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INSUNEWS

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QUOTE OF THE WEEK

"Success in life is founded upon attention to the small things rather than to the large things; to the everyday things nearest to us rather than to the things that are remote and uncommon."
- Booker T. Washington

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Hazardous Activity

A hazardous activity refers to a recreational or occupational activity that is considered highly risky in the context of life or disability insurance. This includes car racing, horse riding, bungee jumping, scuba diving, hang gliding, construction work, and underground mining. However, current underwriting processes have allowed for greater leniency in terms of occupational activities.

Applicants who partake in hazardous activities may be denied a policy or may receive a policy that excludes the activities in question from coverage. In the case of the latter, the insurance company is also likely to impose a higher premium due to the higher risk.

Although applicants may choose to refrain from disclosing hobbies considered hazardous activities, insurance companies may find out during the underwriting process. For instance, medical records may indicate injuries sustained due to a certain hazardous activity. This may lead to an application being denied. If the insurance company does not find, it may not pay for a claim that results due to a hazardous activity that the insured did not disclose as a hobby in their application.

INSURANCE INDUSTRY

Revitalising insurance - The Hindu Business Line – 1st September 2021

With a population of 1.39 billion and counting as of July 2021, India ought to have ranked among the world's most lucrative markets for insurance products. However, the penetration of the insurance sector in India (that is, premiums as a percentage of its GDP) stands at 4.2 per cent, much lower than the world average of 7.4 per cent, thereby indicating that India remains an untapped market for insurance products.

Over the last couple of decades, India's distinctive measures to ease capital controls and attract foreign direct investment (FDI) have paved the way for positioning the country as a preferred destination for FDI. Notwithstanding this progress, the insurance sector has trailed behind other consumer-centric sectors of the economy.

The increase of the FDI cap for investment in insurance companies from 26 per cent to 49 per cent in 2015 was hailed as a welcome step, attracting ₹260 billion of FDI. Despite this interest, the sector was still crippled by the issues that plagued it prior to such increase.

The recent amendment to the FDI policy, which came into effect on August 19, 2021 (that is, the date of issuance of the notification pursuant to the Foreign Exchange Management (Non-debt Instruments) Rules, 2019), has further increased the FDI limit in Indian insurance companies from 49 per cent to 74 per cent.

Key change

However, the key change, which has now attracted the attention of the international community, is the deletion of the condition requiring Indian insurance companies to be, at all times, owned and controlled by persons resident in India. This change is significant in that it is likely to whet the appetite of big insurance players across the world and encourage them to play the role of strategic partners rather than mere investors.

While the Finance Ministry has positioned this increase as a solution to the liquidity crunch being faced by the sector, more infusion of FDI and exercise of control over Indian insurance companies by foreign players (predominantly those with experience in the sector) can play a vital role in making the market more competitive, driving the creation of new insurance products, increasing penetration in the Indian market (mainly the rural areas), and propelling growth for the sector.

That said, in addition to adhering to the requirements relating to verification and approval of the Insurance Regulatory and Development Authority of India for an FDI investment of up to 74 per cent in an Indian insurance company, the Government has tried to balance the ramifications of deletion of the earlier requirement of Indian ownership and control of an Indian insurance company by stipulating that the management professionals of Indian insurance companies having foreign investment are to be resident Indian citizens — the team comprising (a) the majority of directors; (b) key management persons; and (c) at least one among the three principals, namely, chairperson of the board, managing director, and its chief executive officer. It appears that this requirement has been introduced to safeguard the interests of the Indian promoters, and to ensure that the foreign investor continues to rely on Indian citizens with market knowledge to grow the sector.

Therefore, while the various call and put option agreements between Indian promoters and foreign investors are likely to fructify in the near future, leading to big gains for the Indian promoters and a new lease of life for a number of Indian insurance companies, the manner in which foreign investors exercise control over insurance companies through Indian citizens remains to be seen.

This is of particular significance in view of the structures adopted by most foreign establishments for the purpose of their operations in India.

The writer is Sidharrth Shankar.

TOP

Why SMEs need insurance cover to manage risks - The Economic Times - 30th August 2021

This pandemic has not spared any individual, business or sector. From large corporate houses, to smaller and micro companies, every industry felt the impact. SME sector was severely affected by the pandemic as many businesses closed down while others struggled to sustain themselves. The biggest learning from these dark times has been that SMEs have finally understood the value of insurance and how it can protect their businesses. Insurance became close to compulsion to provide finance to MSMEs. The demand for insurance has gone up particularly for group health related policies. India's non-life insurance penetration is less than 1% of GDP vs world's close to 3%. MSME's contribution to the GDP is about 37%, and it is generating employment for over 11 crore people, with 75% male and 25% female. Uttar Pradesh, West Bengal, Tamil Nadu, Maharashtra, Karnataka, Bihar, Andhra Pradesh, Gujarat, Rajasthan, Madhya Pradesh are the top 10 states account for 74% of the estimated number of MSMEs in India.

Though there has been some awareness about insurance post the pandemic, there is still lack of complete understating amongst MSMEs, which is exposing them to risk like health and business interruption. There are around 6.3 crore registered MSMEs across India which require insurance support and it is estimated that only 5% of which are registered. Thus, the market opportunity is close to $ 40 billion. With the help of right kind of insurance coverage, one can protect their company. The decision should be made keeping in mind various factors like nature of business, employee strength, location and financial capability of the company. There are different kinds of products available in the market to help MSMEs:

- Group medical coverage, which takes care of hospital expenses and other allied expenses for employees
- Covid Specific policies
- Group Personal Accident
- Group Term life

Covers related to health and lives are very important during these times, particularly when the cost of personal health insurance policies is rising due to increased cost on insurers. Other products that are useful to the MSMEs are Sookshma Udyam Suraksha and Laghu Udyam Suraksha, both protecting the property of MSMEs and Workman Compensation.

The biggest hit was felt by the textile, hospitality, auto ancillaries largely due to lockdown, subdued sales and lack of manpower. Policies like Group Medical insurance can act as a wonderful tool for manpower retention.

Crisis management

Crisis in cash flow or a liquidity crunch is one of the main concerns SMEs face while running a business. Every business should have working capital to sustain the functions of the company, pay its employees and grow in the market. Insurance helps in case of unprecedented financial risks and are usually mitigated with insurance coverage. SMEs also have to understand that they are highly dependent on third parties for their supply chain. Thus, any kind of interruption or financial risk related to the third parties can hamper SME's businesses. Along with these, the risk of natural calamity like flood, earthquake, fire etc can disrupt any establishment. Thus, insurance is the answer to any kind of unseen event in business.

It is important that every company evaluates the need for insurance as per the size of the company and number of employees. Due to the increased awareness, Indian insurers received 22,205 death claims worth Rs 1,644 crore during 2020-21 where the demise was due to COVID-19 against Rs 1,307 crore of premium collected. General and health insurers have, as of June 2021 received over 1.8 million claims amounting to Rs 24,000 crore.

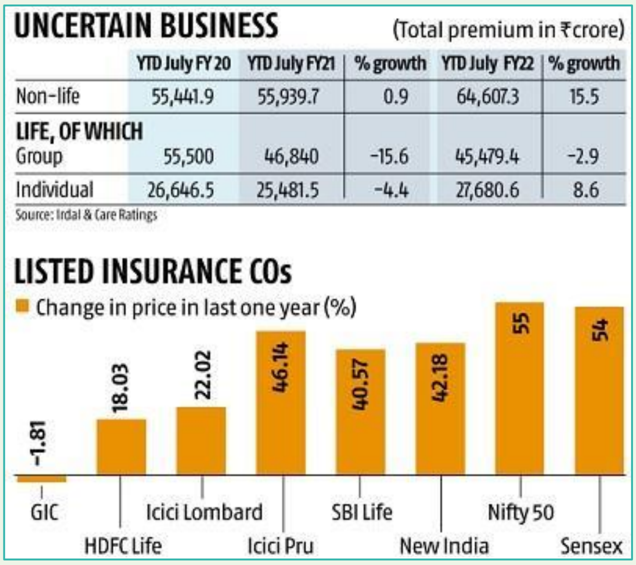
The writer is Mehul Palan.

TOP

India's insurance companies feel the digital pinch amid Covid-19 pandemic - Business Standard – 30th August 2021

The second half of 2020 is proving to be a tough period for India's insurance companies. For years these companies wrote insurance policies and serviced claims in a limited universe of mostly salaried people but recent trends have disturbed the pace. The first of these is the Covid-19-induced furious pace of adoption of digital means to sell insurance. This digitalisation has hurt non-life companies the most with digital insurance aggregators cornering clients. The other is the dip in the interest rates that has reduced earnings from long-term investments for life and reinsurance companies. In August, HDFC Ergo and ICICI Lombard withdrew sales of their insurance products from third-party brokers. They join LIC, which has so far resisted the temptation of digital third-party sales. The withdrawal was clearly a fight for survival. While industry reports assert that technological competence will determine which insurance companies will be in business in 2030, the withdrawal shows the insurance companies are uncomfortable with just providing the back-end office support and meeting claims while tech-based aggregators sell the products. The model offers an advantage to sellers vis-a-vis the customers, a variation of the competition between retail shops and wholesalers. An Accenture report notes, "Probably for the first time, the market change has left the insurance industry well behind in a very short period."

