Digital Mission – Pharma Biz – 27th April 2022

The National Health Authority (NHA) has rolled out the module for nurses on Health Professional Registry (HPR) under Ayushman Bharat Digital Mission (ABDM).

HPR is a comprehensive repository of all healthcare professionals involved in delivery of healthcare services across both modern and traditional systems of medicine. HPR is a core building block of the Ayushman Bharat Digital Mission. Through HPR, healthcare professionals can onboard India's digital health ecosystem and connect the patients to healthcare providers or vice versa with last mile coverage. Benefits of HPR include unique and trustable identity, online presence and discoverability along with telemedicine and unified digital services.

The module for doctors from all systems of medicine and their onboarding is already in place in the HPR and now with this nation-wide roll out of the Nurse Module, nurses providing health services across modern and traditional systems of medicine can also enroll on the registry. Applications for enrolment in the registry will be verified by the concerned councils.

Going forward, NHA plans to enroll more categories of health professionals like Para-medicals, grass-root level community health workers (ASHAs), medical support staff, allied healthcare professionals etc. in the registry.

A health professional can become part of the HPR by registering on the ABDM website using their Aadhaar card or driving license.

NHA is the apex body of the Government of India leading the implementation for ABDM in coordination with different ministries/departments of the Government of India, State Governments, and private sector/civil society organizations. It will bridge the existing gap amongst different stakeholders of the healthcare ecosystem through digital highways.

ABDM shall create a seamless online platform through the provision of a wide-range of data, information and infrastructure services, duly leveraging open, interoperable, standards-based digital systems while ensuring the security, confidentiality and privacy of health-related personal information. NHA also implements the flagship scheme, Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana (AB PM-JAY).

TOP

How to choose a health insurance plan for your family – Live Mint – 27th April 2022

Most of us envision and work towards a secure future for our family. There are various aspects to secure our family's future and health is one of the most significant factors. Despite various measures that many of us undertake to ensure a balanced and healthy life, sometimes accidents and health emergencies are unavoidable and being prepared with the right Health Insurance for such scenarios is advisable.

Covid 19 has highlighted the necessity of being financially prepared for unforeseen circumstances. An appropriate health insurance plan enables us to avail quality healthcare facilities without having to face a financial crisis.

While taking a decision to buy a health insurance policy might be easy, it is essential to take a few factors into consideration in order to buy a health insurance plan that is adequate and comprehensive. There are a few things all of us should bear in mind when we decide to purchase a health insurance:

The Right Policy- There are several variants of health insurance in the market that cater to different age groups, financial status, life stages and propensity for health issues. It is therefore important to conduct thorough research before making a final decision. Seek the right information, understand what is best suited for various members of the family and then make the decision. For instance, an indemnity plan is the basic health insurance plan which can be clubbed with some riders like benefit insurance or hospital daily cash, depending to your lifestyle. If necessary, consult the insurance company representative or an insurance intermediary such as an agent who can guide you in this exercise.

Family Floater- This enables covering your immediate family including your spouse and children with one annual payment. Even if there are multiple hospitalizations during the year, all members of the family can get benefits under the policy up to the sum insured limit. Furthermore, under Section 80D of the Income Tax Act, you can claim tax savings of up to ₹25,000 every year. The chief benefit of a family floater mediclaim policy is that it provides coverage for all the members of the family with relatively affordable premiums. If a family member becomes ill, the entire value of the insurance policy might be used to pay for his or her care. Family Floater offers multiple benefits in a single plan. Using the floater health insurance plans for your family can help you stay stress-free.

Sum Insured and Premium - It's important to understand that the amount of premium you pay could have an impact on the medical coverage you receive. Calculating your health insurance premium can assist you in making an informed decision when selecting the best health insurance plan for your family. Decide on a Sum Insured accordingly and review it periodically. You can also buy top-up plans if required.

Limits and Sub-limits - Some plans may have limits on the treatment coverage and an additional sub-limit as the capping of some certain coverage such as sub-limits on the room rent and AYUSH treatment. Opting for plans which have no or less limits and sub-limits is ideal while choosing a plan for your family.

NETWORK HOSPITAL LIST – Check the list of network hospitals that offer cashless facility, this can be a great help in case of emergency treatments when you are not prepared for the sudden expenses.

Choose the right health insurance plan to ensure that your finances are least affected during a health emergency and such situations do not turn into a financial crisis.

The writer is Subramanyam Brahmajosyula.

TOP

Reforming provider payments, price setting for Ayushman Bharat – Business Standard – 26th April 2022

With the advent of health care transformation within the mainstream medical fraternity, the scope for innovation, rectification and revision of age-old concepts has found a new bearing in India. Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (AB-PMJAY), India's flagship health insurance scheme, has trail blazed this perceptible change into a movement for providing egalitarian resources for accessing quality health care by all. It has also pushed the envelope for activating necessary digital literacy among the beneficiaries and the health care stakeholders alike. An important building block of the health system striving to achieve universal health coverage is the way it is financed. Within the financing system, the way health care providers are paid, and the price that they are paid, has significant bearing on the success of any programme. These two factors independently influence the utilisation of services, their quality, efficiency as well as the ability to control health care costs. As a result, it is very important to take careful note of the delicate features of such provider payment systems.

Echoing these sentiments, the National Health Authority (NHA) recently released a consultation paper on the "Provider Payments and Price Setting under Ayushman Bharat Pradhan Mantri Jan Arogya Yojana". The consultation paper can be accessed at https://pmjay.gov.in/resources/publication. The paper is a comprehensive compilation of the state-of-the-art knowledge which exists on this subject, additional analytic approaches which can be used to further fine-tune the PMJAY pricing policy, and strategies to truly transform the NHA into a strategic purchaser of health care services in India. The paper highlights the need that the "Provider Payment" mechanism should efficiently compensate the providers for the cost they incur in providing medical or surgical procedure availed of during treatment. An inadequacy of prices may deter providers from empanelment, or lead to compromise in the quality of care to reduce cost, or pass the balance bill to patients when the services are supposed to be cashless for patients. Accordingly, the NHA has made use of a comprehensive cost analysis to determine its prices.

Despite best efforts, cost disparities among similar procedures can likely occur due to different hospital characteristics. This implies that a uniformity in pricing may not be appropriate for all hospitals. To accommodate for this variation, the paper recommends, and the NHA had introduced, a "Differential Pricing System". Under this, the hospitals performing similar procedures in hospitals at different locations, such as Tier 1, Tier 2 or Tier 3 cities, will be paid differently, which will represent their costing characteristics. Such a differentiation has been done separately for medical and surgical procedures. In addition, the NHA proposes to adjust for other factors like difference of procedure price for tertiary and secondary care. The third reform discussed in the paper, which the NHA has announced, is to roll out

DRG-based (diagnosis-related group) grouping and payment system under AB-PMJAY, a thoughtful step in this right direction. Such a system of payment will enable hospitals treating sicker or comorbid patients to be paid at a higher rate compared to those treating relatively less complicated patients with the same disease. The paper seeks views from stakeholders on the proposed approach to run a DRG simulation pilot, which will help demonstrate the impact of such a potential shift in payment system for both the hospitals and the NHA.

Besides merely considering the cost of providing services, the NHA proposes to develop a system to pay for procedures and services in line with the "value" which it creates within the health ecosystem. By value, it is meant the extent to which health is improved with the application of a particular procedure. Hence, is it worth spending money on interventions, drugs or diagnostics if the gains in patient survival and quality of life are not commensurate? The answer can be a subject of great polarisation. Hence, the principles of "Health Technology Assessment" or "Cost Effectiveness Analysis" can help eliminate this confusion and aid in the development of a strategy to address it. These principles will also help in determining which procedure/ service or drug will be next included in the HBP (health benefit package) at the time of revision and updation. This will further enhance NHA's ability to reduce the prices of procedures that are currently not cost-effective, and in-turn make them more cost-effective by developing a mechanism of price negotiation under AB-PMJAY. This will further enhance the NHA's capability to become a strategic purchaser of health care services in the Indian health system, as well as influence health care prices in general.

We also acknowledge that the prices need to be constantly updated to account for the annual impact of inflation on the price of procedures (medical and surgical) in the health care sector. The paper discusses how the "inflation factor" will be used for annual price adjustments. Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana is a dynamic by-product of many minds. I earnestly believe the success and progress of the same is directly dependent on the quality of our relationship with two of our most important stakeholders — beneficiaries and hospitals. I hope this paper contributes to this meditation and helps in the development of a standardised and transparent pricing policy, which will ensure efficiency, acceptability, quality and sustainability within the Indian health care ecosystem for PMJAY.

