भारतीय बीमा संस्थान
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QUOTE OF THE WEEK

"Thousands of candles can be lighted from a single candle, and the life of the candle will not be shortened. Happiness never decreases by being shared."

Buddha

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Absolute Liability

An absolute liability is imposed upon a person or company engaged in a hazardous or potentially dangerous business who, by reason of negligence or an act or omission, causes harm or injury to another person or property. Because of the nature of this type of liability, no proof of fault or negligence is needed to hold a person or company liable.

Absolute liability is also known as strict liability. Because liability is charged regardless of fault or negligence of the insured, many insurance companies do not offer absolute liability insurance. Meanwhile, a few companies offer limited coverage for very premium rates. When there is absolute liability, the offender cannot use the defenses of due diligence and mens rea (guilty mind). Examples of persons or companies who have absolute liability include owners of pools and wild animals and sellers or explosives and firearms.

INSURANCE INDUSTRY

Investing or Insurance – What should you prioritize? – Financial Express – 17th August 2022

Investments and insurance are two important pillars of financial security. While good investments empower you to live the upside that life has to offer, adequate insurance experts say insulates your finances against the downside of risks to life.

Nirav Karkera, Head – Research, Fisdom says, “While it is important to have the best of both, the limited financial ability may push one to prioritise one over the other. At least till both can be provided for. The decision can be made easier through rational and logical considerations.”

The first step is understanding the key purposes that each product seeks to achieve. Karkera explains, “An investment typically seeks to offer purchasing power at a future point in time, often for a specific financial goal. Within insurance, the pure life cover product that term insurance is seeks effective substitution of financial contribution to one’s dear ones in case of one’s demise.”

Health insurance seeks to alleviate the financial burden associated with medical expenses.

Next, one needs to prioritise purposes basis the context of an individual’s life dynamics. For instance, experts say a person with no financial dependents may not need to ensure income substitution in case of an untimely demise, but must absolutely prioritise health insurance for a financial cushion in case of unforeseen medical expenses and then seek to invest towards financial security. Karkera points out, “For one with a family that is financially dependent on the person, it makes sense to prioritise health insurance for the family along with an adequate life cover through term insurance and then invest toward the family’s financial security.” On the other hand, for one already covered adequately under an organisation provided, family floater or individual health insurance cover and with no financial dependents, investing takes the priority spot.

Karkera explains, “Many may find themselves in a situation where it is imperative to secure all three angles but may not have sufficient financial headroom to ensure adequate allocation towards all three products. For such a case, it is advisable to not try to prioritise one over the other, but in fact, allocate towards all three even if the allocated amounts are inadequate."

Allocating the product, however inadequate, experts say should serve as a good starting point and must come along with a commitment to shore up contributions as and when it is financially feasible.

(The writer is Priyadarshini Maji.)

TOP

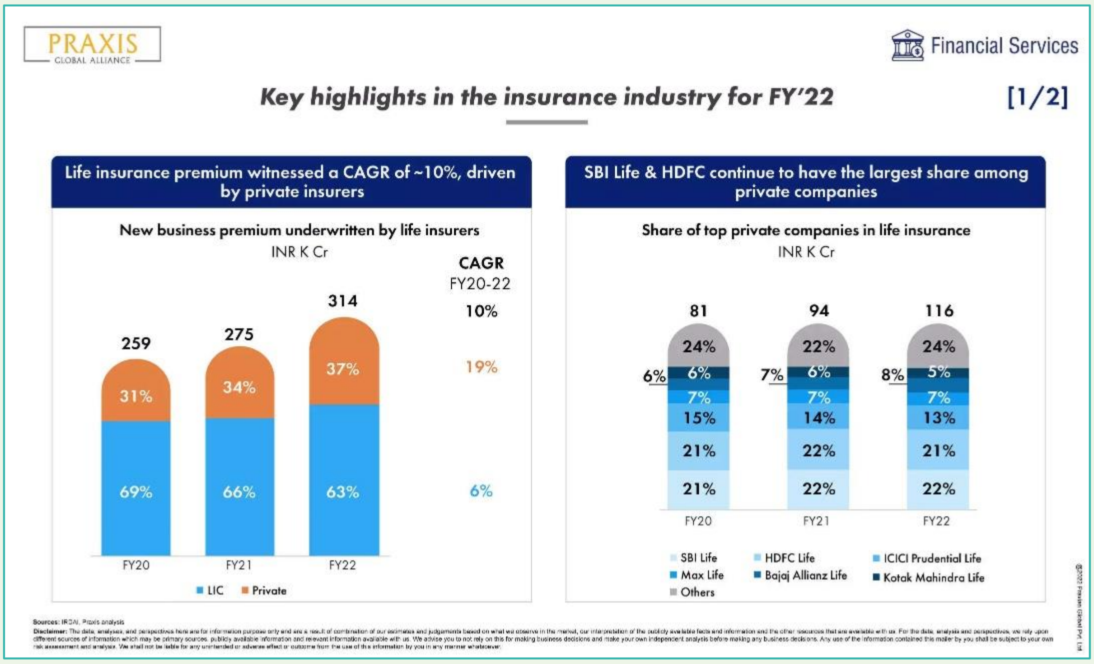
Insurance in India – Current trends and what's ahead - The Economic Times – 13th August 2022

The opportunity for Insurance in India continues to be huge, given the low insurance penetration and density in India. FY22 witnessed a 14 % YOY growth in Life Insurance, 11 % YOY Growth in overall General Insurance and 25% YOY Growth in Health Insurance.

But beyond the numbers, the last two years of the pandemic have fundamentally transformed the sector and accelerated the pace of change – from the perspective of insurers, the healthcare ecosystem, consumers, and the regulator. This can have a long-lasting positive impact on healthy business growth, increased insurance penetration, product and process innovation, and, most importantly, customer experience.

Life Insurance:
The Indian Life Insurance sector has grown at a CAGR of more than 10 percent over the past few years, faster than the average global growth rate. Still, the gap between India and the Asian economies concerning the insurance density and penetration levels indicates a significant growth opportunity. The top five players hold over 85 percent market share, while the remaining companies make up a long tail.

Last year's growth in collected 'New Business Premium' is backed by a rise in group single premium and group yearly renewable premium. This is coupled with robust growth in the individual insurance segment driven by the development of strong distribution channels.



COVID has brought the spotlight on the need for protection. This also applies to employers seeking to provide more reassurance to their employees; hence, we see more demand for Protection products - Individual and Group. Also, given the market volatility, ULIPs have seen muted growth, and customers are looking for solutions offering guaranteed returns and assured savings.

In the future, the focus will be on growth (estimated 12-14%) over the next five years, which is expected to be driven by group products, individual pensions, and life cover products.

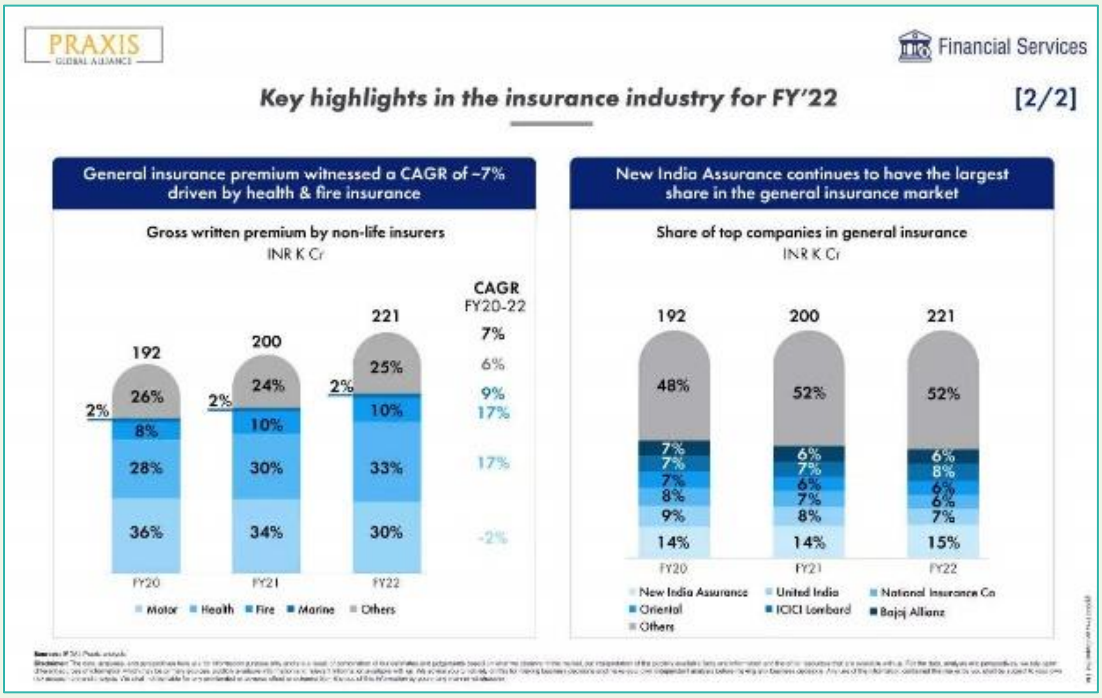
General Insurance and Health Insurance:

The story in General Insurance is about Health Insurance now being the dominant product segment after it took over motor insurance, driven by the increased awareness and demand created by the pandemic. The supply challenges in the Automotive industry impacted Motor Insurance Third Party premiums. Health segment premiums have grown by 25 %, while motor segment premiums have grown by 3 %. Crop Insurance, which has seen some profitability concerns, was the third dominant product segment. ICICI Lombard's acquisition of Bharti AXA General Insurance helped it become the second-largest Insurer behind National Insurance. Five standalone Health Insurance companies clocked a 32% growth compared to the 25% growth for the health segment overall.

As business levels bounce back, one can expect Commercial Insurance to grow faster than pre-COVID levels. Similarly, increasing distribution penetration and recovery in the Automotive sector will see Motor Insurance picking up, focusing on increased digitalization in the customer journey from sales to service to claims.

However, Health Insurance will continue to gain prominence. 63% of total Healthcare spending is still out-of-pocket expenses. While premiums will continue to get adjusted upwards due to the high claims experience over the past two years and the rising cost of healthcare, there will be innovation and customization in products to provide more value to customers in managing their health, viz., benefit plans and riders, the inclusion of OPD expenses, critical illness coverage, wellness programs, etc. In General Insurance, insurers are partnering with InsurTech to offer solutions and seamless experience across the entire customer journey – distribution, service, and claims. There is a dependency on the healthcare ecosystem for health insurance claims, one area where a lot of work needs to be done. While InsurTechs are partnering with hospitals and insurers to provide seamless CX, the National Health Stack has the potential to be a game-changer and set global standards in this space. Insurers will have to be proactive to take advantage of this opportunity.

Industry Level:



At an overall Insurance industry level, customer preference for effortless processes and digital channels will continue to rise.

Digital enablement at the last mile for sales will drive the distribution penetration. Insurers will focus on expanding service channels, providing more engagement options – physical branches, phone-based contact centers, chatbots, WhatsApp, Mobile Apps, social media, etc. Customer experience and engagement will be the focus with significant investments in digitalization. Insurers must transition out of legacy platforms by collaborating with ecosystem players. Niche players with a digital-only approach will capture key customer segments.

The regulator's increasingly proactive approach will create more opportunities for Insurers to drive penetration and offer seamless customer experience through Digitalization. Partnerships with InsurTech will drive innovation across the value chain, and Insurers will need to be agile in this regard. The FDI limits have been increased to 74% at a policy level. Another development is that public sector banks are now required to reduce their stakes in some insurance companies due to their mergers. This, along with the dominance of the top private Insurers, can trigger consolidation in the sector going ahead.

Conclusion:
The pace of change in the sector will only accelerate with increased awareness post pandemic, digital enablement, focus on customer journeys and experience, tech-led disruptions, and process innovations, enabled by a more supportive regulator stance. While these will benefit the customers, Insurers and distribution channels need to be on top of their game to grow their market share and retain customers. There is a significant opportunity to grow the overall market, insurance penetration, and density levels. Ultimately, what matters is that these levels have to be in sync with India's GDP performance to ensure adequate and wide insurance coverage of our population.

(The writer is Vishal Bhave.)

TOP

INSURANCE REGULATION

IRDAI organises hackathon, invites innovative solutions for insurance sector – Financial Express – 15th August 2022

Insurance regulator IRDAI has invited entities to develop technology-driven innovative solutions for automated death claim settlement, curtail miss-selling, and other areas of the insurance ecosystem, with an aim to protect the interest of policyholders.

Applications have been invited by the Insurance Regulatory and Development Authority of India (IRDAI) as part of its first hackathon — Bima Manthan 2022 — with the theme 'Innovation in Insurance'.

"The hackathon invites participants to identify and develop solutions that have the potential to make the insurance available to every individual in a seamless and swift manner with the use of technology and protecting the interests of the policyholders," the regulator said in a statement.

IRDAI has sought innovative ideas/solutions for automated death claim settlement using technology and tech-based solution to curtail miss-selling of insurance products The regulator is also looking for technology-enabled solutions to identify uninsured motor vehicles and ensure issuance of mandatory motor third party insurance, and technology-based distribution of insurance products, including micro insurance in "difficult terrains and less penetrable areas".

Fraud mitigation/ prevention in motor insurance by using technology is another area identified for Bima Manthan 2022.

IRDAI said the participants of Bima Manthan 2022 will get an opportunity to exhibit their innovative solutions before an eminent jury and win exciting prizes.

Also read: TATA AIA Life announces annual bonus of Rs 861 cr for policyholders – Are you eligible?

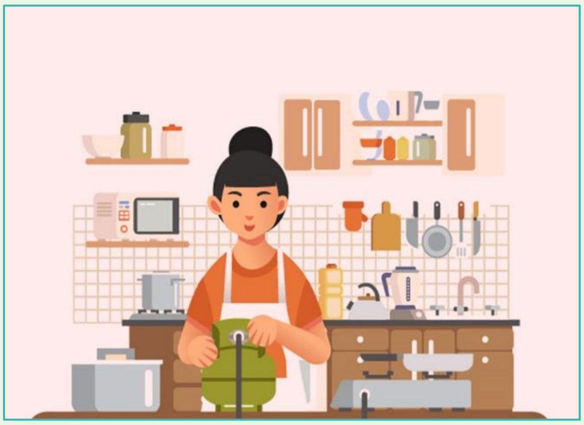
Bima Manthan also provides an opportunity to the winner for direct entry into the IRDAI Regulatory Sandbox regime; demo-day in front of insurers/intermediaries and other stakeholders; or collaboration with insurer(s) on the winning project/platform.

Registration for the hackathon starts from Tuesday, the regulator said.

TOP

LIFE INSURANCE

Why homemakers also need a term insurance plan? – The Times of India – 18th August 2022



Term insurance plans cover pure risk and provide a substantial life insurance cover for a nominal amount. In the industry, these plans are commonly positioned as a safeguard for the breadwinner of the family against life's unfortunate circumstances such as death or disability. In the unfortunate event of the breadwinner's demise, his family can use the amount received for immediate household expenses as well as for fulfilling important milestones in life such as the children's higher education and marriage.

While most earning members of the household purchase life insurance to protect their families against life's unforeseen circumstances, we often do not think about purchasing life insurance for the homemakers in the family.

The homemakers, who are often stay-at-home mothers or housewives, might not have earning jobs but they play an extremely crucial role in the running of the household. They take care of the children, see to their studies, prepare food for the family, do the household chores, manage the monthly budget, and look after the elderly and ailing members of the family. Their hours of work do not extend from just 9-to-5, but they often work tirelessly for more than 12 hours a day, without any leaves or holidays.

In most households, the homemaker is sadly taken for granted and the work put in by her goes unrecognized and unappreciated by the rest of the household. It is only in the case of her unfortunate demise that the family realizes her true worth.

Evaluating the economic value of a homemaker
A homemaker is truly invaluable, and it is impossible to put a price on the love, dedication, and service that she gives her family. But let us set aside emotions for a moment and try to objectively evaluate the economic value of a homemaker.

By calculating her economic worth, we realize how essential it is for her to be covered by a life insurance plan. In her absence, the family might have to hire a full-time house help to look after the children, do the household chores and prepare food. They might also need to engage a tutor to help the children with their studies, as well as a nurse to look after the elderly members of the family.