Yet a BCG report on the scope of digital insurance notes, "Partnerships between digital companies and insurers can lead to a win-win-win situation." From just 1.5 percent, the share of online insurance policies sold had jumped to nearly 10 percent by end of March 2020. The traditional insurance companies feel there is an asymmetry developing in the insurance market. For instance, PolicyBazaar, the biggest among the aggregators, has filed for an IPO. Next in line, Digit Insurance, has become a unicorn last year. Acko is on the way to be the next unicorn. Of the 110-plus insurtech companies in India, many of them members of India InsurTech Association (club of insurance brokers), dozens are hopeful of hitting the one billion-dollar mark soon. On the other end are the traditional life and non-life insurance companies, of whom only six are listed on the stock exchanges as of August 2021. There are no others among the 58 companies planning to get listed soon, except the government-owned ones and those under duress.



UNCERTAIN BUSINESS (Total premium in ₹crore)

	YTD July FY 20	YTD July FY21	% growth	YTD July FY22	% growth
Non-life	55,441.9	55,939.7	0.9	64,607.3	15.5
LIFE, OF WHICH					
Group	55,500	46,840	-15.6	45,479.4	-2.9
Individual	26,646.5	25,481.5	-4.4	27,680.6	8.6

Source: Irdal & Care Ratings

These companies operate in a thin Indian insurance market. A SBI report notes that the number of people offered life cover by the insurance companies in four years up to July 2021 is just 170 million, "while the government sponsored Pradhan Mantri Jeevan Jyoti Yojana has enrolled 10 crore [100 million] people during the same period". The latter is like term insurance but marketed by government agencies. Minus the government numbers, the insurance penetration in India (that is, percentage of premium to GDP) is just 3.78 percent, stagnating for more than a decade. It is the insurtech companies, therefore, that are attempting to expand this market. As more customers flock to their portals, they can demand higher marketing commissions for the products they sell, just as car dealers have forced the same arrangement for motor insurance policies sold at their premises. These companies are already tying up with e-commerce, ride sharing, travel and fintech companies to offer value-added service to the same customers. The gross merchandise value of South Asia's digital economy is expected to grow at 16 percent CAGR over the next 10 years. The "time out" taken by the two leaders in the pack in the non-life business is, therefore, significant. They are not closing down their digital presence, but want to reach customers only via their own platforms. Both companies declined to share more details.

The changes have, therefore, come too fast for the industry, which is undercapitalised with too many players. In the past few years, the total shareholders' return (TSR) from the business has fallen. In developed markets, the average annual TSR, weighted by market capitalisation, was 5.1 percent from 2016 through 2020, 3 percentage points lower than in the previous five-year period and significantly below the average insurer's cost of equity, a BCG report notes. Indian insurers are mostly joint ventures with these companies so the dip in returns has impacted the ability of the companies to expand. To complicate matters, returns on debt paper have dipped as interest rates stay low. Insurance and pension companies hold papers for the long term so the current rates are bad news for them. In this environment, the additional cost of going digital at warp speed demands a major overhaul.

The writer is Subhomoy Bhattacharjee.

TOP

LIFE INSURANCE

Latest life insurance claim settlement ratio of companies in 2021 - The Economic Times – 2nd September 2021

When buying a life insurance policy, the claim settlement ratio is an important factor to consider. The claim settlement ratio is a metric to gauge the percentage of life insurance claims an insurer has settled during a financial year against the number of claims it receives in the period including pending claims from last year.

The Insurance Regulatory and Development Authority of India (IRDAI), in its latest annual report, has given details of claim settlements of all life insurance companies for the year 2019-20. Max Life Insurance has the highest claim settlement ratio in terms of number of claims with 99.22%. This is followed by HDFC Life Insurance and Tata AIA Life Insurance with 99.07% and 99.06%, respectively. Out of the top 10 life insurers, nine have a claim settlement ratio of more than 98%.

The biggest life insurance company, LIC of India has a claim settlement ratio of 96.69% for the year 2019-20.

Claims repudiated is basically how many claims the insurer found to be invalid and hence, did not pay the claimed amount. There are many reasons a life insurance company will repudiate a claim after it has accepted it for processing.

Don't forget to check the settlement ratio for the benefit amount

one should not only look at the number of claims settled, but while buying an insurance policy, one should also check the benefit amount that the life insurer has settled. A life insurance company may have a higher percentage of claim settlement by number of policies but a lower percentage when it comes to paying the benefit amount. This happens especially when the life insurance pays higher number of claims of lower benefit amounts and repudiates policies with higher benefit amount, i.e., policies with higher life insurance cover.

Therefore, while selecting an insurance policy, you need to make sure that the insurer scores well on both claims settlement ratio and the benefit amount settled.

Size matters

Though these are the insurance companies with the highest percentage of claims settled, one needs to understand that the size of an insurance company also plays an important role in maintaining a higher claim settlement ratio. It becomes a challenge for big life insurance companies with a large policyholder base to remain in the top bracket in the claim settlement ratio table.

For a smaller insurer, it is easier to have tight control on the underwriting checks and balances at the time of issuing a new policy. These checks allow the insurance company to conduct a thorough investigation at the time of issuing a policy to avoid any policies which may have higher risks than the acceptable underwriting parameters. The same happens with the claim settlement process. As the base grows, it becomes challenging to maintain the same quality of scrutiny.

LIC versus private insurers

While all the private life insurance companies put together had 1.16 lakh claims to be settled in the year 2019-20, LIC had a 7.58 lakh claims for settlement. The total benefit amount claimed from private life insurance companies was Rs 5,725 crore where as LIC had a total benefit claim amount of Rs 13,694 crore. With such a huge base, it is remarkable that the biggest life insurance company, LIC of India has performed quite well to maintain a settlement ratio of 96.69% by number of policies and 93.45% by benefit amount and be in top bracket.

The writer is Naveen Kumar.

TOP

Is your single premium life insurance policy eligible for tax benefits? - The Economic Times – 2nd September 2021

Life insurance doesn't necessarily mean that you have to keep paying the premium every year. There are single premium life insurance (SPLI) policies as well, which provide similar benefits of protection and savings as the regular premium ones. The term of SPLI policies is usually 10 years, but one can exit after five years.

However, as an SPLI policyholder, are you getting the various tax benefits these policies are eligible for? Will your policy be eligible to claim section 80C benefit and will the maturity proceed be tax-free? Remember, not all SPLI policies are structured to help you avail such tax benefits. So before you lose out on such benefits, it's better to be aware of the tax rules.

Being a life insurance policy, SPLI too qualifies for tax benefits, both under Section 80C (at the time of investment) and for making the maturity proceeds tax-free under Section 10 (10D). But one needs to be little careful while buying such policies, otherwise both these benefits might not be availed.

FY 2020-21, an individual can continue with the old/existing tax regime by availing of existing deductions and tax exemptions. He/she also has the option to opt for the new, concessional tax regime without claiming any deductions and tax exemptions. The tax benefit on paying life insurance premiums to lower the tax liability under section 80C is not available in the new income tax slab structure. However, maturity proceeds received from a life insurance company continues to be exempted from tax under section 10(10D) in the new tax regime.

The benefit under Section 80C and Section 10 (10D) will work only when certain conditions are met in the policy.

Income tax exemption on maturity proceeds

What the tax rule says: Under normal circumstances, for policies issued on or after April 1, 2012, the exemption is available only if the premium amount in any financial year does not exceed 10 per cent of the actual capital sum assured. This is applicable to all life insurance policies, including SPLI. Archit Gupta, Founder & CEO, ClearTax.com, informs, "The maturity proceeds from the single premium life insurance policy will be tax-free only if the minimum sum assured throughout the policy term remains at least 10 times the single premium paid. So if the sum assured on single premium life insurance policies is 1.25 times the premium amount, then the maturity proceeds will be taxable."

Illustratively, if the premium is Rs 10,000, the life cover (sum assured) should be Rs 1 lakh for the maturity proceeds to be tax-free. If, say, the sum assured is Rs 12,500 or Rs 90,000, the policy loses the tax benefit under Section 10 (10D). Therefore, make sure the sum assured is at least 10 times the premium amount.

If this condition is not met, then the entire maturity proceeds will be fully taxable in the year of receipt. It has to be shown as income while filing one's income tax return. "The only exception in this case is the proceeds from life insurance plan arising due to the death of the policyholder are exempt from tax irrespective of the level of the premium," says Gupta.

Moreover, the insurer is supposed to deduct tax at source (TDS) on such payments. As per Section 194DA of the Income Tax Act, 1961, any sum received by an insured Indian resident from an insurer under a life insurance policy shall be subject to TDS of 1 percent if the maturity proceed is not exempted under Section 10(10D), i.e., on policies where the sum assured is less than 10 times the premium amount.

What the insurers offer: In SPLI policies, the insurers define the minimum and the maximum sum assured. In most policies, the minimum sum assured is 1.25 times the single premium, or even 1.10 times the single premium. The maximum sum assured is typically 10 times the single premium for lower ages, while for those above 35 or 45, even the maximum is 1.25 or 1.10 times the single premium. So unless one chooses to go with the maximum cover of 10 times, the tax benefit is lost. Investors generally opt for a lower cover because of lower incidence of mortality charges, i.e., cost of providing life cover. The lower the deduction of mortality charges, the more will be the fund available towards investment. Even though the mortality charges in a policy with 10 times the sum assured will be more than a policy with 1.25 times the sum assured, remember, the tax benefits are lost in opting for the latter.

Income tax deduction on investment

Premium paid towards life insurance policies qualifies for deduction under Section 80C, up to a maximum of Rs 1.5 lakh a year. The gross total income gets reduced by the premium amount and, thus, reduces the tax liability.