The writer is R S Sharma.

TOP

Can India attain Universal Health Coverage with web 3.0? – The Times of India – 26th April 2022

Achieving Universal Health Coverage (UHC) for all by 2030, which is fundamental to achieving other Sustainable Development Goals (SDGs), is what India is aiming for in the next eight years. UHC signifies quality services when it comes to prevention, promotion, treatment, rehabilitation, and palliative care at affordable prices. However, it is still a far-fetched dream because the affordability of healthcare services, which are available in India, is still a challenge for the poor and the middle-class families. Lack of quality healthcare services and capacity in the government set-ups have forced these sections of society to resort to the private hospitals.

Technology will play a crucial role in bridging the healthcare gap and with the advent of Web 3.0, there is some hope that the above-mentioned challenges can be met. The country can fulfil its goal of attaining Universal Healthcare Coverage by the end of this decade with the help of a Web 3.0 revolution.

What is Web 3.0?
Web 3.0 is the third generation of internet services for websites that will focus on using a machine-based understanding of data to provide a data-driven Semantic Web. The goal of Web 3.0 is to create more intelligent, connected, and open websites. Web 3.0 could be disruptive, and the internet space could

witness a paradigm shift as big as Web 2.0. Built upon the core concepts of openness, decentralisation and greater user utility, the Semantic Web simply represents the next phase of the evolution of web or internet.

Web 3.0 transforms the web into a large database, making content accessible through a range of devices, while leveraging new technologies like Artificial Intelligence (AI) and Machine Learning (ML).

How Web 3.0 could help India in attaining Universal Health Coverage

The Semantic Web is poised to provide solutions for big problems looming in the Indian healthcare sector. Web 3.0 has the potential to revolutionise the healthcare industry in India as it will lead to efficient and smooth recovery of a patient's health-related information from the medical records and medical transaction history by using web 3.0 tools.

It could provide a range of clinical and non-clinical supporting services to patients as well as healthcare professionals. Research suggests that semantic web technologies have shown early promises in the automatic diagnosis of diseases and clinical processes. Apart from that, these web technologies provide more flexible and extensible data storage. This helps in leveraging the distributed large data sets available in the electronic health care systems.

Web 3.0 would also drive future growth of healthcare and insurance intersection. The power of Semantic Web is already being used by Insurtech companies with the help of new age technologies like AI and ML to build next generation shared and automated employee health benefit system. Digitalisation and technology disruption in health insurance space along with the implementation of Web 3.0 will result in fast and easy claims settlement while avoiding fraudulent insurance claims.

India is committed to achieve UHC for all in the next eight years. In this regard, the Government launched Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PMJAY) in 2018, to provide insurance cover to the poorest 40 per cent of the population. PMJAY was launched to create a seamless online platform that will enable interoperability within the digital health ecosystem. According to reports, the mission will now connect the digital health solutions of hospitals across the country with each other.

Web 3.0 also coincides with the Electronic Health Records (EHR) concept being implemented in India and it will give a fillip to the EHR system as it gains momentum in the coming years. The Indian healthcare ecosystem could become more efficient, sustainable, and reliable with the help of Web 3.0 technologies, and this will further boost India's prospects of attaining Universal Health Coverage by 2030.

The writer is Dr. Devesh Kumar Singh

TOP

NHA revises draft Health Data Management policy for data privacy – Live Mint – 26th April 2022

The National Health Authority (NHA) has revised the draft Health Data Management (HDM) policy with the objective to protect individuals' personal data.

"It acts as a guidance document across the National Digital Health Ecosystem (NDHE) and sets out the minimum standard for data privacy protection that should be followed across the board in order to ensure compliance with relevant and applicable laws, rules and regulations," mentioned NHA in a statement.

The NDHE is based on the principle of federated architecture, which allows interoperability between independent and decentralized information systems, while enhancing the security and privacy of personal data of individuals. The provisions of this Policy shall be applicable to all the entities and individuals who are part of the Ayushman Bharat ecosystem.

The key objective of HDM policy is to provide adequate guidance and to set out a framework for the secure processing of personal and sensitive personal data of individuals who are a part of the NDHE in compliance with all applicable laws.

"To safeguard digital personal data within the ambit of the NDHE, including the Personal Health Identifier, the electronic health records and electronic medical records, by implementing adequate technical and organisational measures across the NDHE. To create a system of digital health records which is easily accessible to individuals and healthcare service providers and is voluntary in nature, based on the consent of individuals, and in compliance with relevant standards," it stated.

HDM policy also aims to increase awareness of the importance of data privacy and instill a privacy-oriented mindset among the members of ABDM and its ecosystem partners. To ensure portability in the provision of health services.
This will also work to leverage the information systems existing in the Indian health sector by encouraging conformity with the defined data privacy standards and integrating such existing systems with NDHE.

ABDM, (earlier called the National Digital Health Mission), is the Central Sector Scheme of the Ministry of Health and Family Welfare. It aims to develop the backbone necessary to support the integrated digital health infrastructure of the country.It was launched on 15 August 2020 as a pilot in six Union Territories – Andaman & Nicobar, Chandigarh, Dadra & Nagar Haveli and Daman & Diu, Ladakh, Lakshadweep and Puducherry.

Last year in September, the national rollout of the ABDM was announced. Four components of the Mission are Ayushman Bharat Health Accounts (ABHA) (earlier known as Health ID), Health Professional Registry (HPR), Health Facility Registry (HFR) and ABHA App (PHR).

The writer is Priyanka Sharma.

TOP

Why cashless OPD is the best way to reduce out-of-pocket expenses for employees – The Times of India – 25th April 2022

Many employee's put-off getting medical treatment unless absolutely necessary to avoid exorbitant out-of-pocket expenses that are not covered under their medical insurance. As per the Insurance Regulatory and Development Authority of India (IRDAI), out-of-pocket medical expenses make up 62% of total healthcare costs in India- one of the highest in the world. Further, inadequacies in health insurance coverage are one of the prime reasons for such exorbitant medical expenses. Up until now, corporate health benefits and insurance have been synonymous with secondary care i.e., hospitalisation. But rising healthcare costs, increasing incidence of diseases and the global pandemic have spurred the need for OPD (Outpatient Department) schemes. Moreover, seamless and cashless OPD programs are what fast-paced lifestyles currently demand.

Cashless OPD covers a slew of medical expenses such as consultation, diagnostic tests, medicines, vision and dental treatment, etc. The foray of HealthTech and InsurTech start-ups into the healthcare industry has brought forth innovations such as teleconsultation, e-prescriptions, cashless OPD and seamless claim settlement that are bringing down out-of-pocket expenses significantly. Owing to cashless OPD, employees, as well as their families, are capitalizing on cashless treatment without the need for 24-hour hospitalization.

Provision for outpatient expenses
One of the most frequently borne expense OPD services. To minimize out-of-pocket medical expenses, many organizations are providing their employees comprehensive OPD coverage plans that insure against doctor consultation, lab tests, pre and post-hospitalization expenses, health check-ups and medicines, among others. Given the wide coverage of OPD Schemes, employees and their families can reap the benefit of lowered out-of-pocket expenses, which are not under the purview of most insurance and Mediclaim policies.

Lucrative tax benefits
By providing cashless OPD cover, organizations can also help their employees claim tax benefits. As compared to regular health plans, plans with OPD cover are eligible for exemption under 80D on the amount of premium paid. Employees can claim for medical expenses not paid under regular health insurance policies for tax exemption. As a result, employees or their family members who spend a sizeable amount on pharmacy bills or are chronic patients can lower their medical expenses with OPD cover.

Multiple claims benefit
In recent times, health inflation has risen from 3.8% in 2019 to 8.4% in 2021 due to which several people are avoiding visiting OPD centers. However, employees with cashless OPD cover and their family members can avail multiple claims during the policy period upon every visit to the doctor, diagnostic center or pharmacy. Due to their comprehensive coverage, cashless OPD schemes cover a large number of transactions which helps to reduce the financial burden and medical inflation in the country.