While it might be possible to hire all the required help, it comes at a significant financial cost which can be incredibly stressful for a family who is in grief and under emotional strain. At this difficult time, a life insurance payout would go a long way in easing the financial burden of the family.

We must also consider that in certain cases, the homemakers are qualified to get back to work and they may choose to rejoin the workforce once their kids have grown up.

Benefits of a term plan for homemakers
Substantial coverage for a nominal premium
Since these are generally pure protection plans without any additional benefits, a term plan offers a substantial life cover at an affordable premium. Most life insurance companies also offer lower premiums for women.

Advantage of early purchase
The earlier you purchase a term plan, the lower your premium is likely to be. By investing early in a term plan, the homemaker will benefit from the low premiums that remain the same over the whole term of the plan which could stretch 25-30 years.

While applying for the plan, the homemakers would also need to meet underwriting guidelines, just like other lives. Investing early, when one is likely to be in better health, would result in lower premiums.

Additional riders
More often than not, homemakers ignore their own health and medical needs due to the high cost of living and expensive medical treatment. Investing in a life insurance policy which has add-on health riders, can provide the necessary financial help in case the homemaker is afflicted with a critical illness such as female cancers.

Tax Benefits
Purchasing a term insurance plan would also provide tax benefits to the working spouse under different sections of the Income Tax Act, 1961. To completely understand these benefits, it is advisable to consult a financial advisor.

Peace of mind
Most of all, availing a term plan offers peace of mind to the homemaker. In her absence, she is assured that her family is financially protected, and the life cover can be used to keep the household and family running along with achieving important life goals.

Ideal amount of coverage for a homemaker
While it is difficult to put a price on the emotional benefits that a homemaker brings to the family, for the purpose of calculating the ideal amount of life cover, one can estimate the economic value of the homemaker. This can be done by identifying all the replacement costs that the family is likely to incur in case of her unfortunate demise. In India, as per general underwriting guidelines, the life cover of the homemaker cannot exceed that of the working spouse.

When calculating the life cover, the family also needs to consider any change in the career course that the working spouse might need to undertake in order to be more available for the kids as well as the elderly at home. With more nuclear families these days, it is entirely possible that the remaining spouse might need to quit their job so as to be there for the kids during this difficult time.

In conclusion, investing in a term plan for the homemaker is crucial as it would help to financially secure the family in its hour of greatest need. While there is absolutely no replacement for the homemaker, having life insurance would go a long way in easing the family’s financial burden and stress.

TOP

Buy zero-cost term plan if you are keen on a return, say experts – Business Standard – 17th August 2022

Two types of term insurance plans have been available in the market so far. One is the plain-vanilla plan where if a person dies during the policy term, his nominee gets the sum assured. If he survives, he gets nothing. The second is the return-of-premium (RoP) term plan. The essential difference between these plans is that in the latter, if the insured survives the policy term, he gets back all the premiums he has paid. RoP plans are about twice as expensive as pure term plans. Now, two players—Max Life Insurance (Smart Secure Plus Plan) and Bajaj Allianz Life Insurance (eTouch Term Insurance Plan)—are offering a third variant which the industry refers to as zero-cost term plans. Two or three more insurers are expected to launch these plans within the next couple of months.

Max Life calls this feature 'special exit value' and offers it with its Smart Secure Plus Plan. "The policyholder has a one-time option to exit at a specified point and receive all the premiums paid for the base protection benefit.

This option is provided to those policyholders who don't avail of the RoP variant in the Smart Secure Plus Plan," says Vaibhav Kumar, head-products management, Max Life Insurance. According to Sajja Praveen Chowdary, business head, term insurance, Policybazaar.com, "This feature is only available if you buy a cover with a long policy term of 35 or 40 years, not if the term is 10-15 years." In the case of Max Life Insurance, this feature is available if the policy term is 40 years or above. For policy terms of 40 to 44 years, the policyholder can choose to exit in the 25th policy year or at the age of 65, whichever is earlier. If the policy term is 45 years and above, the policyholder can exit in the 30th policy year or at the age of 65, whichever is earlier. These policies are targeted at people who don't buy term insurance because there is no payout on surviving the policy term. "If such customers exercise the exit option in these plans, they become zero-cost plans for them," says Chowdary.

According to Avdhesh Gupta, appointed actuary, Bajaj Allianz Life Insurance, "At the time of buying the policy, the customer may feel he needs a term cover till the age of 75 or 80. But later he may not want to continue with the cover. So, we have provided flexibility in our term cover which allows the customer to end the cover, with the added benefit that he gets all the premiums back."

Financial planners favour the plain-vanilla term plan. "Go for a low-cost, online term cover till the age of 60 to meet your insurance requirement. If by, say, 55, you feel you have met all your financial obligations, or have accumulated sufficient wealth to meet them, discontinue the term plan," says Melvin Joseph, founder, Finvin Financial Planners. According to him, any term plan that offers money back, will be more expensive. "Customers must also understand the concept of time value of money," he adds. Zero-cost term plans, while less expensive than RoP plans, are 28-35 percent costlier than plain-vanilla term plans from the same company.

According to Deepesh Raghaw, founder, PersonalFinancePlan, a Securities and Exchange Board of India-registered investment advisor, "A customer can buy a low-cost term plan and invest the difference—between the premium of the pure term plan and that of the zero-cost term plan—in a low-cost index fund and he will have just as much (the total of the premiums paid) or more after, say, 40 years." Pure term plans are lighter on the pocket.

This makes it easier for the insured to continue with them during times of stress. "Many customers also look at the premium and settle for the cover their pocket allows. A lower-cost plan will allow them to buy a larger cover and hence be better protected," says Raghaw. Some customers buy a term plan with a longer tenure (even though they are more expensive) for estate planning. If they pass away before the tenure ends, their nominees get the sum assured. Surrendering the term plan prematurely won't serve the purpose of such customers. A zero-cost variant can be useful under certain circumstances. "Even if these plans are more expensive, they can serve a purpose if they are able to incentivise customers, who are hung up on getting a return, to buy a term plan," he says.

(The writer is Sanjay Kumar Singh.)

TOP

Life insurance: Is single premium policy for you? – Financial Express – 16th August 2022

Many customers are prefering to buy single premium life insurance policies for financial protection, attracted by the flexibility these offer to invest the investible surplus in one shot and get an associated life cover. In the last one year, the share of single premium to total premium policies has grown to 79% by July this year as compared to 65% in the same month last year, data from Kotak Institutional Equities Research show indicating individuals are preferring bullet payment as they are unsure about fulfilling any long-term commitments for recurring life insurance premiums.

With an increasing number of people switching to either seasonal jobs or starting a business, the one-time payment options seem to be ideal as they need not worry about fluctuations in income from time to time.

Nitin Mehta, chief customer officer, Bharti AXA Life Insurance, says single premium policies are not impacted by the difficulties one may face in paying regular premiums over the policy payment term which typically ranges between 10 to 15 years. “It gives the flexibility to an individual to invest the investible surplus in one shot and get an associated life cover,” he says.

Rakesh Goyal, director, Probus Insurance, says the single premiums are fixed payments and do not change as per inflation which otherwise would be the case in regular payment options. “The amount paid under a single premium would be comparatively lower than the overall sum of the regular premiums,” he says.

Selecting between single and regular premiums

Selecting between a single or a regular premium policy depends on several factors such as the convenience of the payment option, the budget of the policyholder, addition of riders or other add-ons on extra payout. Goyal of Probus suggests that a single premium policy is for someone who is willing to lock his money and receive a decent amount of returns. “On the other hand, regular premiums are recommended for individuals who rely on their regular paychecks and cannot afford or prefer to invest a huge amount in one go. Furthermore, single premiums are for a short duration whereas regular premiums are considered for higher years,” he says.

Single pay policies mostly find favour with high net worth individuals who have lumpsum money to be invested, points out Mehta. “Having said tha,t insurance is just one of the financial services instruments and for holistic financial planning it may require complete portfolio mapping and life stage of the individual to determine avenues of investment,” he suggests.