What the tax rule says: As per the rule, for a life insurance policy issued on or after April 1, 2012, if the premium paid exceeds 10 per cent of the sum assured, then the deduction (from the gross total income) will be available to the extent of 10 per cent of the sum assured and the premium paid in excess of this amount cannot be claimed as deduction. Gupta says, "Single premium paid should not exceed 10 per cent of the sum assured. In other words, the sum assured should be at least 10 times the single premium paid." Illustratively, if one buys an SPLI policy by paying a premium of Rs 2 lakh and a sum assured of Rs 20 lakh, the Section 80C benefit will be restricted to Rs 1.5 lakh of the premium. But if by paying a premium of Rs 2 lakh, if the sum assured is Rs 2.5 lakh (or any amount less than 10 times the premium), the deduction under Section 80C will be restricted to Rs 25,000, i.e., 10 per cent of the sum assured.

Also, early exit from the policy may be an unfriendly tax move. Gupta says, "The policy should not be surrendered within two years. If a single premium policy is surrendered within two years, the deduction allowed in the past under Section 80C will be considered as income of the taxpayer in the year in which insurance policy is surrendered."

Conclusion

when you're buying SPLI, make sure to keep the right amount of life cover, especially if you wish to take tax benefits. Although income tax rules will apply as on the date of maturity, leaving things to chance may, in fact, increase your tax liability. An SPLI policy may help you not only take advantage of tax benefit but also provide protection and save for long term goals. Watch out, however, for the quantum of sum assured.

The writer is Sunil Dhawan.

TOP

There's more to term insurance than low premiums – Live Mint – 30th August 2021

Term insurance has become an important element of many people's lives today. Almost all life insurance companies have introduced term insurance products in response to a steady increase in customer demand. The issue, now, is deciding which one is suitable for you. With so many options in the market, it's easy for people to get drawn in by insurers promising reduced premiums. However, lower premiums should not be the primary consideration when purchasing a term insurance policy.

"Calculating one's life insurance needs should begin with determining one's life goals, with the purpose of protecting one's dependents from financial stress in the event of one's death, and then purchasing a plan that will provide that protection," said Sajja Praveen Chowdary, head - term life insurance, Policybazaar.com.

Echoing him, Parag Raja, managing director and chief executive officer, Bharti AXA Life Insurance, said individuals should evaluate their need for insurance and opt for a term plan that helps them meet their financial obligations or their families to achieve their dreams.

"As a thumb rule, an individual should buy a life cover that is 15-20 times their salary. The premiums should easily fit their budget. Also, the company they plan to purchase insurance from should have a robust claim settlement ratio. One should also consider an insurer that has digital platforms that make transactions with the company quick and hassle-free," added Raja.

What is term insurance?

Term insurance is a policy that helps protect your family in the event of your untimely death. In exchange for the premiums you pay as fees, the insurance company guarantees to give beneficiaries of the policy a tax-free lump sum payment when you die.

Here are some key features to understand while deciding on buying term insurance policy.

Payout options: Some term insurance products allow you to tailor your plan to your specific needs. If the insured person dies, the cash assured is distributed to the beneficiary. The stipulated amount can be obtained in a variety of ways, depending on the type of insurance.

Chowdary said, "If you think your dependent will not be able to use lump sum amount well, you can break it into smaller amounts to ensure periodic income for them. There is also the option of paying a portion of the sum assured as a lump sum and the remainder as periodic income."

Premium paying flexibility: When purchasing a life insurance policy, you can select between single premiums and regular premiums. However, the decision might be made based on one's financial situation.

Single-premium policies are usually considered a good option when paid up in advance, but they can be costly at times.

The regular premiums paying option is suited for people who have a regular source of income and wish to pay premiums for each year of the policy term.

Coverage: It is the most significant element to think about while purchasing term insurance. The calculation is simple if you consider factors such as the amount of coverage your family would require to maintain their current lifestyle and whether it would be sufficient to meet the family's future financial needs. Experts recommend getting a term insurance policy that is at least 20 times your annual salary. Less coverage may compromise your lifestyle while away, and opting for more coverage may result in high premium costs. As a result, it's always a good idea to figure out how much life insurance you will need to protect your family.

Add-ons: A rider can be added to your base term insurance policy to provide additional protection to the policyholder.

It serves as a supplement to existing insurance coverage without requiring the purchase of a separate policy. Riders are unique to each individual, so it's critical to assess your demands and invest in riders accordingly.

Chowdary said, "Depending on your demands, you can choose from critical illness, accidental death or a premium waiver. These are the most basic riders, each having a distinct purpose and providing a different set of advantages. However, while purchasing them, it is critical to compare them to other insurers and assess the benefits each one offers as well as the diseases covered by the policy."

Tenure of the policy: It's always a good idea to obtain life insurance for a longer period of time than you think you will need. Chowdary said, "If you get a short-term policy, your family will be exposed to risk once the policy expires, and you may find it challenging to obtain life insurance at a later time in life. Many insurers typically offer terms of up to 35 years or even 40."

"Things have changed dramatically in recent years, and many individuals now desire to work for at least 15 years beyond the age of 60, necessitating the purchase of whole life insurance, which covers them for up to 100 years," he added.

The writer is Navneet Dubey.

TOP

GENERAL INSURANCE

Bharat Griha Raksha standard home insurance policy offers auto increase of sum insured: Should you buy? - The Economic Times – 1st September 2021

High premiums are a big reason why many people did not get a home insurance policy. Which is why in January 2021, the Insurance Regulatory and Development Authority of India (IRDAI) issued guidelines for the issuance of a standard house insurance policy called Bharat Griha Raksha (BGR) meant to cover residential properties at affordable premiums.

The insurance regulator mandated all general insurance companies to offer this standard insurance policy and as a result, most insurers have started offering this insurance cover from April 1, 2021. Here is a look at the features of the Bharat Griha Raksha insurance cover and whether you should get it.

What is insured under the policy?

Actual damage: According to the IRDAI guidelines, the common damages that are covered under the Bharat Griha Raksha include fire, explosion or Implosion, lightning, earthquake, volcanic eruption, or other convulsions of nature, storm, cyclone, typhoon, tempest, hurricane, tornado, tsunami, flood and Inundation, landslide, rockslide, bush fire, forest fire and jungle fire.

The policy also covers damage caused by impact of or collision caused by any external physical objects such as vehicles, falling trees, aircraft, walls etc.

Apart from these, the policy covers any physical loss or damage, or destruction caused to the insured property by theft within 7 days from the occurrence of and proximately caused by any of the insured events.

Associated costs: Besides the actual damage, the policy covers many associated costs which often occur in case of a major damage. It pays up to 2% of the claim amount for reasonable costs of removing debris from the site.

"The policy pays up to 5% of the claim amount as the reasonable fees of the architect, surveyor, consulting engineer. Further, the policy also pays for Loss of Rent and Rent for Alternative Accommodation when the home structure is not appropriate for living due to physical loss," says Pallavi Roy, Executive Vice President (Product Development), IFFCO Tokio General Insurance.

Man-made disasters: Some man-made disasters are also covered under this policy which includes riots, strikes, malicious damages, acts of terrorism and missile testing operations. "Earlier, home protection fell under the umbrella of SFSP Policy which had terrorism as an optional coverage. With the launch of the BGR product, which is solely dedicated for Home Protection, terrorism has become an inbuilt coverage within the product," says Roy.

Default coverage of home contents unless opted out

In many cases, any damage to the house mostly results in damage to the contents inside the property as well. BGR offers automatic coverage for the contents. The sum insured for general home contents is automatically taken as 20% of the sum insured of the home building which is capped at Rs 10 lakh if the home building is covered. If a policyholder does not want this feature, he has the option to opt out as recorded choice.

Optional cover

In addition to the basic cover and in-built covers, Bharat Griha Raksha offers two optional covers, namely, (1) Cover for Valuable Contents on Agreed Value Basis (under Home Contents cover) and (2) Personal Accident cover for insured and spouse where insured peril causes damages to home building and/or home contents and also results in the death of either or both of them.

If the value of such articles in your home are of significant value you can give the details and opt for higher home content coverage. “If you wish to insure valuable contents like jewellery and ornaments, you can do so by opting add on cover for this,” says Rishad Manekia, Founder and MD, Kairos Capital a SEBI registered investment advisor.

"This cover can increase if you opt for a higher sum insured for home contents and declare the details. A valuation certificate must be submitted if the sum insured for valuable content exceeds Rs 5 lakh and/or an individual item value exceeds Rs 1 lakh," says Subramanyam Brahmajosyula, Head – Product development, SBI General Insurance.

Optional cover for valuable contents on agreed value basis is available on declaration of the details and submission of a valuation certificate. "Valuables such as jewellery, silverware, paintings, works of art can be covered on agreed value basis," says Roy.

However, if the opted sum insured is not more than Rs 5 lakh there is no requirement of submission of valuation certificate. The additional premium for these add-ons cannot exceed 50% of the base premium for BGR.

Let us now look at the features of the policy as per the IRDAI guidelines.

Key features

higher sum insured coverage

Rather than the market value, the coverage under this policy takes into account the cost which will be incurred in reinstating or replacing the covered items.

"Under Bharat Griha Raksha policy there is a mechanism where one can arrive at sum insured. The details of the policy states that for residential structure of policyholders home including fittings and fixtures--carpet area of the structure in square metres multiplied by rate of cost of construction at the policy commencement date shall be taken to compute sum insured," says Rakesh Goyal, Director, Probus Insurance.

The sum insured can be higher than this value but not lower. "The rate of cost of construction is the prevailing rate of cost of construction of policyholder’s home building at the start of the policy. While for additional structures--the amount that is based on the prevailing rate of cost of construction at the policy commencement date," adds Goyal.