Simplified chronic disease management
Many employees or their family members suffer from chronic health conditions like asthma, hypertension, cholesterol and diabetes. Managing chronic disease often exacerbates the cost of living due to routine expenses on check-ups, medicines and health tests. According to IRDAI, 40% of total health claims are processed as reimbursements which are time-consuming and expensive. With cashless OPD cover, employees can get access to specialist doctors, diagnostic labs, pharmacies and in times of emergency cashless hospitalisation, thereby reducing their financial burden and simplifying chronic disease management.

Opportunity to safeguard savings
Given the rising medical inflation in India, employees end up paying out of their pocket and waiting for reimbursements. Especially during the Covid-19 pandemic, many employees and their family members had to bear extreme financial burdens with inadequate or no insurance cover. Many families even lost their entire life savings and ended up borrowing expensive loans to meet their medical expenses. Keeping in mind the changing times and needs, cashless OPD can help employees safeguard their savings and make the most of their employee health benefits.

Wrapping Up
With ever-increasing medical inflation and healthcare needs in the country, consumers are looking for a holistic health cover that not only covers their secondary treatment but also day-to-day primary and OPD expenses. At a time like this, cashless OPD is emerging as a one-stop solution for consumers' short-term

and long-term needs, helping to reduce their financial burden and minimizing their out-of-pocket expenses. As employees are becoming more financially aware, organizations should help them become financially empowered as well with cashless OPD solutions. Cashless OPD will give rise to a frictionless consumer experience, thereby leapfrogging the gaps in our healthcare and insurance industry.

The writer is Vaibhav Singh

TOP

Buy optimal mix of base plan and super top-up to check cost of health cover – Business Standard – 24th April 2022

A few insurers have increased the premiums on their health insurance policies by 10-15 percent. While rising health insurance premiums are a reality that can't be done away, customers can adopt a few strategies to optimize their cost. Several factors are responsible for the latest price revision. "The most important factor is rising health care cost, or medical inflation," says Naval Goel, founder and chief executive officer, PolicyX.com. During the pandemic, insurers had to make a higher level of claims pay-out than is customary. "The incurred claim ratios of insurers went up. That is why in December 2020 the regulator allowed a slightly higher rate of increase than the normal 3 percent, which does not require regulatory approval," says Nayan Goswami, head-group business and sales and service, SANA Insurance Brokers. On December 3, 2020, the Insurance Regulatory Development Authority of India (IRDAI) issued a press release wherein it spoke about allowing premiums to be hiked. The price increase has not occurred across the board. "While a few insurers have hiked their premiums by 10-15 percent, others have kept theirs constant," says Goel.

For the same sum insured, premiums vary considerably across insurers. "New customers must compare premiums, together with features, before buying," says Goel. They should also make sure they don't pay for features they won't require. For instance, families that have had children should not allow themselves to be saddled with a policy offering maternity benefit. If your insurer has hiked the premium for your policy, and others are offering similar coverage at a lower premium, consider porting. Customers should also go for an optimal mix of a base cover and a super top-up, instead of continuously raising the sum insured on their base cover. "Doing so can reduce your premium cost by as much as 20-30 percent, in some cases," says Goel. The base cover should be of an optimal amount that is sufficient to take care of mundane healthcare issues, such as fractures, appendicitis, small surgeries, and so on. The super top-up should kick in only in case of a critical ailment. According to Goswami, most people living in metros should have a Rs 10 lakh base cover and a Rs 90 lakh (or Rs 1 crore) super top up. While a Rs 10 lakh base cover may seem high, remember that its premium is not double that of a Rs 5 lakh cover. For instance, a Rs 5 lakh base cover for a 30-year-old from one insurer costs Rs 6,800. A Rs 10 lakh cover from the same insurer costs Rs 8,200, only 20 percent higher.

Moreover, if you have a higher deductible (the portion of the hospital bill that will be covered by your base policy, or out of your own pocket before the super top-up kicks in), the premium of the super top-up goes down. For a 30-year-old with a Rs 5 lakh deductible and a Rs 95 lakh super top-up, one insurer is currently offering the latter at a premium of around Rs 3,000. If the deductible rises to Rs 10 lakh and the super top up is for Rs 90 lakh, the same insurer's premium for the super top-up drops to Rs 1,021. "Many customers think the super top-up will have the same features as the base cover, if purchased from the same insurer. The reality is that these are two independent plans that can have different terms and conditions," says Goswami. When purchasing a super top-up, study the features as closely as when buying a base cover. It is advisable to buy the super top-up from the same company that you have purchased the base cover from. If you need cashless claims from two policies, you will have to do it sequentially, i.e., one cashless intimation at a time. This is done to ensure that the same expense does not get paid for more than once. This creates logistical challenges if the two policies are from different insurers. Cashless approval from the second insurer will be received only after the first insurer approves cashless billing from the hospital. Given the time that elapses in cashless intimation, hospital billing and cashless approval, most hospitals require the insured to make out-of-pocket payment to cover interim costs. And once the insured has paid cash to the hospital, claims thereafter are mostly settled on reimbursement basis.

Just because premium rates of some insurers have gone up, you should not delay the purchase of a health insurance policy. Bear in mind that the premium you pay is likely to be a fraction of the hospital bill, especially in case of a serious or prolonged ailment. Buy an adequate sum insured at the time of purchase. You may think that you are young and can manage with a smaller sum insured, and will hike it at a later age. Doing so comes with its own issues. Suppose that you have a Rs 5 lakh cover and decide to buy an additional Rs 5 lakh. “Insurers will check your current health status. They may or may not give you the enhancement you seek,” says Goswami. Moreover, the enhanced sum insured of Rs 5 lakh will be treated as a fresh cover. “The waiting period will start afresh for this portion of the cover,” adds Goswami. Many people rely completely on their office cover, or purchase only a small cover of their own while working. Most organisations offer group health covers in the range of Rs 3-5 lakh, which could be inadequate in case of a serious ailment. Finally, if you wait until retirement to buy a personal cover, you may find that insurers are not willing to offer you one, especially if your health is poor. Financial experts suggest that family should not depend entirely on their insurance policy to cover medical expenses. Especially as you age, and premiums become high, increasing the sum insured on your health insurance policy, to keep up with medical inflation, may not always be feasible. “Families must supplement their health insurance cover with a health corpus. They should build a corpus of at least Rs 5 lakh, which they can enhance over time,” says Mrin Agarwal, founder-director, Finsafe India.

Table: Cost of individual super top-up plan

Here the deductible is Rs 10 lakh while the super-top up is Rs 90 lakh (Rs 1 crore in case of Star's policy) for a 40-year-old male

Insurer	Plan	Premium (Rs)
Niva Bupa Health Insurance	Health Recharge	1,090
Reliance General Insurance	Health Super Topup	4,869
Star Health Insurance	Surplus Gold	4,543

Source: Policybazaar.com

Table: Cost of a family floater super top-up plan

Here the deductible is Rs 10 lakh, super top up is Rs 90 lakh (Rs 1 crore for Star's policy. Premiums are for a floater plan for a 40-year-old male, 38-year-old female and 12-year-old child

Insurer	Plan	Premium (Rs)
Niva Bupa Health Insurance	Health Recharge	1,635
Reliance General Insurance	Health Super Topup	10,150
Star Health Insurance	Surplus Gold	7,918

Here the deductible is Rs 10 lakh, super top up is Rs 90 lakh (Rs 1 crore for Star's policy. Premiums are for a floater plan for a 40-year-old male, 38-year-old female and 12-year-old child

The writer is Sanjay Kumar Singh.

TOP

Health insurance premium rise spurs non-life growth, shows data – Business Standard – 23rd April 2022

Health insurance premiums, which registered a 25.6 per cent growth — almost double that of last year — have been the main driver of the double-digit growth in non-life insurance in FY22. This comes after a horrid FY21, where the industry registered a low single-digit growth.

In FY22, health insurance premiums rose to Rs 73,582.13 crore, becoming the main line of business for non-life insurance sector, with a 33.33 per cent market share. This is a jump of 380 basis points (bps) over last year, data from the General Insurance Council showed.

Health premiums grew at 13.5 per cent and 13 per cent in FY21 and FY20, respectively. Non-life insurers have reported an 11 per cent growth in premiums in FY22 to Rs 2.2 trillion. This compares with Rs 1.98 trillion worth of premiums collected in FY21, up 5.2 per cent over FY20. The industry had posted a growth of 11.7 per cent in FY20 over year-ago period.

Within the health segment, retail health premiums reported a 16.5 per cent growth in FY22 over last year. This is mainly driven by standalone health insurance companies with 28 per cent growth.