Avoid single premium Ulips

Unit-linked insurance plans (Ulip) are market-linked investment products with a thin crust of life insurance. As market volatility in the short run can sharply affect the fund’s net asset value, individuals should avoid investing in a single premium Ulip. Experts say individuals should look at a regular premium payment plan and let the money get invested in regular intervals incase of Ulips. Spreading money across a period will save the policyholder from extreme market conditions. This way, the policyholder will benefit from the rupee averaging and earn higher returns in the long run.

Before investing in a single premium Ulip, one must look at the cost structure carefully. Higher costs will reduce the value of the fund in the long-run. The premium allocation charge in Ulips is directly deducted from the premium paid by the policyholder for allocating the units. It is charged by the insurers to recover the costs incurred in processing the policy such as underwriting, medical examinations and distributor fees.

Tax benefit

A policyholder can avail the tax benefit up to Rs 1,50,000 under Section 80C of the Income-Tax Act on the annual premium paid for a life insurance policy. The tax benefit is applicable for both single premium and regular premium policy. However, in a single premium policy, the policyholder will get the tax benefit only once and in regular premium one can avail of the tax benefit on each renewal payment.

(The writer is Saikat Neogi.)

[TOP]

What's driving the shift to non-linked plans for insurance companies? – The Economic Times – 14th August 2022

The shift in demand towards non-linked products is beneficial for insurance companies as these products have a higher margin than linked products. How will it impact their bottom line in coming quarters? Nearly every industry was affected by the Covid-19 pandemic, and each one has responded differently. Additionally, it has brought about a structural change in consumer behaviour in the insurance industry. The industry has witnessed a shift from unit-linked plans toward non-linked plans, and a substantial shift can be seen here particularly in the private sector. In FY22, non-linked businesses contributed 80 percent to the new business premium of the industry. The private sector has seen a further increase in the share of non-linked products from 56 percent in FY20 to 61 percent in FY21. But before diving into the reasons for such a shift in product mix, let us first understand what are linked and non-linked products and their differences.

Linked products or unit-linked insurance plans, commonly known as ULIPs, provide dual benefits of insurance and investment in a single policy. In such plans, the premium paid is divided into two. One part goes towards insurance cover and another towards investment. The investment part gives returns depending on fund selection and market performance. These plans are highly flexible and provide investment options based on risk appetite and fund switching options that come with the policy. Though expert fund managers actively manage linked plans, it is subject to market risk.

Non-linked plans, also known as traditional plans or conventional plans, are not linked to the equity market. Their sole purpose is to provide financial protection to the family in case of a policyholder's death or severe illness. Here, the full premium amount goes towards insurance coverage. Non-linked plans, as the name suggests, are independent of market volatility. They provide guaranteed returns to policyholders irrespective of the financial performance of the life insurance company. Non-par and non-linked products do not receive a bonus. And in the last two years, equity markets have been quite volatile due to the pandemic, supply chain issues, the Russia-Ukraine war, inflationary environment, spike in commodity prices, rise in interest rates, and geopolitical tensions. Large net outflows by FIIs have caused significant volatility in the capital markets, directly impacting the linked space. The following graphs show how major private players' product mix has changed.

HDFC Life insurance has a well-balanced product mix with contributions from linked products at 26 percent; participating products, which participate in the profits of insurance companies, at 30 percent; non-participating at 33 percent; protection at 6 percent and annuities at 5 percent. The product mix of HDFC Life has moved towards non-par plans. Non-par plans, which are non-linked plans, are seeing good traction due to which its share has increased from just 7 percent in FY18 to 33 percent in FY22. The unit-linked plan has reduced from 57 percent to 26 percent during the same period.

ICICI Pru Life also shows a clear shift in product mix towards non-linked products. Though the share of linked products has reduced substantially, it still has a high contribution of 48 percent in the product mix. The annuity and protection businesses are also improving.

The product mix of SBI Life Insurance is unit-linked dominant. Unlike HDFC Life and ICICI Pru Life, the share of unit-linked plans has not changed much. However, within non-linked, the focus has shifted from participating plans to non-participating plans. The protection and annuity businesses are also witnessing good growth. The shift in demand towards non-linked products is beneficial for insurance companies as these products have a higher margin than linked products. It is expected that the prevailing interest rate situation is favourable for the profitability and growth of life insurers. The current interest rate rise is expected to improve the value of new business (VNB) margins of both participating (par) and non-participating (non-par) insurance products. Participating plans provide guaranteed and non-guaranteed benefits, while non-par plans typically provide guaranteed benefits. The risk to group insurance, which covers a group of people with a single insurance policy, is high when interest rates rise. This is because it is lumpy in nature, resulting in large inflows and outflows of funds.

Higher interest rates and volatile equity markets will likely make unit-linked insurance less attractive to policyholders. So, the current high-interest rate scenario augurs well for traditional products like savings and protection. Also, insurance products are likely to gain more popularity in the coming years as the pandemic has reinforced the importance of life insurance, and people have realised that the only certainty is uncertainty. Overall, the Indian life insurance business is positioned for multi-decade expansion due to changing demographics, low insurance penetration, financialisation of savings and digitisation.

(The writers are Gaurav Jain & Parimal Ade.)

TOP

Planning to study abroad? make sure to get a life insurance policy first – Outlook – 13th August 2022

Life insurance is a must-have for most individuals. In fact, some suggest even college students who expect to have dependents soon to buy insurance early.

However, buying a life **insurance policy**, especially term insurance, is not that easy for college students. Term insurance, typically, offers a large cover at a relatively cheaper price.

Do College Students Need Life Insurance?

Contrary to popular belief, insurance is required by anyone with financial dependents. Students, typically, do not consider life **insurance** or financial planning seriously because of their lack of knowledge in this area.

Several students travel abroad for higher studies. An existing insurance cover would provide some cushion to the family back home, as getting an insurance cover in another country may not be easy. “If the policy is underwritten and the risk accepted in India, then the policy remains valid even if the student moves to another country to study,” says Karthik Raman, chief marketing officer and head of products, Ageas Federal Life Insurance.

Moreover, students who take an education loan for higher studies and plan to repay the loan on their own can take a cover equal to the loan amount to ensure the burden doesn’t fall on the parents or guardians in case something unfortunate happens. Nitin Mehta, Chief Customer Officer, Bharti AXA Life insurance, said, "Students or people with no or less income can get covered under some governmental schemes which require very minimal investment. Pradhan Mantri Jeevan Jyoti Beema Yojana (PMJJBY) is one such scheme where parents or grand parents pay the premium and children get life insured."

Experts say that buying **insurance** at a young age ensures that the premium rate is low. “One of the biggest reasons one should take a life insurance policy early is that the cost of insurance increases with age. The premiums that a student will pay at an age, of say, 18, will be much lower than the premiums that they will pay at the age of 35,” says Yogesh Aggrawal, founder of Onsurity, a health-tech and insurance company.

What Are The Challenge Students Face In Buying Insurance?
One of the most significant barriers for college students buying life insurance is that many of them do not have a proper source of income.

Buying life insurance is a simple process, but the income is a big criterion that insurers assess before issuing a policy. That’s because the underlying concept of life insurance is to replace the income of the breadwinner in case of their demise. Insurers, therefore, often use the income criterion to assess the amount of sum assured.

“An individual needs to have legitimate income proof in order to purchase a term insurance policy. In order to avail oneself of a term insurance policy, one needs to have income and proof,” says Sajja Praveen Chowdary, business head, term life Insurance, Policybazaar.com, an insurance aggregator.

How Can Students Get Life Insurance?
Students who have a source of income, even if it is not from a regular source, and is freelance in nature, may be eligible to buy a policy. However, insurers may not sum up multiple sources of income to offer a larger cover.

“Term insurance can be obtained if the income they earn from one source is sufficient to satisfy the minimum income requirement of the insurer. A sum of all income sources will not be considered as proof of income,” says Chowdary, adding that the proof of ITR filed can be used to show proof of income. Also, buying insurance policies other than a term cover may be easier, as the cover amount in such policies is usually lower for the same amount of premium.

Says Akshay Dhand, appointed actuary at Canara HSBC Life Insurance, “Typically, students with no or less income will not get any term plan, and if they do, most companies will provide them with very little sum assured. However, such individuals can opt for savings plans being offered by life insurance companies. This at least suffices the requirement of life insurance for such individuals till the time they start earning an active income.”