Affordable premium

Under BGR many insurers are offering the coverage at affordable rates. For instance, you can get Rs 1 crore sum insured at an annual premium of Rs 2,466 from Digit, which effective means an annual premium Rs 247 for each Rs 1 lakh of sum insured. Over the period of 10 years you spend Rs 24,660 to for a protection of Rs 1 crore.

Advantage of no underinsurance

Underinsurance does not apply to this product, a special feature of this policy. “This is a unique feature of this policy. It basically means that if the sum insured, which is calculated on the basis of the information that you have provided to the insurer, is less than the actual value at risk, then the difference will not affect the amount payable,” says Brahmajosyula.

For instance, say the area of your home building is 100 sq.m and the rate of cost of construction for the city is Rs 15,000 per sq.m. By mistake, you have declared an area of 90 sq.m., and your home building is insured for Rs 13.5 lakh instead of Rs 15 lakh. If there is a loss that requires repairs that costs you Rs 5 lakh, then the insurance company will pay you Rs 5 lakh.

Annual escalation of sum insured benefit in long term policy

The cost of replacement of building construction rises with time due to inflation which means that constructing the house 10 years later would be multiple times of what the cost is today. To address this issue BGR policy comes with an auto escalation feature under which the sum insured amount is raised annually.

"For long term policy, say 10 years for example, 10% automatic annual increase feature is present. What this is that under a 10-year policy, the sum insured will double itself by the time the policy period gets over (10% increase every year)," says Tarun Mathur, CBO-GI, Policybazaar.com.

Being an inbuilt feature this will not cost extra premium for the policyholders in future. "The escalation of 10% Sum insured every year is one of the worthy features of this standardised policy. Here the Sum Insured increases automatically, during the Policy Period by 10% per annum on each policy anniversary without any extra premium for a maximum of 100% of the Sum Insured," says Roy.

Daily escalation for annual policy

Price rise is a phenomenon that not only happens annually but gradually. To give benefit of higher cost with passage of time within one policy year, the BGR offers daily escalation of sum insured. For an annual policy, the sum insured is automatically increased each day by an amount representing 1/365th of 10% of sum insured at the Policy Commencement Date.

What is excluded?

While the policy covers most of the common damages, however, there are certain damages that are not covered. Damages in the exclusions list include loss, damage or destruction to any electrical/electronic machine, apparatus, fixture, or fitting by over-running, excessive pressure, short circuiting, arcing, self-heating or leakage of electricity from whatever cause (lightning included). This exclusion applies only to the particular machine so lost, damaged or destroyed ..

Should you buy?

A standard home insurance product simplifies the coverage which makes it simple for a policyholder to understand. Standardisation also compels the insurers to offer very competitive premiums. With most of the features being the same across insurers it is easier to compare the premiums and select a policy of your choice. Prudent financial planning requires one to get financial protection for valuable assets and this policy offers a good way of getting this protection at ..

“Anyone who owns a house can consider buying this policy. Even a tenant can take this policy to cover against the possible loss to general content in the house because of natural calamities, fire or theft. Given the nominal premium of such policies, it’s a good way to transfer your risk to the insurance companies, especially for those who live in hilly areas, flood zones or a high seismic hazard zone and so on,” says Manekia.

TOP

Comprehensive insurance cover may make new vehicles costlier by up to 10% - The Economic Times – 31st August 2021

Purchasing new vehicles could cost up to 10% more in the coming months as India’s insurance industry — on the back of an order by Madras High Court last week — is being forced to revamp policy designs and existing risk models of motor covers.

As per a Madras HC landmark judgement, vehicle owners now have to purchase mandatory ‘bumper to bumper’ cover, which means that along with the compulsory third-party insurance policies, consumers would also have to purchase motor own-damage (OD) insurance, as well as accident covers for co-passengers.

Insurance industry sources say that the new comprehensive motor package, which would be offered at dealerships, could be at least three times the premium of the current third-party prices. They said that the industry is in active dialogue with sector regulator IRDA to understand the specifics of the new rules as well as to understand compliance timelines.

“This is a landmark judgement in that it will ensure a significant increase in penetration of insurance in India just like the earlier order to make third-party motor insurance mandatory,” said an industry official. “The industry has met the regulators as well as seeking legal opinion on the enforcement of the new rules. There will be a significant revision in pricing as claim events are certain to go up, as well as the five-year lock-in period makes it tough to judge the impact on loss ratio for insurers,” the person added, requesting anonymity.

Own Damage is an insurance cover that protects you against the loss and damage that occurred to your own vehicle like fire, theft, etc. Third-party covers are those which cover liability on damage to other vehicles in the event of an accident. Currently, only third-party covers are mandatory during the time of vehicle purchase, while OD with accident riders have largely been a complimentary product.

The writers are Ashwin Manikandan and Nehal Chaliawala.

TOP

Depositors of stressed banks to get up to Rs 5 lakh back from November 30 - The New Indian Express – 30th August 2021

Depositors of stressed banks like Punjab & Maharashtra Cooperative (PMC) Bank are now set to get up to Rs 5 lakh back from November 30 as the government has notified the amendment to the DICGC Act. Parliament earlier this month passed the Deposit Insurance and Credit Guarantee Corporation (Amendment) Bill, 2021 ensuring that account holders get up to Rs 5 lakh within 90 days of the RBI imposing a moratorium on the banks.

The amount of Rs 5 lakh would be provided by the Deposit Insurance and Credit Guarantee Corporation (DICGC). The government has notified September 1, 2021, as the date on which the provisions of the Act shall come into force, according to a gazette notification dated August 27, 2021.

"In exercise of the powers conferred by sub-section (2) of section 1 of the Deposit Insurance and Credit Guarantee Corporation (Amendment) Act, 2021 (30 of 2021), the Central Government hereby appoints the 1st day of September 2021, as the date on which the provisions of the said Act shall come into force," it said. Consequently, 90 days from the effective date is November 30, 2021, for depositors to get their funds back.

The first 45 days are meant for the bank, which has come under stress, to collect all the details of the accounts where the claims will have to be made.

This will then be forwarded to the insurance company, which in real-time will check it all up, and nearer the 90th day, depositors will get the money, Finance Minister Nirmala Sitharaman had said. The benefit will also accrue to the depositors of 23 cooperative banks which are under financial stress and on which the Reserve Bank of India (RBI) has imposed certain restrictions.

DICGC, a wholly-owned subsidiary of the RBI, provides insurance cover on bank deposits.

At present, it takes 8-10 years for the depositors of a stressed bank to get their insured money and other claims. Though the RBI and the Centre keep monitoring the health of all banks, there have been numerous recent cases of lenders, especially cooperative banks, being unable to fulfil their obligations towards the depositors due to the imposition of a moratorium by the RBI.

Last year, the government increased the insurance cover on deposits by five times to Rs 5 lakh. The enhanced deposit insurance cover of Rs 5 lakh came into effect from February 4, 2020. Every bank used to pay 10 paise as an insurance premium per Rs 100 of deposit.

TOP

HEALTH INSURANCE

Health insurance to keep you covered through different stages of life - The Economic Times – 2nd September 2021

Health insurance policies have always been in abundance all around us. People might often be in a fix trying to decide which health insurance policy to choose from. Also, the idea traditionally has been to invest in one or two long-term health insurance policies. With times changing, there are various policies today meant for different stages of life that can aid a person's needs better rather than sticking to just one. Following are some policies that suit one's requirements the best while they are traversing through different stages of their lives:

Group health insurance

At the early stages of your life, when the focus is on one's career, if they have their own company or start-up, a group health insurance can be bought for the employees. It covers the employees, boosts employee retention, and enhances the goodwill of the company. This policy covers employees only for the time period they work in that company.

Unit linked health plans

If one is a successful business person, this plan is a smart choice. This policy comes with dual benefits of investment and insurance. The premium that is paid is utilized in stocks and the insured sum is provided depending on how the stock market performs.

Individual health insurance plan

An individual health insurance plan is perfect for a person who is single. This policy covers the insured during medical emergencies and treatments for accidents and ailments. It takes care of various other medical expenses as well. If the inclusion of a spouse or children is required, the assured sum is not shared thus, if one person makes a claim, they would receive the full insured sum without disturbing the other person's insured sum. Since this policy provides a large insured sum for one person, the premium to be paid will also be more.

Maternity health insurance

This policy can be purchased as a rider with an existing insurance policy. It covers medical expenses incurred during the prenatal stage, child-delivery, and post-natal stage. A couple who are newly married or those who are trying to have a baby can consider buying this policy. This policy has a minimum waiting period of 2 years.

Family floater health insurance plan

This is for the next stage of life when the family grows. One can have the entire family covered under one policy. They can include their spouse, dependent children, and parents/in-laws under this policy. An individual policy for a big family could work out to be very expensive which is why this policy is a smart alternative. The insured sum will be equally divided among the family members.

Critical illness insurance

At a later stage in life when one is prone or vulnerable to falling ill, this plan can help. It is designed to cover some serious ailments when it is detected. For instance, a person who has a family history of cancer can consider buying this policy so, that if anything arises, the insurance will cover the expenses incurred during treatment, hospitalisation, surgery, and other in-patient expenses.

Senior citizens health insurance

This plan is apt for those who are 60 years and above. As one grows old, medical check-ups and treatments would become more frequent. This insurance will cover expenses for medicines, hospitalisation arising due to accidents or ailments, pre and post hospitalisation charges, and treatments. One need not worry about medical expenditures and can relax during their early retirement life.