General insurers reported a meagre 7 per cent growth in retail health premiums during the same time.

FY22 SNAPSHOT

Growth in major segments of non-life insurance industry (%)

Segments	FY20	FY21	FY22
Fire	35.0	26.8	7.0
Motor	7.0	-2.0	3.9
Health	13.0	13.5	25.6
Crop	16.0	-3.4	-5.3
Total	11.5	5.0	11.1

Source: General Insurance Council

Group health premiums, on the other hand, reported a higher growth than retail health premiums at 31 per cent. This is because of a spike in demand with pick up in hiring across sectors and price correction.

Group health growth is a function of the economy. On the other hand, retail health growth is organic and depends on the awareness and needs of individuals. "There is a huge demand for quotes on group health policies from corporates. Even smaller corporates have realised that they need to provide protection to their employees. And, the pandemic has certainly boosted the demand for such policies," Bhaskar Nerurkar, head — health administration team — Bajaj Allianz General Insurance, had said.

The key trend in FY22 has been high growth in health and low growth in motor. Among private players, ICICI Lombard continues to be the market leader in motor and Star in retail health, ICICI Securities said in a report. While insurers have witnessed a jump in health premiums over the last two years, their claims burden has also gone up.

Insurers have paid around Rs 25,000 crore of Covid-related health claims in the two years of the pandemic, according to the General Insurance Council. Incurred claims ratio of private sector general insurers and standalone health insurers in the health segment also went up by over 5 per cent and 10 per cent, respectively, in FY21.

In FY22, motor insurance premiums showed a meagre growth of 4 per cent, rising to Rs 70,432.59 crore. In FY21, motor insurance premiums had reported de-growth of 2 per cent. In FY20, the segment reported a 7 per cent growth over the past year. Motor premiums market share in non-life insurers' business dropped to 31.9 per cent, a decrease of 210 bps over last year.

Growth in the motor segment was on a declining trajectory even before the onset of the pandemic, as vehicle sales got severely impacted owing to a slowdown in the economy.
The pandemic further accentuated this problem and now the chip shortage issue has added to the misery.

The third-party premium hike proposed by the insurance regulator may come as a relief to the sector this year.

The writer is Subrata Panda.

TOP

Health insurance premiums to get costlier: How can policyholders keep their premiums in check? – Moneycontrol – 23rd April 2022

Your health insurance premiums could start going up in the days to come. Group health insurance policies – offered by employers to their employees and families – have already risen in April, when many such contracts come up for renewal, say experts. According to a Marsh-Mercer benefits survey, employer-sponsored medical benefit costs in India are expected to increase by 15 percent in 2022.

Soon, it could be the turn of your individual policy premiums, as insurers reeling under the COVID-19-linked claim burden and rising healthcare inflation seek the insurance regulator's nod to hike rates. Industry watchers feel retail health premiums could see an 8-15 percent rise.

Why are health insurance premiums expected to go up in the coming days?
The primary reason is the **COVID-19 pandemic**, which has wreaked havoc on health and healthcare systems across the world, pushing up health insurance companies' claims. "Utilisation of health insurance coverage has gone up substantially due to COVID-19-linked **hospitalisation. In addition, there is a lot of pent-up demand too, as those who had postponed** their surgeries and procedures are now filing claims. So, insurance companies are bearing the brunt of higher claims," says Abhishek Bondia, Co-founder and Principal Officer, SecureNow Insurance Brokers.

He, however, believes that rates will stabilise in year or two. This apart, health insurance companies can increase their rates every three years based on their claim experience. For policyholders, premiums can also see a sharp spike when they move from one age bracket to another – for instance, depending on the insurer, your premiums could stabilise between 35-39 years, but see a significant jump when you cross 40.

What can I do to contain my renewal premium hikes?
If you are in a younger age-group, you have relatively more options to explore. You can compare premiums across insurers and port to one that offers lower premiums, provided the benefits offered remain the same. "Look for products that are popular and have not seen exorbitant premium hikes over 60-70 percent. Some companies tend to withdraw existing products and move policyholders to other products in their portfolio, but premiums could be much higher.
If you buy popular products that have been around for 2-3 years, the insurer will have less incentive to discontinue the product or hike premiums substantially," says Shrehith Karkera, Co-founder, Ditto Insurance.

How should I choose the product I should port to?
Since the exercise would be similar to buying a new policy, the approach should be similar as well. Cheaper premiums than your existing policy apart, look at features, the cashless network of hospitals, **claims settlement record,** digital support for policy and claim servicing, and so on. "Opt for policies with higher no-claim bonuses. This will allow you access to a higher sum assured, without paying an additional premium," says Bondia.
This is a useful feature for younger individuals as their chances of making claims are lower. Though this notion did get challenged during the COVID-19 pandemic, particularly the Delta wave in March-June 2021 in India, the fact remains that they are less likely to make claims compared to senior citizens.

I can neither afford my renewal premiums nor premiums of comparable products from other insurers, but I do not want to let go of this protection cover. What are the options available for me?

In such cases, you might have to settle for products with certain restrictions and watered-down benefits. You can look at porting to health policies that offer voluntary deductibles – a small sun that you agree to pay from your own pocket in case of a claim – that bring down premiums. "For example, if you were to opt for a small deductible of Rs 15,000, your premiums could go down by 15-20 percent," says Amit Chhabra, Head, Health and Travel Insurance, Policybazaar.com. You can also consider paying premiums for two-three years at one go in return for a discount of 7.5-15 percent. "Some products offer a preferred partner network (of hospitals that offer cashless facilities) discount. Your premiums could be 15 percent lower, but with the limitation that you seek treatment from a select list of hospitals," says Chhabra. Insurers can afford to offer a discount in such cases as they would have negotiated better (read lower) rates for various procedures.

I am a senior citizen and cannot afford my current plan's premiums. Can I switch to a cheaper product?
You can, but as in the case of younger individuals, you will have to put up with certain restrictions. "You can look at dedicated senior citizen plans, but only if your current premium is simply unaffordable. In some cases, you may not have a choice but to buy such covers as insurers might not offer regular policies to you," says Bondia. Senior citizen plans come with room rent sub-limits as well as disease-specific cappings, which dilute the policies' utility, but at that age, you have fewer options to choose from.

The writer is Preeti Kulkarni.

TOP

CROP INSURANCE

Govt targets to reach out over 1 crore farmers to promote Fasal Bima insurance – The Hindu Business Line – 26th April 2022

Over one crore farmers are expected to join Wednesday through gram sabhas, common service centres (CSCs), primary agri cooperative societies (PACS) and farmer producers organisations (FPOs) when Union Agriculture Minister Narendra Singh Tomar will address them on the benefits of Pradhan Mantri Fasal Bima Yojana (PMFBY). Last week, Tomar had written to all Members of Parliament to participate in the programme preferably in a place in their constituency while mobilising maximum number of farmers for the programme. He also asked them to coordinate with district magistrates concerned for the success of the event. The Centre has also requested all State Agriculture Ministers to be present at the event in which Tomar will interact with pre-identified three farmer-beneficiaries each, from Karnataka, Madhya Pradesh and Odisha on PMFBY-related topics and with Assam and Maharashtra on issues related to Kisan Credit Card (KCC) and on revised weather-based crop insurance scheme with growers from Himachal Pradesh.

States like Chhattisgarh, Rajasthan, Uttar Pradesh, Haryana and Tamil Nadu have also been asked to ensure larger participation of farmers in the programme to be webcast through CSCs and other agencies. "We have been providing various services to farmers like tele-consultations, Fasal Bima, KCC and PM Kisan schemes. The 'Kisan Bhagidari, Prathamikta Hamari' campaign initiated by the Ministry of Agriculture will help us reach out to farmers through the combined efforts of our VLEs and Gram Sabhas." said Dinesh Tyagi, Managing Director of CSC SPV. Since 2017, CSC SPV has served over 70 percent of non-loanee farmers and is the major contributor in PMFBY enrollment across the country. Over 50,000 VLEs are registering about 50 lakh famers every year under this flagship scheme. CSC has also facility for the farmer to report crop loss within 72 hours in the 20 implementing States. "Though there is no concern in the States where PMFBY is under implementation, the government is worried about a possible lower enrollment this kharif in view of normal monsoon expected," said an expert. During last kharif season, 1.5 crore farmers had registered — a 10.5 percent drop from previous season.