Another option is for parents or guardians to buy a policy on the student’s behalf. Here, the premium amount will be paid by the parent or guardian, and the policy will be in the name of the child. “For such individuals, the policyholder will be the parent or a grandparent, who will fund the premiums, but the policy will cover the remaining lives of these individuals,” says Dhand.

(The writer is Mihika.)

TOP

GENERAL INSURANCE

4 Ways How Missing Out On A Travel Insurance Could Cost You Dearly While Travelling Abroad – Outlook – 19th August 2022

Flights, hotels, activities, rental cars – these are the first things we tend to look out for and book on priority while planning for a vacation overseas. However, there is another more important item we are all likely to miss out on while preparing for our holiday: Travel insurance. People often tend to forget about travel insurance as they generally do not think the need of it until they actually need it.

Says Sanjiv Bajaj, joint chairman and managing director, Bajaj Capital: “There has been an increase in the number of Indians dying abroad every year. Healthcare is quite expensive these days, particularly when you're traveling abroad. Thus, getting hospitalised abroad while travelling could really burn a hole in your pocket, unless you have a comprehensive travel insurance policy." Hence, whether you are on a domestic or an international trip, if you don't opt for the right travel insurance, you could be inviting trouble. Also, it is predicted that Indian travellers will be spending nearly $40.7 billion on international travel by 2025.

So, here are five ways in which not having a travel insurance policy could cost you dearly, especially on your international trips.

Medical emergencies and death: Being prepared for events that could result in death should be the last thing on anyone's mind when planning a trip overseas. However, it is critical to consider the possibility of medical emergencies and unexpected bills. A comprehensive travel insurance policy with emergency evacuation coverage will also cover the transportation cost of the body back home in the event of the insured's death in a foreign land. This travel insurance coverage is advantageous for those who want a comprehensive approach in insuring their trip. While there are measures and systems in place to make the reclamation process easier, the task of repatriation can become excruciating due to differences in religious, legal, and political policies in place between countries.

"The insurance policy pays for reasonable expenses incurred in transporting the insured's body from the place of death to India. Among the expenses covered are embalming, cremation, coffins, and transportation. Companies that provide insurance to the bereaved family and next-of-kin are also assisted by assistance service providers with the road or air repatriation of the mortal remains," says Bajaj. Flight cancellation or delay: If you have the right travel insurance policy, then you could be reimbursed or refunded at least a part of the amount in case of any flight cancellation or delay, in accordance with the terms and conditions of the policy. If you don't have a proper insurance policy, you would lose out on this privilege, and suffer a loss.

Fraudulent charges: If you lose your debit or credit card while on vacation, and you start getting texts that someone is using it, you would naturally be scared about it. But when you are armed with a good travel insurance policy, you don't face the risk of losing that money. Your money could be refunded to you through your stolen payment cards for up to 12 hours prior to your reporting of the incident.

Loss of passport, baggage, or other important travel documents: You are really in trouble when you lose your passport, baggage, or other important travel documents, while on a trip. It would leave you in stress and in a complete mess. But if you have a good travel insurance policy, then in case of loss of passport, you would be reimbursed the amount of acquiring a new or a duplicate one. If your belongings go missing, you would be compensated for your loss for up to an approved amount. In case your baggage gets delayed, you could file a claim as well. This could help you until you get back your baggage.

(The writer is Meghna Maiti.)

TOP

General insurance space in sweet spot, these 2 stocks that could give over 20% returns in 1 year – The Economic Times – 16th August 2022

A slew of measures along with several draft exposures have been initiated for the general insurance space, which focuses on -- 1) giving more autonomy to insurers to file products, 2) reducing costs that eventually will translate into a reduction in premiums for end-customers, 3) easing the compliance burden of insurers to allow management focus on business growth and 4) setting targets for growth of various companies. With the intent to expand the general insurance industry and bring ease of doing business, IRDAI has adopted the 'Use and File' procedure for all health insurance and most general insurance products under fire, motor, marine, and engineering.

This will allow insurance companies to launch products without any prior approval from the regulator, a major shift from the current regime where the insurance companies require the regulator's prior approval for launching any product. The insurance industry is expected to use this opportunity to respond faster to the emerging market needs resulting in more choices for the policyholders, which will further help in increasing the insurance penetration in India.

Taking a step forward, IRDAI has also extended the "Use & File" procedure to products covering Agriculture and Allied activities. Among several of the reforms, IRDAI also reduced the solvency margin requirement for Insurers doing crop business. Implementation of this move is likely to be positive on the industry as it will free up the capital, which can then be utilized for underwriting more businesses.

It is estimated that approximately Rs 14 billion will be unlocked and general insurers may use this freed-up capital to increase insurance penetration in India. IRDAI has prescribed aspirational targets for the non-life insurance industry with the aim to increase the general insurance penetration to 2.52 per cent by FY27E from the 1 per cent level as of FY21.

This would indicate the general insurance premiums growing to Rs 11.7 trillion by FY27E from INR 2.2 trillion as of FY22. The regulator has given individual targets to companies based on their growth and various parameters. We believe that some of the measures are expected to increase the competition but nevertheless given the low penetration, we expect all players to see strong growth led by the other enabling measures initiated by the regulator. We like ICICI Lombard (ICICIGI) supported by its strong correlation to new auto sales, investments in the distribution in the health business, improving profitability, and superior tech capabilities.

Earnings growth will accrue from synergies from its merger with BAXA and improvement in the loss ratios for the health segment. We expect the company to deliver a premium/PAT CAGR of 19/27 per cent during FY22-24 and a RoE of 18.8 per cent in FY24. Star Health, given its distribution scale advantage, is well poised to gain from the surge in demand for retail health insurance products. Further, its focus on profitable segments such as specialised products, benefit-based products and SME segment in group business bodes well for its profitability. We expect GWP/underwriting profit/PAT growth of 19/46/30 per cent for FY25E.

(The writer is Siddhartha Khemka.)

TOP

Travel insurance is hugely popular this year. So are claims – Live Mint – 14th August 2022

Travel insurance is becoming more popular than ever as people get moving again. That isn't necessarily a good thing for the companies providing coverage. Global insurers say they are selling more policies and at higher prices as travel rebounds from the pandemic, with take-up among young people particularly strong. Some insurers have expanded coverage to include epidemics and pandemics that were previously excluded, offering protection against flight cancellations, lost baggage and medical assistance overseas. However, this shift is butting up against a travel industry that has hemorrhaged workers for two years and is experiencing major capacity constraints as it tries to ramp back up. Staffing shortfalls and training logjams are prompting some airlines to cut back on flights, while airports in Europe have become overwhelmed as travel demand surges.

Heathrow Airport, gateway to London, last month decided to limit the number of passengers departing the hub, requesting airlines cut flights to and from the airport. U.S. carriers including Alaska Air Group Inc. and JetBlue Airways Corp. have reduced flights, partly due to shortages of staff. In one example of the turmoil at airports, Delta Air Lines Inc. flew 1,000 pieces of delayed luggage back to the U.S. on a jet after a passenger flight was canceled. Cover-More Group Ltd., a unit of Zurich Insurance Group, said a lack of flight availability is doubling claims costs to bring its customers home. Broadly, it estimates the cost of expanding coverage to include Covid-19 now makes up 30 percent to 40 percent of overall risk costs associated with travel insurance. Allianz SE said it is receiving more claims for post-departure problems than it had earlier in the pandemic. Around a quarter of cancellation and interruption claims are related to Covid-19, said Daniel Durazo, a spokesman for Allianz Partners, a unit of the insurer. “Operational challenges by travel suppliers have led to increased claims for travel delays and baggage issues," he said.