Insurance policies are very subjective. Each individual or family would have different requirements. After understanding what the requirements are, one buys insurance policies and add-on covers.

TOP

Key things to keep in mind while buying health insurance plans for children at different stages of life - Financial Express – 31st August 2021

The birth of a child is probably the most important event in the life of parents. Apart from the basic cost of raising a child and providing quality education, parents need to provide proper health care to the child. This is because right from birth and up until preteens, children need special care. Immunity is low for newborn babies hence proper health monitoring and timely vaccination are required for a healthy life. Hence, insurance experts suggest that one should look for health insurance policies that provide cover for newborn babies.

Vivek Narain, Health Insurance Specialist at SANA.Insure, told FE Online that "an essential part of financial planning for your children's future is having a comprehensive health and wellbeing program. It should be geared to take care of the mother right from conception to when the child matures and says, 'I am good to take care of myself'".

"An essential element of the planning is having a health insurance policy very early on. In India, there are a wide variety of very comprehensive health insurance, available with optional scale-ups, to cover your child," he said.

According to Narain, the right approach to choosing the best health insurance policy for children would be according to key life cycle milestones, such as:

Prenatal Coverage: Parents-to-be should look for Maternity Benefits in their Health Insurance policies which cater to pregnancy and delivery-related hospitalization, diagnoses and pre-birth medical expenses, both for the mother and the baby. A lower waiting period to avail these benefits would be optimal. It is also imperative to check the policy terms and conditions for a list of congenital diseases that may be excluded. Assisted Reproduction Treatments (such as IVF) are not normally covered by default, but certain insurers extend this cover as an add-on rider for additional premium, often up to a specified sub-limit. This would be a good option for couples seeking medical support in conceiving.

At Birth: Opting for health insurance plans that provide automatic just born baby cover would be wise, so that the child's health insurance is secured from birth itself. Here, too, there are several conditions attached, such as a cap on Sum Insured, up to a certain number of days from birth, and/or only if the mother is covered under Maternity Benefits. Additionally, look for new born baby cover which is usually applicable after 90 days from birth upon intimation to the insurer and for additional premium – do not assume that the newborn gets covered automatically or by default. Ensure that the plan takes care of Newborn Vaccinations and Inoculations to safeguard the baby's health at birth.

Childhood to Teenage Years: These are the most precarious years in children's growth, as they tend to fall prey to communicable diseases and are prone to accidents while at play. Having a health insurance policy that covers your child for such medical exigencies up to the full Sum Insured will be a relief for parents as it would mean less worry to organize funds. Instead, they can focus on ensuring their child receives the best treatment and is nursed safely back to good health. Here, a minimum Age at Entry for Dependents would be optimal, as it allows you to include your children early on within your family floater plan. If you wish to take a separate individual health insurance policy for your child, then, too, an early Age at Entry would be a good choice.

Young Adults: As children grow up to be adults and start their careers, that would be the best time to consider converting their family floater plan to an individual policy so that they are guaranteed ample health insurance coverage. Here, look for a plan that allows for maximum Age at Exit for Dependents, so that your family has sufficient time to consider various plans and select the best individual option for the young adult.

According to Aatur Thakkar, Co-founder and Director at Alliance Insurance Brokers, it is always advisable to choose a health insurance policy at the early stage of your child. There are plans which cover a child from an early age. Family floater policies or what is known as a comprehensive health care plan provide multiple benefits in terms of your child's health. Under such policies, you are likely to find value-added benefits like health risk assessments, apart from basic covers critical illnesses are also covered under such comprehensive policies.

"One should choose a policy that covers inoculations and regular check-ups. Most of the health insurance policies available in the market cover every stage of their growth, with the plan tailor-made for a particular stage. Your child's health insurance plan should also cover critical illness plan as it avoids the financial risk by covering the high medical cost to treat critical illness of your child," Thakkar told FE Online.

Subrata Mondal, Executive Vice President (Health Underwriting), IFFCO Tokio General Insurance Company Limited, said that health insurance plans offered by general insurance companies come with a wide range of benefits and coverage. According to Mondal, while choosing a health insurance plan, some of the thumb rules you should follow are:

- Check the list of network hospitals that have tie-ups with the health insurance provider so that you can avail of cashless treatment.
- Check whether the hospital has experienced pediatricians & child specialists to ensure the best treatment in case of an emergency.

- Choose an adequate Sum Insured. If you have a family floater health insurance policy with a higher sum insured, then it can cover higher hospitalisation expenses

The writer is Rajeev Kumar.

TOP

How to ensure you have enough health insurance in times of covid-19 - The Economic Times – 28th August 2021

4 ways to up coverage

Given the high treatment costs, many policyholders find the overall coverage of their health insurance plans insufficient. Keeping in mind the highly contagious nature of the covid virus, the possibility of multiple family members falling ill collectively is high and can lead to prolonged hospitalisation or treatment due to the ensuing complications. This will also empty your pockets as medical costs are painfully high.It is worth wondering whether your health insurance cover provides you full financial protection if you or your loved ones catch the virus. If you find that it doesn't, here are four ways you can augment coverage and safeguard yourselves.

Buying a new comprehensive plan

You not only have to make sure that each family member gets adequate sum insured but that multiple members can get simultaneous treatment should the need arise. If the policy cover is insufficient and you find that the sum insured is not enough, consider buying additional comprehensive cover either with the same insurer or with another one.

Increasing cover via super top-up options

When you feel that you have reasonable total protection for your family but foresee a risk of shortage in case of multiple simultaneous hospitalisations or prolonged post covid complications, then you can go for a super top-up health insurance policy. Even if you or any of the members have already exhausted the limit of a family floater plan, you can get a super top-up plan so that all family members can enjoy increased coverage again.

Opting for Arogya Sanjeevani health plan

If you find your policy having various sub-limits or copayment clause then adding an Aarogya Sanjeevani Policy can help you bridge the gap at the lowest premium. If you wish to enhance your protection further after a basic comprehensive plan and Aarogya Sanjeevani, you can buy a super top-up plan with higher deductible as it will come with very low premium.

Purchasing Covid-19 specific covers

If you want just a quick fix arrangement to jack up your protection temporarily, consider short-term coronavirus specific polices, especially helpful for those who are facing some loss of income, salary reduction or job loss. Corona Kavach is an indemnity-based policy which pays the actual cost if you need hospitalisation of 24 hours or more. Corona Rakshak policy is a benefit based policy where the pre-decided sum insured is paid irrespective of actual cost if the covered person is infected and requires more than 72 hours hospitalisation.

The writer is Shambhavi Mehrotra.

TOP

Covid health claims near Rs 30,000 crore for this fiscal so far - The Economic Times – 28th August 2021

Even as fears of third wave mounts, Covid related health claims in the first five months of this fiscal have crossed the claims for the entire fiscal 2021.

About 23, 64,957 Covid claims were reported on a cumulative basis by August 18, of Rs 29,949.9 crore. About 19, 66,595 claims worth Rs 18,325.4 crore of the claims received have been settled, according to general industry data.

On a year-to-date (YTD) basis (April-July), insurers saw their premiums rise 15.49 per cent to Rs 64,607.25 crore, against Rs 55,939.85 crore in the year-ago period.

While Covid-related claims have come down recently, claims for routine surgeries and hospitalisation are rising.

Rising premiums

With rise in claims, premiums are also on the upswing.

Health insurance premiums have been main driver of non-life insurance industry since the commencement of Covid-19 pandemic as firms have recorded 19.46-per cent year-on-year (YoY) growth in premiums in July.

In July, about 33 non-life insurers garnered premiums of Rs 20,171.15 crore, against Rs 16,885 crore in the same month last year.

The health segment recorded 34.2 per cent growth during April-July this year, which is much higher than 9.9% a year ago, when there were country-wide restrictions.

A number of insurers are also looking at raising prices for health products to bridge the losses. The YTD premium growth of standalone health insurers continued to be higher than industry average in YTD FY22, indicating that retail premiums are growing faster than group business as standalone health insurers derive most of their premiums from retail segment.

The government schemes have also been a significant factor in the growth as these premiums reached Rs 2,906 crore for the YTD July FY22 versus premiums of Rs 806 crore for a similar period last year.

Growth and losses

While general insurers grew 12.9 per cent on a year on year basis between April and July, standalone health insurers reported a 46.1 per cent growth in premium in the same period on an annual basis. Of the three listed private life insurers-SBI Life Insurance and HDFC Life Insurance reported lower profits for the April-June quarter while ICICI Prudential Life Insurance reported a loss on account of rise in Covid claims.

TOP

MOTOR INSURANCE

True value of your car & why it plays a major role in your car insurance premium - The Economic Times – 31st August 2021

Age of The Vehicle	% of Depreciation For Fixing IDV
Not exceeding 6 months	5%
Exceeding 6 months but not exceeding 1 year	15%
Exceeding 1 year but not exceeding 2 years	20%
Exceeding 2 years but not exceeding 3 years	30%
Exceeding 3 years but not exceeding 4 years	40%
Exceeding 4 years but not exceeding 5 years	50%

(Source: IRDAI)

Before we deep dive into the world of car insurance, let's ask you a question. Do you know the current value of the house that you are living in? You'll only be able to guesstimate, after considering a lot of factors, such as current market value, construction costs etc. But when it comes to your other assets like gold or other financial investments, you'll know their exact worth at any given moment. Similarly, do you think you know the exact value of your car? Probably not, but do you think it is important. Of course. And we'll tell you why!
Insured Declared Value (IDV) or also known as current value of the car is one of the important parameters to decide your car insurance premium. Hence, it is crucial to understand the true value of your car while purchasing car insurance.