Though there was lower enrollment of farmers, there was an increase in farmers' applications as the land records got digitised in some States and also linked with the scheme. If one farmer has land at two places, he has to file applications separately for both the places as both premium and crop may be different in each location. For instance, in Rajasthan 30.92 lakh farmers got enrolled during kharif 2021, as against 30.45 lakh in the previous season. But, farmers' applications jumped to 1.89 crore in 2021 from 67.2 lakh in 2020 kharif. At a recent national level workshop on crop insurance, the PMFBY's CEO Ritesh Chauhan had flagged two major issues — decline in participation of insurance companies and State governments — that need to be addressed to attract more enrollment of farmers.

The writer is Prabhudatta Mishra

TOP

SURVEY & REPORTS

26% growth in health insurance premium recorded; 12% of claims related to covid-19 – ICRA – Financial Express – 27th April 2022

ICRA expects the general insurance industry's gross direct premium income (GDPI) to grow by 10-12% in FY2023, led by higher growth in the health and commercial business segments with increasing awareness of medical insurance and uptick in economic activity.

Already the resumption of economic activity after the waning of Covid-19 infections, has led to the industry's gross direct premium income (GDPI) growth recovering by an estimated 11% in FY2022 (compared to a 4% growth in FY2021).

The GDPI of PSU insurers is expected to grow moderately at 4-6%, while private insurers are expected to capture market share by growing at a higher rate of 13-15% in FY2023. However, economic uncertainty due to structural challenges in the automobile industry and rising commodity prices amid the geopolitical crisis pose downside risk to FY2023 growth.

Giving further insights, Sahil Udani, Assistant Vice President & Sector Head – Financial Sector Ratings, ICRA, says, "The GDPI of private sector insurers grew at a faster rate of 14% (E) compared to the growth of 5% (E) witnessed by public sector undertaking (PSU) insurers in FY2022. The gross premium from the health segment experienced a steep Y-o-Y growth of 26% in 11M FY2022, while the fire segment premium grew by 8% in 11M FY2022 despite partial lockdowns across the country.
Post the decline in FY2021, the motor business reported muted growth of 4% in 11M FY2022 on the lower base due to structural challenges in the automobile industry. However, the GDPI from the crop business declined by 20% in 11M FY2022 mainly due to the significant decline in the PSU business."

The combined ratio across the industry deteriorated to 119% in 9M FY2022 from 112% in 9M FY2021 with increase in health claims. Covid claims accounted for 6% of the total number of health claims paid in FY2021 and are expected to form around 11-12% of the total number of health claims paid in FY2022.

The combined ratio for the industry is expected to improve in FY2023 driven by lower health claims and likely improvement in risk pricing by the insurers.

The writer is Sunil Dhawan.

India sees a strong momentum along with others in growth of insurtech funding: Report – 26th April 2022

Insurtech funding in India has more than doubled in the last two years, from $290 million 2020 to $800 million in 2021 line with rapid funding in the insurtech sector globally, according to a report by Boston Consulting Group (BCG) & India Insurtech Association (IIA).

There has been strong momentum in funding in Insurtech across the globe as global funding in insurtechs has grown seven times in the last five years from $2.5 billion in 2017 to $14 billion in 2021 with growth continuing even during the pandemic period.

Also, there has been a steady rise in no of insurtech unicorns with over 20 Unicorns in 2021, 14 in the US, 4 in the UK, 2 each in India (Acko & Digit Insurance) & France, one each in Austria, Israel & Mexico, said the report titled "The India Insurtech Landscape and Trends Report".

Insurtechs in India are well-positioned to cater to the nuanced needs of customers and are at the cusp of exponential growth. "We are highly optimistic about the Indian Insurtech landscape in the next few years. The sustained funding levels over last couple of years has helped launch multiple insurtech start-ups, which is key for innovation. Enablers such as India Stack, insurance information bureau and the regulatory sandbox have provided a strong platform for innovation in insurance value chain," said Subhajit Mandal, Co-Founder of India Insurtech Association.

Insurtechs in India are well-positioned to cater to the nuanced needs of customers and are at the cusp of exponential growth.

Key themes
There are five key themes that are playing out in the insurance industry and they include emergence of new customer segments, importance of higher distribution and penetration, criticality of enhanced customer experience, data and analytics as core capabilities and further emphasis on health insurance through the National Health Stack.

The report pointed out that SME, women and Tier-2 locations are emerging as key customer segments. Affordable healthcare for employees of small and medium enterprises remains an unaddressed segment. There is an opportunity to provide holistic health and wellness and enable SMEs to improve employee retention. Also, thrust for employer /Group insurance for large number of emerging SMEs by customising offerings focussed at providing affordable solutions.

"As the sector experiences unprecedented growth, it is critical to continue collaboration between insurers and insurtechs. It is also important for the industry to keep innovating to address important issues such as deeper insurance penetration, customer health and wellness, etc. To ensure that the sector experiences continued growth, there is a need for key enablers such as the National Health Stack, regulatory sandbox and Insurance Information Bureau," said Jitesh Shah, MD & Partner BCG Asia Pacific Lead, Operations in Financial Institutions at BCG.

Innovation & transformation
Regulators and government bodies have also been supporting innovation and transformation in the insurance industry. IRDAI has played an active role in supporting innovation in the industry.

The recent regulatory sandbox is a crucial milestone in this regard and saw participation by more than 22 insurers who submitted more than 170 proposals. Further impetus has been provided by the launch of National Health Stack. Insurers and insurtechs can work with regulatory bodies and government agencies to continue to strengthen some of these platforms for further experiments.

The writer is G Balachandar.

Health perk's costs to rise 15% for cos, finds report – The Times of India – 26th April 2022

The cost of health benefits provided by employers is expected to increase by 15 percent in India, the highest in Asia. The rate of medical inflation has been the highest in India at 14 percent, which will drive up the cost of health benefits, according to a report by Mercer Marsh. Since employer health benefits are provided mainly through group insurance covers, the cost of such policies is likely to rise. "Rising insurance claims could lead to higher premiums, tighter underwriting practices, or policy exclusions. To address the root cause of rising medical claims and the impact of non-communicable diseases on employees in India, benefit plans need to integrate outpatient department treatments, critical illness coverage and wellness programmes in order to support colleagues in a more holistic manner," said Prawal Kalita, Mercer Marsh Benefits (MMB) leader, Marsh India.

The results show that five countries in Asia experienced higher medical trend rates than the regional average (8.8%) in 2021.

India had the highest medical inflation rate of 14%, followed by China (12%), Indonesia (10%), Vietnam (10%) and the Philippines (9%). Overall, 81% of insurers in Asia indicated an upward trend in medical claims activity in 2021, even though 53% of insurers reported lower medical claims than pre-pandemic levels.

Medical inflation rises faster than general inflation. Unlike general inflation, which is a function of demand and supply, medical inflation also factors in the increased cost of new drugs and procedures. Insurers in India say that the cost of hospital treatment during the pandemic has gone up because of fresh protocols that have to be followed and new expensive drugs used in treatment. According to MMB, costs have soared despite lower levels of medical treatment than before the pandemic, a trend exacerbated by deferred healthcare treatments that, for many, have resulted in more adverse outcomes, leading to higher costs. The MMB Health Trends report surveys 210 insurers globally, including 74 in Asia, and identifies key trends influencing the future of employer-provided medical benefits.

TOP

INSURANCE CASES

Insurance company not liable if motor vehicle at time of accident was in breach of 'purpose of use' as per policy: Telangana High Court – Live Law – 27th April 2022

The Telangana high Court recently ruled that the insurance company is not liable to pay compensation under Motor Vehicle Act if the vehicle at the time of accident was in breach of the terms and purpose of the insurance policy.

Brief Facts of the Case
One Padma-deceased was working as a labourer in the employment of the owner of the Tractor and Trailor. One day, while the deceased along with other labourers were proceeding in the Tractor and Trailer from one village to another, the tractor fell in a road side ditch due to which one of the labourers died on spot.

The insurance company deposed that the vehicle in question was a goods carrying vehicle and at the time of accident it was carrying a marriage party with nearly 25 persons and thus, the owner of the vehicle violated the terms of the policy and thus was not liable to indemnify the owner. This fact was supported by the police record as well. The insurance policy coverage was only at the time of loading and unloading operations for five coolies.

The Commissioner held that the deceased was returning from work along with other labourers and thus, the accident occurred during the course of employment. Moreover, the premium by insurance company was collected to cover the risk of five labourers under the policy. Therefore, the owner and insurer were jointly and severally liable to pay compensation to the dependents of the deceased workman.