Another headache for insurers is inflation. Airfares have risen sharply this year as carriers seek to offset higher energy costs and employees’ wage demands. Some business-class tickets are nearly twice what they cost before the pandemic. Higher fares hurt insurers when they must reimburse customers for canceled flights. Repatriation and air-ambulance costs are significantly higher than before the pandemic, reflecting bigger fuel costs, additional regulatory requirements, and safety measures, said Cover-More. The upshot is that travel insurance will likely be an unprofitable business line for most providers this year, said Marcos Alvarez, head of insurance at credit-rating firm DBRS Morningstar. He thinks insurers could respond by raising prices 20 percent to 30 percent in the short term, building on increases implemented earlier this year, although it is unclear if even this would guarantee a profit. Some companies might decide to limit or charge extra for trip interruption and cancellation coverage amid the large delays recently experienced by airlines worldwide. Others could leave the travel-insurance business altogether, he said. Last year, Bupa Group stopped selling travel insurance through two of its businesses, partly because of the complexity brought by Covid. “Premium growth is a positive for insurance companies but only as long as claims grow less than proportionally," Mr. Alvarez said.

Travel insurance is a small part of overall revenue for many providers, so the financial impact of higher claims costs is unlikely to be severe. Moreover, analysts and insurers see positive trends for the industry beyond the immediate turbulence. One is that the pandemic has heightened awareness of the benefits that travel insurance can bring among age groups that weren’t as likely to take out a policy before. That business could prove sticky should Covid-19 cases wane and travel disruptions ease. After a significant contraction in 2020, the global travel insurance market’s gross written premium rose 13 percent to $17.6 billion in 2021, according to data from DBRS Morningstar. It now expects gross written premiums to rise to almost $60 billion by 2030, which could translate to a higher profit for the industry if airlines and airports overcome operational stumbles. French insurer AXA SA said most travel-insurance contracts industrywide now include Covid-19 coverage, and prices have gone up as a result. Still, it has seen the average take-up of travel insurance rise by as much as 100 percent compared with 2019. “As the crisis was global, lengthy and lethal, we expect this trend to continue in 2023 and maybe beyond," said Erick Morazin, senior vice president of global travel at AXA Partners, a unit of the insurer. “Travelers are very concerned by their safety and their security during their trips." Cover-More pointed to its recent research that showed 87 percent of the 11 million Australians planning an overseas trip next year intend to take out travel insurance. The highest rates were among people over 60 years old, although 84 percent of travelers under 30 signaled they would buy policies.

(The writer is Alice Uribe.)

TOP

HEALTH INSURANCE

Robotic surgeries should be covered in medical health insurance: Telangana Governor Tamilisai Soundararajan – The Economic Times – 15th August 2022

Telangana Governor Dr Tamilisai Soundararajan has urged insurance companies to come forward and include all the robotic surgeries and approve them. Even the government insurance schemes should include the latest procedures in the approval list, Dr Soundararajan said while speaking after formally inaugurating the two-day and the first exclusive Conference on Gynecological Robotic Surgeries RoboGynIndia-2022 organised in India on Saturday.

Aiming at familiarizing surgeons and residents with the clinical application of the latest techniques in treating gynecological disorders, the conference was jointly conducted by the Association of Gynecological Robotic Surgeons (AGRS), the national organization of surgeons practising the art of robotic gynecological surgeries, along with Intuitive Surgical, a global technology leader in minimally invasive care and the pioneer of robotic-assisted surgery (RAS).

Dr Soundararajan while complimenting chief gynecologist Dr Rooma Sinha, organizing chairperson and founder-president AGRS, for her exemplary services in this field, said that in our country it is expected that whatever latest and highest technology is introduced it has to be patient-oriented and even if there is a small complication, it would be difficult to use it for the next patient because of the bad word it earned. Especially today with the access to information patients have, it becomes even more difficult to convince the patient, the Governor said under such difficult circumstances what Dr Rooma achieved is commendable and I realise the importance of it, all the more as a gynecologist. Of late technology plays an important role, be it AI, AR or VR, 3D printing, or robotics, all these have changed the face of treatment. The goal of Prime Minister Narendra Modi's Digital Health Mission is to make healthcare delivery available, inexpensively and accessible for everyone, especially the poor who reside in remote and difficult-to-reach areas, she said technology helps to preserve the cosmetic aspects, has minimal complications and enables us to innovatively deal with problems.

Robotic surgery will soon be very popular due to the rapid growth of technology and aspiring medical professionals have to develop their skills in this area, she said, adding that technology should also make the services economically feasible for all sections of society.

Apollo Group Hospitals president Dr K. Hari Prasad said when robotic surgery was introduced, we thought it could only benefit urology and gastroenterology patients, but success often comes from unexpected quarters and it did come that way when a tiny little young lady who took the lead and made a huge difference to the robotic surgery and inconvenience the family. Robotic surgery can empower these women by facilitating minimal trauma, hospitalization, and blood loss with better aesthetics. The role of robotics here helps general surgeons to develop these skills fast and translate the benefit of minimal access surgeries to the women in our country. AGRS will proactively train gynecologists pan India in Robotic surgeries to facilitate this noble objective. Our very own made-in-India 'Mantra' robot will enable greater penetration of robotic surgeries and reach the services to the remotest part of India, Dr Rooma Sinha added.

Special Invitee Prof. Mahendra Bhandari, Padma Shri Awardee & CEO, Vattikuti Foundation, said, today the robotic gynecology surgery in India is on auto mode. When Vattikuti Foundation wanted to bring robotic surgery to India in 2009, there were no takers, DaVinci was untouchable, they didn't find it worthwhile because of the capital involved and the recurring cost.

It was the Apollo Hospital which embraced it, when we met the Chairman Dr Prathap C. Reddy, within 15 minutes he took the decision to have six robots and that paved the way for robotic surgery to gain popularity in India, Mahendra added.

In India, four robotic platforms namely DaVinci, Hugo RAS, Versius and Mantra are available currently for clinical use and these will help to expedite the penetration of robotic surgeries. Dr Anshumala Shukla Kulkarni, Organizing Secretary, Founder Secretary, AGRS was present on the occasion.

TOP

5% GST on hospital room rent: How will it impact health insurance policyholders? – Financial Express – 13th August 2022

The 47th GST Council meeting in June 2022 capped the GST at 5% to be applicable on room rent (excluding ICU) exceeding Rs 5000 per day per patient charged by a hospital.

When someone gets hospitalised, one has an option to choose different types of rooms—single private room, twin sharing, suite room, etc. The per-day room rent charges for each of them are different and vary from hospital to hospital. Under certain health insurance policies, insurers only cover a portion of the room rent or have a cap on the same (depending on the sum insured opted).

Experts say that the 5% GST on hospital room rent will further increase the hospitalisation cost in cases where the hospital room rent is above Rs 5000 for non-ICU rooms.

"Under the new guidelines, a 5% GST will be imposed on hospital room rent above Rs 5,000 for non-ICU rooms. This will result in an overall increase in the hospitalization cost in cases where the per day room opted is higher than Rs 5,000," Dr Sudha Reddy, Head – Health and Travel at Digit Insurance, told FE.

Who will pay the GST?
Since the applicable hospitalization costs are typically borne by the insurer, the GST charges, too, will be paid by the insurance company and there will be no direct impact on the policyholder during claim settlement, according to Dr Reddy.

Premiums to go up?
Dr Reddy said that if the GST leads to a rise in overall claims cost for the insurers, there could be a probability of health insurance premiums going up in the near future.

What should policyholders do?
Certain health insurance policies have a capping on the hospital room rent. This capping could be on the basis of co-payment, where the insured is required to bear a portion of the room rent from his/her own pocket or based on the allowance of only certain types of room for hospitalization. In cases of co-pay, the insured may have to bear a portion of the room rent cost, including the GST amount.

"To negate such a scenario, it is advisable to opt for a health insurance policy that does not have any capping on room rent. One should always read the policy document carefully to ensure no additional payment is being charged by the insurer for room rent or any other type of co-payments and additional deductions," said Dr Reddy.

(The writer is Rajeev Kumar.)

TOP

CROP INSURANCE

Claims under crop insurance scheme plunges – Financial Express – 16th August 2022

The claim-to-premium ratio under the Pradhan Mantri Fasal Bima Yojana (PMFBY), the crop insurance scheme jointly sponsored by the Centre and states, is set to drop sharply in the crop year through June 2022.

The crash in claims by farmers will likely revive interests of both insurers and states, many of whom were getting disillusioned with the scheme for high payouts. In fact, the claim ratio has been steadily declining over the past three years, as normal monsoon rainfall and improved irrigation facilities have reduced the possibility of crop failures across vast swathes of the country.