First, let's understand how IDV of your car is this calculated? A car is a depreciating asset but how much does it depreciate? There is always confusion around it. But fret not, there are many factors that can help you decide the IDV of your car:
For a new car:

IDV = Manufacturer's listed ex-showroom price – depreciation (which is normally at 5%)
And after every 6 months:

The IDV will keep on reducing by 5% and can go as much as 50% for a car aged 5 years.
Another simple way to understand this is to look at the chart below:

Now that you know how to calculate the IDV, it is also important to know how it affects your car insurance premium. For instance, if you quote a higher IDV than the actual IDV, then you will have to pay a higher premium, which is not right. But on the other hand, if you want to pay the bare minimum for your car's insurance then you have to quote a lower IDV which means that at the time of claim, you will receive less money for your car, in case it gets stolen or is beyond repair in case of an accident. Well, even then is not right. So, to avoid this dilemma, it is in your best interest to know the real-time IDV of your car & quote that when you renew your car insurance policy.

TOP

Madras high court's 5-yr motor cover order to hike car costs - The Times of India – 28th August 2021

The Madras high court verdict making 5-year 'bumper-to-bumper' motor insurance mandatory will increase the cost of vehicle acquisition by 8-10 percent of its current price. According to dealers and car marketers, this decision will make a car dearer by anywhere between Rs 50,000 and Rs 5 lakh. Federation of Automobile Dealers Associations (FADA) president Vinkesh Gulati said, “This will be a major issue for an industry just about coming out of the pandemic. This will push up acquisition cost of motorcycles and scooters by Rs 5,000-6,000, entry-level cars like Alto or Kwid by Rs 50,000 and a mid-market SUV like Creta by more than Rs 2 lakh.” The catch in this is that pricing is controlled by the sector regulator Irdai, which in August 2020 withdrew mandatory long-term insurance for new vehicles. “The Irdai will have to agree to change the premium structure,” said JATO Dynamics president Ravi Bhatia. “Currently, the 1-year policy is around 3 percent of the car value. With this ruling, the dealer has to sell the vehicle with 5-year insurance, which is a huge upfront expense for the customer. Given that the insurance industry globally is moving towards more flexibility where the customer pays per month depending on usage, this is counter-productive and will retard car sales,” he added.

Car marketers say this will go against the holistic view of the auto industry, which balances affordability, safety and growth. MG Motor India president & CEO Rajeev Chaba said that the auto industry needs a “holistic view” that balances “consumer interests, safety and overall cost of acquisition & ownership with environment & emission issues and job creation & local manufacturing”. Without that, he added, there cannot be “exceptional growth”. Insurers are divided in their view on whether a comprehensive cover can be made mandatory. “The law requires that a vehicle owner buy only third-party insurance. Comprehensive cover is a voluntary contract between two parties. Someone can appeal, saying that they cannot be forced to purchase a cover,” said an official. However, another insurer said that there is scope to make cover mandatory as that is the only way to ensure insurance penetration. “If third-party insurance was not mandatory, we would not be getting the extent of coverage that is there at present,” he said. Industry officials feel that the order is directed at the transport department, asking them to ensure compliance. “The insurance industry has not been asked to do anything and we will continue to sell policies. Even today, 99 percent new vehicles opt for comprehensive cover,” said an official.

“In the larger interest of society, vehicles should have adequate coverage and owner should be aware of the scope of coverage. Dealerships should have a board giving the customer information on accidental insurance cover as well,” said Digit Insurance head (legal, claims & investigation) Ajay Jadeja. He added that If owner buys standalone compulsory personal accident policy, then the owners risk is covered in all vehicles he owns. The HC order reads, “After September 1, 2021, it is mandatory for coverage of bumper-to-bumper insurance every year, in addition to covering the driver, passengers and owner of the vehicle, for a period of five years.” Insurers are not clear whether implementation would mean that the premium for five years has to be collected up front. Industry officials are also surprised at the use of the term ‘bumper-to-bumper’ cover as it is a layman term for widest possible cover. This, in some cases, is interpreted to mean comprehensive cover, while others use it to refer to zero depreciation policies where the insured get parts replaced without deduction.

The writers are Nandini Sen Gupta & Mayur Shetty.

TOP

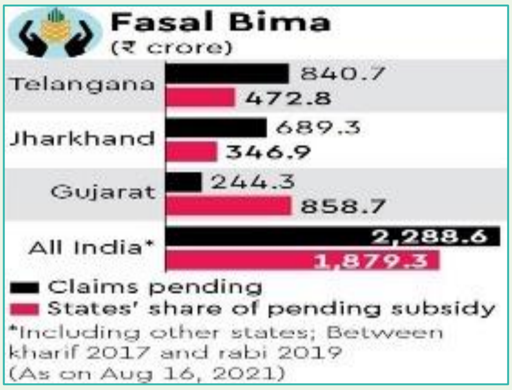
CROP INSURANCE

Unsettled Fasal Bima claims: Not just insurers, defaulting states also at fault - Financial Express – 2nd September 2021

Insurers are often blamed for delayed release of crop insurance amounts to farmers, but the fault also seems to lie with the state governments which default on paying their share of the subsidy on premium. According to data gathered by FE, claims worth `2,287 crore remained unpaid to farmers as on August 16 under the Pradhan Mantri Fasal Bima Yojana (PMFBY), but states were yet to release their premium share of `1,879 crore. Gujarat, Telangana and Jharkhand were the largest defaulters, making up for over 90% of the dues.

Also, most of the states are yet to finalise last season's yield data, the key parameter to endorse farmers' claims, even as this year's summer harvest has started tricking in. Considering that as many as over 80% of crop insurance beneficiaries are small and marginal farmers having less than 2 hectares, such delays in payment of premium subsidy and piling up of claims require immediate policy action, analysts said. Ironically, the parliamentary standing committee on agriculture recently suggested that provisions under the scheme guidelines to penalise defaulting states be done away with.

Under PMFBY, premium to be paid by farmers is fixed at 1.5% of the sum insured for rabi crops and 2% for kharif crops, while it is 5% for cash crops. The balance premium is split equally between the Centre and states. For the north-east region, the share of subsidy is 90:10 between the Centre and state.



According the committee's report tabled in Parliament on August 10, the agriculture ministry has been advised to return the premium paid by farmers with interest within a fixed time-frame "since delay in settlement of claims defeat the very purpose of the scheme and farmers ultimately suffer".

The committee also said it was convinced of the reasons cited for the delay in claims settlement by insurers and recommended that the ministry "suitably modify" the guidelines that prescribe states delaying the release of subsidy beyond stipulated timelines can't participate in upcoming seasons. The modification is needed "so that states do not withdraw from the scheme", it said.

The ministry earlier informed the committee that no penalty had been imposed on any state government, even though as per the revised guidelines of 2018-19 state are required to pay interest at 12% for delay in release of its share of subsidy beyond three months of prescribed cut-off date. The Andhra Pradesh government in May had paid `1,820 crore to over 15 lakh farmers, who suffered crop loss in kharif 2020, under the YSR Free Crop Insurance scheme. Andhra Pradesh is one of the six states that quit the PMFBY scheme and do not have any pending liability of premium subsidy.

Gujarat, Telangana, Jharkhand, West Bengal and Bihar also exited the scheme, citing the cost of the premium subsidy to be borne by them. Many states have demanded their share of subsidy be capped at 30%. The Union government last month informed Parliament that it did not have any plan to take over the entire amount of premium subsidy as states have a major role in implementation of the scheme, including selection of crops, areas, risks and insurance companies.

The writer is Prabhudatta Mishra.

TOP

1 in every 3 people's personal life affected due to work stress: Survey - Financial Express – 31st August 2021

The pandemic has completely transformed the way the masses perceived wellness and the relation of mental health with wellbeing, with 86% of people equally engaged in activities to improve both physical as well as mental health, according to a health and wellness pan-India survey by ICICI Lombard General Insurance. The study revealed that COVID has taken a toll on the mental health of those who are partly working from home, showing a noticeable decrease in the health status proportion from 54% during pre-COVID to 34% during the post-COVID era.

While mental health seemed to be a challenge for both during the pandemic, 38 per cent of women respondents were satisfied with their mental health status, as compared to only 35 per cent of men. Similarly, for physical fitness, women again maintain physical health better than men with 49 per cent of women being satisfied as compared to 42 per cent of men.

The survey also found that there has been a significant decline (15 per cent) in the mental health status when a close family member contacted Covid, from 49 per cent pre-covid to 34 per cent post-covid.

Experts say, while healthy habits are here to stay and grow, 100 per cent of the respondents who're involved in some of the other healthy habits are likely to adopt them on a long term basis, and those who were not into these habits, as an impact of the pandemic, are likely to adopt them. The survey further revealed that the prime motivator for every 2 in 3 respondents was being aware of the benefits of healthy lifestyles, to take a step in the right direction.

Additional key insights from the survey;

Relating mental health to overall wellness – Considering the geographical variable, Mumbai remained as an exception while physical and mental health ratio has dropped for the major metro cities like; Delhi, Bangalore, Kolkata, and Pune. Ahmedabad also stood out in terms of mental health. While the overall gap concerning mental wellness in India stands at 14 (pre-covid vs. post covid), there are these 2 cities Mumbai and Ahmedabad where the gap is minimum (7 and 6 respectively).

Challenges on the road to holistic wellness – Highlighting the increased individual health priorities, the survey further revealed that lack of personal time (45 per cent) and finances (44 per cent) are the top deterrents to adopting healthy habits. Commitments at home is another challenge faced more by women as compared to men with 44 per cent of women being impacted by the same.