M/s United India Insurance Company Limited who is the appellant filed the appeal aggrieved by the order dated 07.12.2006 passed by the Commissioner of Labour for Workmen's Compensation.
Issue of Law

Whether the Commissioner was justified in awarding compensation even if the claimants have not established employee and employer relationship between the deceased and Opposite Party and when the accident has not taken place during and in the course of employment?

Whether the Commissioner was correct in applying the provisions of Motor Vehicle Act for a claim petition under Workmen Compensation Act?
Observation of the Court

Justice P. Sree Sudha, on perusal of the charge sheet observed that the deceased and injured were labourers, but they were not working with the owner of the Tractor and Trailor and there was no employer and employee relationship between them and that the accident had not occurred during the course of employment since the deceased and injured were returning after attending the labour work in a Tractor along with marriage party and then they met with an accident.

Therefore, it amounted to breach of terms and conditions of the policy and the insurance company was not liable to pay the compensation.

The appeal by insurance company was thus allowed.

The writer is Jagriti Sanghi.

TOP

PENSION

Have enabled pension fund managers to participate in LIC IPO: PFRDA chief – The Hindu Business Line – 29th April 2022

Pension regulator PFRDA has already enabled pension fund managers to participate in the upcoming ₹21,000-crore mega LIC Initial Public Offering (IPO), said its Chairman Supratim Bandopadhyay. "There is no restriction from our end. We had already allowed pension fund managers to invest in IPOs, and they have also done in few of them. Now, they can invest in LIC IPO, too, but the final investment decision rests only with them and there is no regulatory bar or restriction," Bandopadhyay said. After the government recently decided to scale down the LIC IPO size and pegged the price band at ₹902-949, the pricing has "become quite attractive", especially for retail investors and policyholders, who are also going to get discounts on the discovered price, Bandopadhyay added.

Meanwhile, Bandopadhyay said that PFRDA will, in the next few weeks, firm up the assets under management (AUM) target for the current fiscal. Last fiscal year, PFRDA had initially targeted pension AUM of ₹7.5-lakh crore by March-end, but finished the fiscal at about ₹7.37-lakh crore. "Last fiscal, our

AUM had recorded about 27 percent growth. Even this fiscal we may have to settle for similar growth aim, given the ongoing volatility in markets. Volatility has not stopped and equity and bond markets continue to be choppy," he added. Bandopadhyay said that PFRDA is hopeful of rolling out its minimum assured return scheme (MARS) under the National Pension System (NPS) by September-end. "I will have a meeting with the consultant (EY Actuarial Services LLP) next month. Consultant had come up with six to seven constructs for the proposed product. We have to finalise one of them. It should be ready for roll out by September end," said Bandopadhyay.

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. Atal Pension Yojana (APY), a flagship scheme that caters to the unorganised sector workers, economically disadvantaged/underprivileged citizens of the country, saw 99 lakh new accounts sourced in 2021-22 as against target of 1 crore set by PFRDA. Bandopadhyay said PFRDA will aim for 1.5 crore new APY enrolments this fiscal. Meanwhile, Department of Financial Services Secretary, Sanjay Malhotra, who addressed an APY annual awards event on Thursday, urged banks and APY service providers to do 2 crore new accounts this fiscal, given that they had been able to enroll 1 crore people under APY last fiscal. Up to March-end, nearly 4.01 crore subscribers have enrolled under the APY scheme. The APY scheme is open to all citizens of India between 18-40 years of age and there is huge opportunity as there are 45 crore eligible people between 18-40 years.

The writer is K R Srivats

Department of Posts starts providing NPS services through online mode – Business Standard – 28th April 2022

People can now subscribe to the national pension scheme from the Department of Posts online, an official statement said on Thursday.

The Department of Posts (DoP) has been providing the National Pension Scheme (NPS-All Citizen Model Scheme), a voluntary Pension Scheme of the Government of India managed by Pension Fund Regulatory and Development Authority(PFRDA), through its designated post offices since 2010."

Department of Posts is now pleased to start providing NPS (All Citizen Model) through online mode with effect from April 26, 2022," the statement said.

Any Citizen of India in the age group of 18-70 years of age group can avail of the online facility by visiting the official website of the India Post under the menu head "National Pension System -Online Services". "Facilities like new registration, initial/ subsequent contribution and SIP options under NPS Online are available to the customers at minimum charges for all services," the statement said.DoP claims to have the lowest NPS service charge.

The subscribers are also eligible for a tax deduction in NPS as per the declaration made by the Ministry of Finance from time to time under sec. 80CCD 1(B). "This online facility may be availed by all eligible persons for NPS without physically visiting any post office and to enjoy the hassle-free experience at a minimum fee structure," the statement said.

Minimum guaranteed-return pension products may have varied capital needs – Business Standard – 27th April 2022

Minimum assured-return schemes the pension regulator is planning to launch five-six months down the line may have varied capital requirements for sponsors of pension funds. Those having higher assets under management (AUM) may have greater requirements of minimum paid-up capital, sources said. The requirement may also change on the basis of the exposure of a scheme to debt and equity, they said. The Pension Fund Regulatory and Development Authority (PFRDA) has given the task of designing the minimum guaranteed-return pension schemes to E&Y Actuarial Services LLP. At present, the sponsors, individually or jointly, must have a net worth of at least Rs 50 crore on the last day of each of the preceding five financial years before they make applications to the PFRDA. Of that, at least Rs 25 crore should be its capital. It does not vary with the change in AUM or exposure to equity and debt of pension fund managers. The minimum capital requirement is the same for all pension fund managers (PFMs) irrespective of AUM. "There is no differentiation if you are doing mainly equity or mainly debt," a key source said. But this may not be the case with minimum guaranteed-return products. "The minimum capital we will prescribe will be linked to AUM. Higher minimum capital will be prescribed for those having more AUM. You need capital for meeting the guarantee in case the net asset value falls below assured returns," the source cited above said.

"In all other products, there is no guarantee and whatever you earn, you pass on to customers after deducting some charges," he explained. "In case there is a guarantee, you have to pay more if you have greater exposure and hence the minimum capital required will be more," another source said. He said the minimum requirement would be "linked to your investment in equity or debt markets". "If you are giving a 7 percent guarantee and investing in only debt paper, the minimum capital required will be less than that for the sponsor whose portfolio manager is underwriting 7 percent and investing 75 percent in the equity market," said the person quoted above. It is still being contemplated whether there will be one rate for guaranteed products or more than one, sources said. In case there is more than one, those providing higher guarantees are likely to have higher minimum capital requirements, they added. Depending on the rate, fund managers can decide to put part of the scheme in equity as well, depending on the choice of subscriber.

"Whenever you are giving guarantees, those have to be met. For instance if you are giving a guarantee of 7 percent, you put the money in the G-Sec giving you 7 percent. That is one way of doing it. Alternatively if you don't give a guarantee of 7 percent and rather give 5 percent, then there is a difference between the two guarantees which allows you to take some risks. You took some risks and put some money in equity markets to see whether you get higher returns," a source cited above said. "If investment in equity works out, you get higher than even 7 percent returns or else 5 percent is anyway guaranteed. If you want a guaranteed return product, you can't get what you do in the pure equity market. That expectation is wrong," he said. "Lots of actuarial inputs are required. The consultant will design the product and it will help us in launching it," PFRDA Chairman Supratim Bandyopadhyay had earlier said.

The writer is Indivjal Dhasmana.

Private sector to drive growth of PFRDA pension schemes: Study paper – Business Standard – 24th April 2022

The private sector is expected to drive growth of the National Pension System (NPS), which has witnessed exponential rise over the last five years, in terms of number of subscribers as well as assets under management, a study paper of PFRDA said.

Led by the Atal Pension Yojana (APY), the number of subscribers between 2017-18 and 2021-22 have multiplied over three-fold, while the assets under management rose by over four-fold led by NPS, said the paper written by PFRDA member Deepak Mohanty.

The Pension Fund Regulatory and Development Authority (PFRDA) regulates the flagship Atal Pension Yojana (APY) and the National Pension System (NPS).

"The annual rates of return in various NPS schemes since inception in the range 9.0-12.7 per cent and for APY at 9.4 per cent have been very competitive vis--vis alternate saving instruments besides the primary benefit of steady income," as per the paper. Since the introduction of NPS in 2004, and more recently APY in June 2015, the pension sector has expanded in India.