Citing preliminary estimates, official sources told FE that the claims-to-premium ratio for both kharif and rabi seasons plunged to just 35% in 2021-22, compared with 61.6% (excluding Assam) in 2020-21 and as much as 99% in 2018-19. The final estimate for 2021-22 will vary from the preliminary one once all the claims are assessed, but the crash in claims ratio will still be substantial.

In absolute terms, while gross premiums stood at `30,038 crore in 2021-22, the claim amount touched `9,460 crore, according to the preliminary data. States such as Andhra Pradesh, Telangana, Bihar, Jharkhand, West Bengal and Gujarat had dropped out of the scheme because of the high costs. However, Andhra Pradesh rejoined PMFBY from kharif 2022 after the Centre agreed to the state government's proposal of universalising the scheme for all farmers.

In 2018-19, against the premium payment of `29,607 crore (for both kharif and rabi seasons) to 18 companies empanelled by the Centre, the farmers' claims were `28,512 crore (claim ratio of 99%). The ratio has been on a decline since then. In 2019-20, the claim ratio dropped to 85.5% and in the pandemic year of 2020-21, it fell further to 61.6%.

In fact, the claim ratio has come down for both kharif and rabi seasons. From 93.9% in kharif 2018-19, it came down to just 41.9% in kharif 2021-22, as per provisional data. Similarly, for the rabi season, the claim ratio crashed from 106.9% in 2018-19 to 47.1% in 2021-22. Under the heavily subsidised PMFBY, the premium paid by farmers is fixed at just 1.5% of the sum insured for rabi crops and 2% for kharif crops, while it is 5% for cash crops. The balance premium is equally shared between the Centre and states. But in case of northeastern states, the premium is split between the Centre and states in a 9:1 ratio.

In February 2020, the government made adoption of PMFBY voluntary for farmers from mandatory earlier. Under the revised guidelines for the scheme issued for kharif 2020, the central government had stipulated that any state failing to pay its share of premiums would be disqualified from implementing it from the next season. The scheme is currently being implemented in 21 states and Union territories. The Punjab government hasn't adopted PMFBY since its 2016 launch. A working group set up by the ministry of agriculture and farmers' welfare to review PMFBY has recommended a higher claim-premium cap of 130% from 110% now — a move aimed at infusing fresh life into the scheme.

According to an analysis by the working group, since 2016, PMFBY premium has increased by more than six times, raising the subsidy liability of the government. The group has also recommended targeted premium subsidies for small farmers, empowering the Centre to levy penalty on states for any delay in subsidy settlements and extensive use of remote sensing data for crop yield assessment.

(The writer is Sandip Das.)

TOP

REINSURANCE

Need for reinsurance will not fall - The Telegraph – 19th August 2022

The fall in the obligatory cession mandated by the insurance regulator IRDAI is unlikely to diminish the need for reinsurance.

IRDAI has reduced obligatory cession of each general insurance policy to 4 per cent from the earlier level of 5 per cent.

The change will be valid for the financial year 2022-23.

Obligatory cession refers to the part of the business that general insurance companies have to mandatorily cede to the national reinsurance company — GIC Re (General Insurance Corporation of India).

The insurance regulator decides on the percentage of obligatory cession every financial year.

Lowering the obligatory cession allows general insurance companies the flexibility to better manage the risk portfolio at their end.

But market analysts had said that the fall in mandatory cession could result in the reinsurer losing business.

The decline in obligatory cession has also led to a further discussion among industry observers on whether the obligatory cession can be entirely withdrawn.

Addressing analysts at the first quarter earnings call, Devesh Srivastava, chairman and managing director of GIC Re, said that while an obligatory cession may come down to zero over a period of time, reinsurance will continue to remain in demand amid the changing risk landscape of the industry.

TOP

SURVEY & REPORTS

More people buying insurance in the age group of 18-35 years, but coverage is still low, says survey – Outlook India – 15th August 2022

The Covid pandemic seems to have drilled it into Indians, at least the younger population, that insurance is important. Though it seems that a greater number of people have opted for insurance, the coverage doesn't seem to be adequate, whether it's health insurance or life insurance, according to the Outlook-Toluna Independence Day Youth Survey.

While 70 per cent of those having health insurance have a sum insured of less than Rs 5 lakh, close to 50 per cent respondents with a life insurance policy have a sum assured equal to or less than their annual income. According to the Survey, as many as 77 per cent respondents have health insurance. The survey was conducted across India among around 1,800 people in the age group of 18-35. Among the group surveyed, the incidence of health insurance was higher among the older age group.

While most respondents either had personal health insurance or the one provided by their employers, few had both. While north India shows higher number of people taking personal health insurance, most people in south India depend more on employer-provided policies.

Around 55 per cent of the respondents from 242 people surveyed within the age group of 22-25 years, said that they have a health insurance which is provided by the employer, according to the survey. Around 55 per cent respondents from north India said that they have a health insurance which they bought for themselves, according to the survey. About 70 per cent of the respondents have a sum assured less than Rs 5 lakh.

Also, the average sum assured is slightly less in south India. Around 40 per cent people out of 231; 39 per cent people out of 139 in the age group of 18-21 years; and 39 per cent people out of 242 in between 22-25 years, have a sum assured less than Rs 2 lakh.

Life Insurance
Worryingly, the survey revealed that people are underinsured. Only eight per cent of respondents have sum assured higher than eight times of their annual income. Experts suggest that one should have a life cover that is at least 10 times the annual income, as a thumb rule. Respondents from south India have the least sum assured compared to annual income, showed the survey.

However, term insurance, the simplest and cheapest form of life insurance, is the most acquired among respondents, especially those in the age group of 18-21 years. As far as the number of policies is concerned, respondents indicated a preference for keeping more than one life policy in general. While 48 per cent of the respondents have two-three insurance policies, 45 per cent have only one policy. South India is inclined slightly towards keeping a single policy, with only 7 per cent of the respondents having more than three policies.

(The writers are Meghna Maiti & Kundan Kishore.)

TOP

PENSION

New National Pension System contribution rule: Now you can do D-Remit with UPI – Financial Express – 12th August 2022

National Pension System Contribution rule: The Pension Fund Regulatory And Development Authority (PFRDA) has announced the launch of a UPI handle for depositing contributions through D-Remit for the benefit of subscribers on 75 years of Independence.

Currently, subscribers deposit their voluntary contributions under D-Remit into Tier I/II National Pension System (NPS) accounts from the net banking account by using IMPS/NEFT/RTGS.

The PFRDA has now enabled contributions through UPI to further ease the process of depositing for subscribers.

In a circular dated 11 August 2022, the pension regulator said that the UPI handle for the D Remit is: PFRDA.15digitVirtualAccount@axisbank.

"It is important to note that D Remit virtual Account is different from the associated Permanent Account Number (PRAN) and it starts from either 6001 or 6002. D remit Virtual Account no is also different for Tier I & II," PFRDA said.

Contribution timing

The regulator further said that under D-Remit, contributions received by the Trustee Bank (TB) before 09:30 AM will be considered for investment on the same day. The contributions received after 09:30 AM will be considered for investment on the next investment day as per the guidelines.

Maximum limit

The minimum value of contribution under D-Remit is equal to or above Rs.500. UPI-based contributions below Rs 500 will be returned by Trustee Bank.

The contributions received for PRANs which are frozen/inactive would be returned by Trustee Bank post receipt of confirmation from the respective Central Record Keeping Agency (CRA).

The contributions transferred by entering any wrong virtual account number by the subscribers will be returned as per banking norms issued by RBI, PFRDA said.

D Remit benefits

D remit provides several benefits to investors. "Same Day Investment/NAV, Facility of setting up periodical auto debit viz monthly, quarterly, half-yearly etc, Option for one time or regular contribution, Ease of modifying the amount/periodicity auto debit, enable/pause Auto debit as per convenience, Optimizing the investment benefit though Standing Instructions and rupee cost averaging, long term retirement wealth creation etc," PFRDA said.

(The writer is Rajeev Kumar.)