Additionally, financial constraints seem to be a major challenge in cities like; Delhi, Chennai, Kolkata and Pune, hence adversely affecting the health of most people in these cities. Whereas managing time is more of a problem in Mumbai, Delhi, Bangalore, Ahmedabad and Pune.

Employees as key partners on the journey – In every 3 people's personal life almost 1 is affected due to work stress, results showed from cities like Delhi, Hyderabad and Kolkata. The study states, highlighting the fact that a sustainable place of work is essential for productive results, various aspects already provided by the employers have now become hygiene such as health insurance, gym and flexible working place. Additionally, employees also require certain facilities as part of the new normal such as regular health check-ups, work-life balance, and healthy food at the cafeteria and workplace ergonomics as a need of the hour.

Changing face of technology and work – The data showed that while 70 per cent use technology such as websites, smartphone apps, fitness monitors, and activity trackers to monitor health, only 53 per cent of people are intending to use these in the future, showcasing a drop in 17 per cent.

Sanjay Datta, Chief- Underwriting, Reinsurance and Claims, ICICI Lombard General Insurance says, "With the transformed perception of the masses, consumers today look at a health insurer not only for financial immunity during times of ill-health but we are now looked up as a partner in their holistic wellness journey. Additionally, through this survey, we observed a mindset change taking place with 47 per cent of people and 42 per cent of the younger age group (25-35 years) wanting to adopt a healthy lifestyle to not just get a better appearance but also feel better about themselves."

Concluding the findings of the report, he further adds "The survey showcased the extent to which health and wellness have come into the spotlight with healthy habits at the centre. The paradigm shift in mass perception has resulted in an increased propensity to invest more, financially, physically and mentally, into maintaining the holistic wellbeing of themselves and their loved ones."

The writer is Priyadarshini Maji.

TOP

INSURANCE CASES

Commission rejects insurance firm's appeal against forum order - The Tribune – 31st August 2021

Saying that delay of a few days in lodging an FIR cannot be permitted to be a valid reason or ground for the insurance company to repudiate the genuine claim of theft of a vehicle, the State Dispute Redressal Consumer Commission, Chandigarh, has rejected the appeal of the insurance company filed against the order of the District Consumer Forum, Chandigarh.

The forum had directed National Insurance Company Limited to pay the 'insured declared value' (IDV) of the vehicle to a consumer along with Rs5, 000 litigation cost. The consumer approached the forum after the insurance company denied the claim on the ground that the complainant delayed the filing of an FIR regarding the theft of the vehicle and he also filed the complaint four years after the case was closed. The company said the consumer also failed to submit the untraced report duly attested by the court.

Randeep Singh, a resident of Sector 20, told the forum that his Mahindra Bolero was insured with the company. The vehicle was stolen while it was parked outside his house. He lodged an FIR in this regard on October 16, 2013. The incident was also reported to the company and all available documents were supplied as demanded.

He said all documents were kept in the vehicle. He alleged that the company repudiated his claim without reasonable cause and justification.

It justified the decision saying there was a delay in lodging the FIR by the complainant as the theft took place on October 9, 2013 and the FIR was registered on October 16, 2013.

The company also said the complainant was negligent in taking due care of the vehicle as he left the keys as well as all documents in the vehicle. The complainant also did not inform the registering authority about the theft. The company said the case was closed as "No Claim" on August 8, 2014. So, the complaint filed in 2018 was time-barred.

The district forum found the company guilty of deficiency in services and directed it to pay the 'insured declared value' (IDV) of the vehicle to the consumer along with the litigation cost of Rs5,000. The company challenged the order before the commission.

The commission, after hearing the arguments, said there was no illegality in the district forum's order. The commission said delay of a few days in lodging an FIR cannot be permitted to be a valid reason or ground for the insurance company to repudiate the genuine claim of theft.

"If the insurance companies keep on doing like this, then it would be detrimental to the rights of consumers and there would be no meaning of taking comprehensive insurance policies by paying hefty premiums by such consumers," the commission said in the order.

TOP

Insurer liable to pay even if dead driver negligent: Gujarat high court – The Times of India – 29th August 2021

In an important order, a larger bench of the Gujarat high court has held that an insurance agency is liable to pay compensation for a motor vehicle accident claim for a hired driver in the event of his death, even if the accident is caused due to the driver's negligence. This liability arises once the insurer has accepted additional premium to cover indemnity of vehicle owner. The issue was before the bench of Chief Justice Vikram Nath, Justice R M Chhaya and Justice B N Karia when a division bench referred it for adjudication on an appeal filed by the family of one Laxmanbhai Thakore, a driver hired by the Kandla Dock Labour Board for its ambulance. Thakore and two others were killed in an accident in March 2003 while they were carrying a patient in the ambulance from Gandhidham to Ahmedabad. Thakore's family filed a case for compensation with the Motor Accident Claim Tribunal on the ground that an additional Rs 30 used to be paid as Indian Motor Tariff Endorsement by the employee towards legal liability for driver and conductor. The tribunal rejected the claim in 2017 on the ground that the accident had occurred due to the driver's mistake, and the issue landed in the high court.

A division bench referred the issue whether the insurer is liable to pay compensation under the Motor Vehicles Act. For the appellant family, it was argued that irrespective of negligence of the deceased, the insurer would be liable to pay the entire compensation. This is because additional premium was paid and accepted and hence it was the insurer's liability on the principles embodied under the Workman Compensation Act irrespective of negligence. After hearing the case, the HC concluded that once additional premium for driver on pay shas been accepted, the deceased's family can claim compensation under the Motor Vehicles Act. "In our opinion, by accepting additional premium, the Insurance Company indemnifies the owners for paid Driver and/or Conductor and risk of Driver/Conductor is covered under it. Upon death or injury caused to the paid Driver and/or Conductor, the Insurance Company would be liable to satisfy such claim irrespective of the self-negligence," the larger bench observed and asked the division bench to decide the appeal accordingly.

TOP

PENSION

Your EPF account will now show taxable and non-taxable balance - Business Standard – 3rd September 2021

Finance Minister Nirmala Sitharaman had announced in the Union Budget for 2021-22 that interest earned on employees' annual contribution to Provident Fund (PF) exceeding Rs 2.5 lakh would be taxed from April 1. The threshold was subsequently hiked to Rs 5 lakh for cases where employees alone contribute (and the employer does not). The upshot of these changes is that the Employee Provident Fund (EPF) subscriber's account will henceforth have two components — taxable and non-taxable. The Central Bureau of Direct Taxes (CBDT) on Wednesday notified Rule 9D for calculating the taxable portion of interest on contribution in excess of the threshold limit. Earlier, interest on EPF was completely exempt from tax, with no limits.

HOW TAXABLE AND NON-TAXABLE CONTRIBUTION WILL BE CALCULATED

Employee's salary structure

Particulars	Monthly (₹)	Annual (₹)
Basic salary	2,00,000	24,00,000
Special allowance	24,200	2,90,400
Employee's contribution to PF (12% of basic salary)	24,000	2,88,000
Employer's contribution to PF	1,800	21,600
Total CTC	2,50,000	30,00,000

Tax calculation

Particulars	Non-taxable contribution (₹)	Taxable contribution (₹)
Opening balance	5,50,000	
Non-taxable contribution during the year	2,50,000	
Non-taxable contribution (₹2.88 lakh less ₹2.5 lakh)		38,000
Total balance (before interest)	8,00,000	38,000
Interest income (at assumed rate of 8.5%)	68,000	3,230

Source: Taxmann

"Many high net worth individuals (HNIs) used to invest a substantial portion of their salary in EPF to reap the benefit of a high tax-free rate of interest. The government amended the Income-Tax Act to curtail this practice," says Gopal Bohra, partner, NA Shah and Associates.

Here's an example to illustrate how liability on the taxable portion of contributions will be calculated. ABC contributes 12 percent of his basic salary to EPF, which is Rs 24,000 per month or Rs 2.88 lakh annually. His employer contributes the minimal mandatory amount, which is Rs 1,800 per month. ABC's opening balance for the year is Rs 5.5 lakh. While Rs 2.5 lakh of his contribution will be non-taxable, the excess amount of Rs 38,000 will get taxed. At the end of the year, his non-taxable contribution will be Rs 8 lakh, on which, assuming an interest rate of 8.5 percent, he will earn Rs 68,000 interest. The taxable portion will earn interest of Rs 3,230. "This amount earned in 2021-22 will get taxed in the employee's hands in assessment year 2022-23 under the head 'income from other sources'," says Naveen Wadhwa, deputy general manager (DGM), Taxmann.

If interest income exceeds the threshold limit of Rs 5,000 under Section 194A, tax will be deducted at source (TDS). According to Suresh Surana, founder, RSM India: "EPFO will issue TDS certificates to employees from whose accounts tax gets deducted." Adds Deepesh Raghaw, founder, PersonalFinancePlan, a Securities and Exchange Board of India-registered investment advisor: "After TDS deduction, taxpayers will have to pay the balance tax liability out of their pockets, not from the interest earned." These amendments call for a rethink. "First, determine whether the threshold of Rs 2.5 or Rs 5 lakh will apply to you," says Aditya Chopra, managing partner, Victoriam Legalis-Advocates & Solicitors. Only a small percentage of employees—high-salaried ones—will be affected. Employees should think twice before getting their salary restructured to reduce the basic salary. "Doing so will reduce the employer's contribution, which is still tax exempt. Your house rent allowance (HRA) and any other component linked to basic salary will also decline," warns Raghaw.