Total number of subscribers have increased over three-fold from 1.5 crore in March 2017, to over 5.2 crore by March 2022, which is dominated by APY. Total number of APY subscribers has risen by over four-times from 93 lakh to 4.05 crore. Of this, APY subscribers account for over 78 per cent of the pension subscriber base.

Looking at AUM, the pension assets under management have increased over four-fold from Rs 1,75,000 crore to Rs 7,37,000 crore during this 5-year period.

In this, the majority of the assets is held by NPS, rising from Rs 1,70,000 crore to Rs 7,11,000 crore, accounting for 96 per cent of total assets. The rest of 4 per cent is contributed by APY.

Mohanty said India's pension-sector (NPS plus APY), provides a flexible mode of old age income-security not only for salaried employees but also to the common person.

"The future expansion in NPS is expected to emanate from the private sector both the salaried and self-employed.

"Steps at enhanced pension-literacy, both of the subscribers and the intermediaries, coupled with a nudge from the regulator and the government along with encouragement to young-adults to join a pension scheme would accelerate our movement towards a pension-society," he said.

The paper said these are early days for the pension sector in India and there is tremendous scope for growth as our per capita income rises further and the country transitions to a high middle-income country.

"Our demographic structure, with a greater proportion of younger people, favors a phase of accumulation. Since longevity is inching up, so also the need for a steady stream of income is increasing to mitigate old-age poverty.

Further, as the traditional family support system changes with increasing urbanization there is even a greater necessity for an independent source of income in old-age."

As per the study, given the fiscal-situation, the government may nudge people towards NPS as has already been done for government employees. Also, as the pension sector progresses, there will be a need for a sound regulatory architecture to ensure that pension funds are managed on prudent lines while safeguarding overall financial stability.

In this direction, the PFRDA became a statutory pension sector regulator in February 2014.

"PFRDA has the oversight role over the pension sector; and has taken a number of steps to ensure that the intermediaries involved in the relevant pension architecture function seamlessly. On boarding and exit of pensioners have been made easy with greater usage of technology. While there is a mechanism for quick redressal of pensioner grievances, it is being further strengthened," the paper added further.

It also highlighted the importance of financial literacy for people to reap the benefit of the formal financial sector. Having reading or writing ability is not enough for financial literacy, it said.

Further, financial inclusion and empowerment will remain incomplete without each member in a family having got a pension account.

In this direction, given the nature of the pension product where the payoff is not immediate, it needs a nudge by all concerned the employers, intermediaries, the government and the pension regulator to induce people, particularly young adults to join a pension scheme.

"There is immense merit in joining young, as with small contributions sizable corpus could be accumulated given the power of compound interest rate, providing substantial steady income in one's post-working life."

NPS mainly caters to the pension needs of the organised sector employees, including the government staff, while APY is targeted for those working in the unorganised sector.

PFRDA said the views expressed in these papers are those of the author and not necessarily that of the institution.

TOP

IRDAI CIRCULARS

Topic	***Reference***
Report of the committee on designing of combi products for micro insurance segment	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4694&flag=1
Exposure of Insurers to Financial and Insurance Activities	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4692&flag=1
Dispensing with certain Non-Life Insurance returns	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4691&flag=1
Guidelines on Group Insurance Products under Health Insurance Business and other operational matters	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4690&flag=1
List of insurance web aggregators [as on 27.04.2022]	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo2337&flag=1
Rationalization of certain compliance requirements	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4687&flag=1
New Business Data as at 31.03.2022 (Line of Business wise)	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4688&flag=1

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GLOBAL NEWS

Asia: Pace of increase in insurance prices continues to decline in 1Q – Asia Insurance Review

Insurance pricing in the first quarter of 2022 in Asia increased by 3%, down from 4% in the prior quarter, as price increases continued to moderate, according to Marsh, the world's leading insurance broker and risk advisor.

Marsh reveals this in its "Global Insurance Market Index Q1 2022" report titled "Global insurance markets: Pricing increases continue to moderate, with exception of cyber". Details include:

Property insurance pricing rose 2% in 1Q2022, down from 3% in the fourth quarter of 2021.

- Insurer competition continued to focus on loss-free clients in low-hazard industries.

- The market remained challenging for clients in CAT zones, high-hazard industries, and those with poor loss histories.
- Clients in high-hazard industries and those with poor loss histories had above average increases.

Casualty insurance pricing increased 2%, as it did in the fourth quarter of 2021.

- Large losses drove insurer behaviour, and accounts with high claims frequency typically had more difficult placements.
- Insurers started to show concern about claims inflation during the quarter.
- Capacity continues to be plentiful in the region, however, multinational insurers are restricting capacity on excess layers. These challenges are more pronounced with product recall and products liability exposures.

Financial and professional lines pricing increased 13%, down from 17% in the prior quarter.

- Capacity challenges remain for US-listed and US-exposed business.
- Pricing has begun to moderate for financial institutions, though insurers continued to manage capacity and retention levels.
- The cyber market remained challenging, with ransomware placing considerable pressure on premiums; insurers looked to manage the risk while growing their respective portfolios.
- Professional indemnity (PI) insurers showed a willingness to create customised offerings for small to mid-size clients. Large PI programmes, however, saw rate increases — particularly within the communications, media, and technology industry.

Pricing growth by region

Asia continued in 1Q2022 to show the smallest growth rates in pricing. The report notes that globally, commercial insurance prices increased 11% in the first quarter of 2022, continuing a trend of moderating rate increases that began in 1Q2021. While this is the 18th consecutive quarter of increases, the rate of increase continues to moderate across most lines of business and in almost all geographies. By region, composite pricing increases for the first quarter were as follows:

- US: 12% (22% in 4Q2021)
- UK: 20% (14% in 4Q2021)
- Continental Europe: 6% (9% in 4Q2021)
- Asia: 3% (4% in 4Q2021)
- Pacific: 10% (13% in 4Q2021).

Latin America and the Caribbean was the only region to see composite pricing increases rise, from 4% in the fourth quarter of 2021 to 6% in the first quarter of 2022.

Pricing increases across most regions moderated due to a slower rate of increase in financial and professional lines.

Cyber insurance rates continued to rise driven largely by the continued increase in the frequency and severity of ransomware claims with many insurers seeking to tighten coverage terms and conditions, especially in relation to the conflict in Ukraine.

Increases in inflation are already impacting claims in several lines of business and have been flagged by insurers as a concern in affected geographies.

Commenting on the report, Ms Lucy Clarke, president, Marsh Specialty and Marsh Global Placement, said, “The war in Ukraine, while most importantly a humanitarian tragedy, has added pressure to what is already a challenging insurance market for our clients. We are also beginning to see the impact of rising inflation on loss costs and exposure growth, which in turn could affect pricing. However, market fundamentals remain strong and we expect rate increases to continue their moderating trend."

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Global: Claims inflation to impact P&C insurers' profitability in 2022, market to harden further in 2023 - Asia Insurance Review

2022 will be a year of transition for the insurance industry as it seeks to manage the inflation surge and consequent rises in interest rates, says Swiss Re Institute in its latest sigma report titled "Stagflation: the risk is back, but not 1970s style".

Lower equity markets and widening credit spreads will likely lead to mark-to-market valuation losses to assets and capital. P&C insurers are most exposed to the inflation shock, which will increase claims severity. In the near term, property and motor will likely be hit hardest, as price rises in construction and car parts outstrip those in the wider economy. In the medium term, lines of business with longer tails will be most exposed to sustained elevated inflation. Swiss Re Institute does not expect benefits from higher interest rates to offset higher claims in 2022 and so see headwinds to P&C profitability in 2022, but tailwinds from further rate hardening and rising interest rates from 2023.

Stagflation

The report says that stagflation fears have returned. The mix of multi-decade- high inflation and slowing economic growth was already challenging major economies worldwide after an initial strong rebound from the COVID-19 crisis. Swiss Re Institute now expects the conflict in Ukraine to push global Consumer Price Index (CPI) inflation even higher and put a further brake on growth momentum.

The impact of the Russia-Ukraine conflict is already showing through in sharply higher prices for key commodities. Many emerging markets highly dependent on food imports are now even more vulnerable to food insecurity. Exacerbating the challenge, high inflation is forcing central banks to tighten policy into a slowdown, although real interest rates will remain low by historical standards.