TOP

IRDAI CIRCULARS

Topic	*Reference*
IRDAI's single window NOC portal	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4791&flag=1
List of Insurance Marketing Firms as on 16.08.2022	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4790&flag=1
First Hackathon - Bima Manthan 2022	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4789&flag=1

TOP

GLOBAL NEWS

Global: Reinsurers see more stable and improved results in shift away from property CAT risks – Asia Insurance Review

Many global reinsurance companies have shifted their business mix into casualty and specialty primary lines where pricing movement is still positive, according to a new AM Best report.

The shift was prompted by increased losses from not only natural catastrophe events, but also by so-called secondary perils, along with the COVID-19 pandemic impact and economic uncertainty.

The Best's Market Segment Report, "Global Reinsurance: More Stable and Improved Results Following Shift from Property Catastrophe Risks", released ahead of the Rendez-Vous de Septembre in Monte Carlo, says that a higher frequency of catastrophe events in the last five years is exerting significant pressure on the level of confidence users put in modelling tools, a key component in the pricing process.

In addition, reinsurers are finding that not only the underwriting environment has become less predictable, but government action also has had a huge impact on market conditions.

"One of the reasons behind the abundance of capital was the low interest-rate environment," said Mr Carlos Wong-Fupuy, senior director, AM Best. "Now that central banks are trying to control inflation, capital is becoming tighter, recession fears loom and asset valuation declines are hurting balance sheets in a way that catastrophe losses thus far have not been able to."

Pricing

Even with rate increases, most reinsurers view current pricing on property catastrophe risks as still not high enough to compensate for the ongoing level of uncertainty, whereas casualty and specialty primary lines are more attractive as comparatively, they have more stable, predictable patterns. Social and economic inflation remains an issue, but current margins embedded in the pricing reward reinsurers adequately for the risk taken.

Risks

The AM Best report also notes that the long-term nature of casualty lines provides the opportunity to generate investment returns and dramatically reduce liquidity risk.

"Although casualty and specialty lines are not immune from accumulation risk, as seen in major events such as the pandemic or the Ukraine invasion, they are considered to be more manageable and less frequent compared with a natural catastrophe on the property side," said Mr Wong-Fupuy. "Secondary perils also have become more prominent than ever."

AM Best still views the global reinsurance segment as very well-capitalised and disciplined. A number of re-alignment initiatives have been taking place for at least the last three years, and although the pandemic slowed the results of those efforts, the global reinsurance segment generated a combined ratio in 2021 that was below 100% for the first time in five years, at 96.4%, with a return on equity of 9.2%, compared with 2.3% in 2020.

Carriers continue to invest significant resources to address the rapidly evolving risks that they face, and most highly rated companies have demonstrated the ability to adapt their business plans to changing market conditions and generate sustained profits. Reinsurers remain innovative due to their level of sophistication in risk selection, pricing, product development and capital management.

Segment outlook

For these reasons, AM Best is maintaining its 'Stable' market segment outlook for the global reinsurance industry. At the same time, AM Best recognises that the strength and relevance of each driver underpinning the outlook remains in flux, with business profiles shifting to reflect the growing complexity of the risk environment at a global level.

Mr Wong-Fupuy said, "The balance between the volatility of recent experience and perceived margins embedded in current rates is what determines risk appetite. For certain types of risks, such as natural catastrophes, that recent volatility has become either too onerous, or for some reinsurers, unacceptable."

TOP

Australia: Regulator assesses general, life and health insurance sectors - Asia Insurance Review

The Australian Prudential Regulation Authority (APRA) has said that despite the impacts of significant weather-related events, the Australian general insurance industry remains well capitalised. This statement is carried in APRA's "Corporate Plan 2022-2023" for the financial services it regulates. The plan involves building on much of the regulator's work over the past year by focusing its efforts on delivering existing strategic priorities whilst keeping a watchful eye on changes in its operating environment and responding as needed.

General insurance

As regards general insurance, in addition to noting that the sector remains well capitalised, APRA says that there are increasing challenges with sourcing insurance for certain risks and ongoing pressure on margins from rising reinsurance and operating costs.

Other challenges for general insurers include supply chain disruptions, skills shortages, inflationary pressures and cyber risks. Given their lack of access to affordable insurance cover, sections of the Australian community are financially exposed to adverse events. APRA continues to engage a broad range of stakeholders and provide specialist advice and support on access and affordability issues, including the Cyclone Reinsurance Pool.

Life insurance and friendly societies
APRA says that the Australian life insurance industry remains resilient from a capital perspective although the industry continues to be challenged by poor profitability as a result of product sustainability issues and persistent adverse claims experience.

Rising claims from mental health and long COVID-19-related conditions are expected to continue to apply pressure on profitability. A number of government reforms and initiatives present challenges and opportunities for the life industry in the areas of distribution, legacy products and new product offerings, for example, in the retirement income space.

Private health insurance
The Australian private health insurance industry remains well capitalised. APRA continues to work with insurers on updating the capital prudential framework.

Despite recent favourable experience in profitability and hospital membership, systemic issues such as rising inflation, the longer-term decline in younger members and growing health claims costs are continuing to pose affordability and sustainability challenges for policyholders and the industry.

COVID-19 has presented ongoing challenges. Insurers have sought to maintain adequate reserves and set appropriate premium levels to reflect expected future claims costs, while also making returns to policyholders for health services unable to be accessed.

Superannuation
The domestic economy has picked up after the easing of COVID-19 restrictions, with strong jobs growth and low unemployment. However, rising inflation has increased volatility and the risk of asset price shocks. Returns to members, which have been supported by extremely low interest rates in recent years, are likely to be lower.

Increased transparency on fees, costs and returns to members via APRA's Heatmaps, the Your Future, Your Super (YFYS) performance test and the ATO Super Comparison Tool have driven trustees to make improvements that will translate into better performance for members' savings. This has resulted in beneficial consolidation and product rationalisation within the superannuation industry.

Regulatory changes have strengthened trustee focus on member outcomes. These include the best financial interest duty impacting trustee expenditure decisions, and the retirement income covenant driving more attention to the retirement phase given the ageing population and a greater number of people transitioning to retirement.

TOP

Thailand: Life insurance premiums dip marginally in 1H2022 - Asia Insurance Review

The Thai Life Assurance Association (TLAA) has revealed that the total premium received in the first half of this year stood at THB289.1bn ($8.1bn), falling by 1.94% compared to the corresponding half in 2021.

The association attributed the dip to economic conditions such as the rising cost of living due to inflation which affected consumer confidence and purchasing power.

Mr Sara Lamsam, TLAA president, giving an overview of the life insurance business in the first half of 2022, says that new insurance premiums rose by 4.75% year on year to THB79.7bn while renewal premiums amounted to THB209.4bn, showing flat growth.

Distribution

Premiums generated in 1H2022 by the various distribution channels were as:

	Premiums (THB m)	Y-o-Y change	Market share
Agents	147,747	3.50%	51.11%
Bancassurance	114,692	-7.52%	39.67%
Brokers	13,848	-0.51%	4.79%
Telemarketing	6,984	1.47%	2.42%
Digital	384	3.69%	0.13%
Direct mail	17	-15.50%	0.01%
Others (booths, convenience stores etc)	5,425	-18.32%	1.87%
Total	**289,097**	**-1.94%**	**100.00%**

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Nepal: Life insurance premiums climb 14% to over US$1bn in FY22 - Asia Insurance Review

Nepali life insurance companies collected premiums totalling NPR138.64bn ($1.09bn) in the fiscal year ended 15 July 2022 (FY22), according to the insurance regulator Beema Samiti. This premium amount, generated by 19 life insurers, was 14% more than the volume chalked up in the previous fiscal year. In FY21, the life insurance sector collected NPR120bn in premiums from their customers.

With a premium collection of NPR35.38bn in FY22, Nepal Life Insurance topped the life insurance market. In second place was Life Insurance Corporation Company which collected a premium of NPR18.22bn while National Life Insurance Company, with a premium collection of NPR14.33bn, was in third place. Beema Samiti also disclosed that only 41.20% of Nepalis are insured as of mid-July 2022. This proportion was encouraging as it stood at 27.53% 12 months previously.

Because one individual can purchase two or more insurance plans, the proportion does not reflect the exact figure. Beema Samiti's spokesperson Raju Raman Paudel says the regulator has deducted 5% from the total to remove duplication in the count, but insurance companies claim the number of customers with two or more plans is more than 5% of the total.

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