Swiss Re Institute has revised its forecasts for inflation higher and growth lower for all regions, so its baseline outlook can be characterised as "stagflation-like". However, Swiss Re Institute sees this as temporary and driven by cyclical factors, rather than the structural stagflation seen in the 1970s.

Swiss Re Institute believes the expected growth slowdown will ultimately bring inflation down. Still, uncertainty is high and risks are skewed to significantly worse outcomes. For instance, it will be difficult for the US Federal Reserve (Fed) to engineer a soft landing. There is a risk that today's cyclical stagflation could turn structural and entrenched, but Swiss Re Institute sees this as a "tail risk".

Life & Health

For Life & Health (L&H) insurers, sustained high inflation has primarily indirect effects, as rising interest rates support profitability. Investment results benefit as bond portfolios roll over into higher yields, while the profitability of saving products with guarantees – a large legacy book of the life industry – improves. The nature of fixed-benefit products insulates them from claims inflation, though indemnity-based health insurance is exposed to claims pressure in the near term. However, Swiss Re Institute expects higher inflation to erode consumers' disposable incomes and the value proposition of (in-force) saving policy benefits, resulting in higher rates of lapse and surrender. This would decrease societal resilience to mortality and health risks.

Silver lining

Given the many uncertainties today, significant downside risks to insurers' profitability remain. However, downside risks can be mitigated by strong capital and risk management, underwriting rigour, reinsurance, asset allocation, and hedging.

If there is to be a silver lining to this crisis, it is that Swiss Re Institute sees an acceleration to the exit from the extreme monetary policy of the past decade. A paradigm shift towards higher yields is a long-term positive for insurance companies.

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Malaysia: Central bank releases exposure draft on professionalism of insurance and takaful agents - Asia Insurance Review

Bank Negara Malaysia (BNM) has proposed new requirements for licensed insurers and takaful operators (ITOs) which would promote high standards of conduct and professionalism of their insurance and takaful agents.

The central bank has issued an exposure draft setting out policy requirements pertaining to insurance and takaful agents.

The draft policy document is intended to: (a) require licensed ITOs to ensure that their agents are competent, qualified and act professionally in the best interest of customers at all times; and (b) improve public confidence in the integrity of ITOs' agency workforce as a trusted and reliable channel for distribution of insurance and takaful products.

The requirements cover:

- Oversight, accountability, management and control of risks related to appointment of agents
- Appointment of agents
- Fit and proper criteria
- Treatment of agents that fail fit and proper criteria
- Continuous Professional Development (CPD) and training.

BNM is seeking responses to the draft to be submitted to the Bank by 31 May 2022. The Bank is considering setting the effective date of the requirements as proposed in the exposure draft to commence three months after the date of issuance of the policy document.

In the draft exposure, BNM says that agents remain the key distribution channel for insurance and takaful products. For many financial consumers, agents play a critical role in providing sound advice and recommendations to help customers in choosing suitable products as well as in ensuring timely claims submission. In view of this, agents are expected to behave professionally and with integrity in all their dealings with customers.

Entry requirements and number of insurers an agent represents

Among various requirements, the draft stipulates the minimum requirements that have to be met for a person to become an agent. The candidate is to be at least 18 years of age, has passed the relevant entry examinations for agents, and is not an undischarged bankrupt nor of unsound mind.

An ITO shall ensure at the time of appointment, and on a best effort basis during the term of appointment with the ITO, that its appointed agents do not represent more than the maximum number of ITOs that can be represented by an agent as follows:

(a) one licensed life insurer;

(b) one licensed family takaful operator;

(c) two licensed general insurers; and (d) two licensed general takaful operators.

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Australia: Recent massive floods to dominate treaty reinsurance talks - Asia Insurance Review

Major flooding events across Australia's East Coast are having a significant impact on renewals, causing uncertainty around rates as initial claims materialise, says international brokerage Honan Insurance Group.

The current quarter ending June 2022 marks the beginning of treaty reinsurance negotiations for larger Australian insurers, and these discussions will be dominated by the impact of recent flooding events, say Ms Poppy Foxton, national head of corporate insurance & risk solutions at Honan, and Mr Travis Wendt, head of placement, in a commentary.

"While we’re yet to know the outcomes of these negotiations, we expect that any changes to insurers’ treaties (pricing, coverage restrictions, or cost of additional retentions) will be passed on to clients most exposed to risk," says the commentary.

With more than 168,000 claims already lodged, the Insurance Council of Australia (ICA) estimates the floods in New South Wales and Queensland will hit a record A$4bn ($2.85bn) in costs, the commentary notes.

As a result, insurers are likely to continue reducing their exposure in flood-prone areas through increased deductibles, annual aggregated limits, or excluding cover altogether. "The long-term impact is of course yet to be seen," the commentary reads.

The casualty market continues to underwrite on a case-by-case basis. Underwriters are still seeking small rate increases of 5% for low-hazard renewal business, however, for more exposed segments, pricing continues to increase in excess of 30% as capacity declines.

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Asia Pacific: Demand for resilience capabilities on the rise in insurance sector - Asia Insurance Review

There are opportunities for insurers and reinsurers to help build societal and corporate resilience and manage ever-present risks, said Ms Gillian Tan, Monetary Authority of Singapore (MAS) assistant managing director (Development & International).

Delivering a keynote speech yesterday at the 2022 Risk and Insurance Management Society (RIMS)-Willis Towers Watson (WTW) Asia Pacific Risk Virtual Conference, she said that all governments and corporates need to urgently develop resilience capabilities.

She outlined two of the most significant risks, the challenges and opportunities for the finance and insurance sector, and how Singapore seeks to support necessary efforts in each area.

Insurers adapt to pandemic risks
"If we are to learn to live with COVID and other pandemics, we will need to put in place measures to build longer term financial resilience to such events," Ms Tan said.

"Insurance can be particularly effective in cushioning the economic disruption from such outbreaks. The insurance industry has begun to adapt and we now see more coverage for pandemic disruption. Three of the top five insurers in Singapore, for instance, offer insurance for event and travel cancellation to help mitigate the risk of disruption of plans from mandated closures or lockdowns," she added.

Business interruption cover
Ms Tan pointed out, "More needs to be done, however, in improving the affordability, accessibility and quality of business interruption insurance, to make it better suited to the needs of businesses. Such covers are often an add-on to property insurance, and pay-outs are tagged to physical damage to property, which means that business interruption due to a pandemic is not covered, or is expensive and limited in scope."

She also suggested:

- Pandemic risk financing for critical or more vulnerable sectors can be through a public-private approach, combining finances from the government, key firms in these industries, and insurers could provide much-needed rapid relief.

- The pandemic has provided the insurance and risk modelling industry with good data points on relevant factors impacting business continuity across countries and sectors, and further risk analytics and modelling can support more customised solutions.

- Policymakers and corporates can also benefit from exchanging insights with the financial services industry on behaviours and policies which better promote pandemic resilience in businesses (including business continuity plans and greater digital adoption).

Lack of quality data hampers management of climate risks
Ms Tan highlighted that in 2021 alone, the economic cost of catastrophes in the Asia Pacific region was $50bn, accounting for 18% of the global total but the region is significantly underinsured at only 17% of the total economic cost compared to the global average of 57%.

By some estimates, if no action on climate change is taken, Asia’s economy would be 26% smaller by 2050, whilst ASEAN’s economy would be 37% smaller.

Ms Tan noted that Asia’s insurance markets are growing, but the pace of growth will not be able to match the region’s growing protection needs from natural catastrophes. A distinct lack of high quality and standardised data to accurately quantify risk exposure for climate risks or to build reliable models also remains a key challenge.

Green and transition risk financing

Highlighting the role of insurers as risk financiers, Ms Tan said, "Risk financing and insurance can be an important lever in engaging the relevant stakeholders and supporting a progressive low-carbon transition of these sectors." She called on insurers to move alongside clients so that they make concrete and progressive improvements in their environmental performance over time.

Data, partnerships, and capabilities

Wrapping up her speech, Ms Tan said, "In this era of great change and disruption, it is perhaps comforting that the enablers for success have not significantly changed.

"The common enablers can be distilled to three factors—data, partnerships, and capabilities."

To build capabilities, she called for developing a pipeline of Asia-savvy financial sector talent with skills in emerging areas such as big data, artificial intelligence, and sustainability. "We must continue to groom young talent for leadership roles in the insurance and risk management industry," she said.

The three-day virtual event with the theme 'Risk Resilience Reimagined' is co-organised by RIMS and WTW.

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