High-salaried employees may, however, reconsider their contributions to Voluntary Provident Fund (VPF). Stopping this contribution won't affect employer contribution, HRA, etc. The post-tax rate of return (on EPF + VPF contribution above Rs 2.5 lakh) has declined from 8.5 percent to less than 6 percent (for those in the 30 percent or higher tax bracket). "Consider alternatives like equity mutual funds, since this is long-term money," says Raghaw. While you should market the most of Public Provident Fund's tax-free return of 7.1 percent, you can only contribute Rs 1.5 lakh to it annually.

The writers are Sanjay Kumar Singh & Bindisha Sarang.

TOP

Calculation of taxable interest on PF contributions – Government issues notification - Financial Express – 1st September 2021

As of now, interest earned on provident fund balance is fully exempted from tax in the hands of the employee. However, in Budget 2021, the Finance Minister Nirmala Sitharaman had proposed taxability of interest on various provident funds, where the specified limit exceeds. The government has issued a notification regarding the calculation of taxable interest relating to contribution in a provident fund or recognised provided fund, exceeding specified limit. The Income-tax (25th Amendment) Rules, 2021 will come into force on 1st day of April, 2022.

"CBDT has been pro-active in providing necessary clarifications through its notifications and circulars to ensure that the tax payers have requisite guidance and certainty on the tax treatment to be accorded to the components of their income. The circular of the CBDT dated 31st August, 2021, is one such step which provides clarity on a very important aspects which concerns the salaried employees who contribute towards provident fund schemes. The circular will provide much needed clarity as to how the interest component which gets accrued on such contribution shall be computed and as to how the contributions shall be segregated for computation of taxable interest," says Ritesh Kumar S, Partner, and Indus Law.

The new rule is that the interest earned on an employee's contribution above Rs 2.5 lakh in a year will become taxable in the hands of the employee while for the government sector employees, the monetary ceiling shall be Rs 5 lakh. In the Income-tax Rules, 1962, after the rule 9C, the following rule (9D) has been inserted by the Central Board of Direct Taxes:

(1) For the purposes of the first and second provisos to clauses (11) and (12) of section 10, income by way of interest accrued during the previous year which is not exempt from inclusion in the total income of a person under the said clauses (hereinafter in this rule referred to as the taxable interest), shall be computed as the interest accrued during the previous year in the taxable contribution account.

(2) For the purpose of calculation of taxable interest under sub-rule (1), separate accounts within the provident fund account shall be maintained during the previous year 2021-2022 and all subsequent previous years for taxable contribution and non-taxable contribution made by a person.

To know tax on PF interest in Budget 2021 example, here is the calculator process.

How to calculate

(a) Non-taxable contribution account shall be the aggregate of the following, namely:-

(i) Closing balance in the account as on 31st day of March 2021;

(ii) Any contribution made by the person in the account during the previous year 2021-2022 and subsequent previous years, which is not included in the taxable contribution account; and

(iii) Interest accrued on sub- clause (i) and sub- clause (ii), as reduced by the withdrawal, if any, from such account;

(b) Taxable contribution account shall be the aggregate of the following, namely:

(i) contribution made by the person in a previous year in the account during the previous year 2021-2022 and subsequent previous years, which is in excess of the threshold limit; and

(ii) interest accrued on sub- clause (i), as reduced by the withdrawal, if any, from such account; and

(c) The threshold limit shall mean:

(i) Five lakh rupees, if the second proviso to clause (11) or clause (12) of section 10 is applicable; and

(ii) Two lakh and fifty thousand rupees in other cases."

The writer is Sunil Dhawan.

TOP

PFRDA proposes to make eNPS mandatory for government employees by 1st April 2022 – Details – Financial Express – 1st September 2021

Opening of National Pension System (NPS) account for central government employees and state government employees including employees of Autonomous Bodies may soon be mandatory through 'eNPS-Government' – a paperless account opening of NPS. PFRDA proposes to make the eNPS mandatory for Government employees by 1st April 2022. Central Record Keeping Agencies (CRAs) would be rolling out the feature 'e NPS for Government' shortly. PFRDA has sought comments from the Government nodal offices on the new digital initiative of providing the option to the employees of Government Sector to register under NPS through 'eNPS-Government'.

The proposed digital platform shall also enable Inter Sector Shifting (ISS) of existing Subscribers of other sectors to seamlessly transfer their NPS account into Government Sector.

E NPS registration modes

The employees of Government Sector (Central/State Government including Autonomous Bodies) would be provided with the option to digitally register themselves under the respective Government Sector by the following modes:

1. Through Aadhaar Online/Offline e-KYC – Under this option, the Subscriber will have the facility to register using Aadhaar based KYC.
2. Through Permanent Account Number (PAN) – Under this option, the Subscriber is required to provide valid PAN and upload the relevant KYC documents.

What is eNPS

eNPS is the online platform hosted by NSDL-CRA on behalf of NPS Trust wherein a Subscriber can register and contribute online under NPS. At present, under eNPS, the facility of online registration is available to All Citizens of India Sector and Corporate Sector Subscribers. Whereas, the online contribution and Tier II Account activation facility is available to all the registered Subscribers including Government Sector Subscribers having active PRAN under NPS.

Under e NPS, the Government employees (who are covered under NPS) will have the facility to register online in NPS and generate Permanent Retirement Account Number (PRAN) through eNPS. The process of registration through eNPS will be a paperless process wherein the Subscriber will submit the registration request through digital signature.

The writer is Sunil Dhawan. *TOP*

IRDA CIRCULARS

Topic	Reference
List of Valid Insurance Brokers as on 31st Aug 2021	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo2120&flag=1

TOP

GLOBAL NEWS

Australia: Health insurers's profits soar during COVID-19 lockdowns – Asia Insurance Review

Extended lockdowns on the east coast of Australia are lifting profits for the country's health insurers, S&P Global Ratings said yesterday. The temporary profit bump, which is likely to continue through the fiscal year ending 30 June 2022 (FY2022), stems from a combination of rising awareness of health-related insurance, the geographic scope of the lockdowns impacting access to services, and the high likelihood that a portion of deferred claims will be permanently lost. The stronger profits will likely forestall industry consolidation.

Widespread lockdowns have lowered claims costs for health insurers. The restrictions, predominantly across the states of New South Wales and Victoria to control the COVID-19 delta variant, affect about 60% of the country's population. Restricted trading for health care providers including dental, physiotherapy, chiropractic, and optical services has lasted several weeks and will likely continue through calendar 2021. Similarly, hospitals and patients have deferred noncritical elective surgeries to minimise the virus spread and prepare for an increase in COVID patients.

Net profits

The private health insurance industry's net profits after tax increased 93.7% in FY2021 from the prior year (based on APRA quarterly statistics). The stronger profits were on the back of 3.2% premium revenue growth that was well above claims growth of only 0.3%. While S&P anticipates that insurers will pass on some of the lower claim benefits to members—either in the form of premium rebates or reduced premium increases—the global credit rating agency forecasts industry returns on equity to be higher than the five-year average of 16%.

Deferred claims

S&P believes that a portion of deferred claims will be permanently lost, which will temporarily bump industry profitability. In FY2020, health insurers held additional reserves for deferred claims, which were viewed as short term and to be released within FY2021. Similarly, insurers are likely to set aside additional reserves for deferred claims from the recent series of lockdowns. However, a portion of the deferred claims will likely be permanently lost due to the ongoing lockdowns and limitations on service providers to provide extra services to catch up on claims. S&P believes that as lockdowns are extended, the percentage of deferred claims that will be permanently lost will increase.

Industry consolidation

Stronger profitability will temporarily delay industry consolidation, in S&P's view. The industry will benefit from both lower claims and an expected increase in new premium from members due to greater awareness of health-related insurance. Strong profitability will alleviate some of the pressure on industry trends, including rising claims costs and shifting portfolio demographics to an aging population.

However, S&P believes that COVID-19's effects on mental health will be widespread and lead to an increase in claims over the next two to five years. Mental health claims can be long-tail and very costly, with hospital stays averaging two to three weeks. In addition, it anticipates the industry will face a material increase in operational expenses and capital adequacy requirements in the upcoming two years due to the implementation of IFRS17, and other regulatory requirements.

Due to these industrywide pressures, S&P expects the smaller health insurers, likely the mutual providers, to merge to achieve greater economies of scale and support increased investment in products and platforms.

TOP

Australia: Private health insurance take-up increase belies unfavourable age distribution trend - Asia Insurance Review

Data released by the private health insurance regulator show an increase of 46,000 people insured during the June quarter 2021, and almost 250,000 more people insured as of 30 June 2021 compared to 12 months previously.

Looking behind the headline statistics, however, the numbers are not good because they show the change in membership of health funds by age group, says Dr Stephen Duckett, health and aged care programme director of Grattan Institute, an independent not-for-profit think tank.

In a commentary on the website of Grattan Institute, he says that the data show that the number of Australians aged 60 and above who have private health insurance has gone up in every age bracket. The patterns for people aged between 30 and 60 are less clear.

While there has been a reversal of a longer-term downward trend in this past year – with an increase of more than 80,000 newly insured in this age group – overall, there are fewer people insured in this age group compared to three years ago.

“That’s a problem for private insurers because it’s people over 60 who generally draw on their insurance, while people under 60 generally contribute to the pool,” said Dr Duckett.

Incentives fall flat

Another issue lies with people in the 20-30 year age group who have been the target of a number of policy initiatives in recent years, including allowing them to stay in their parents’ insurance while they live at home, and allowing insurers to give them discounts.

But the impact of these incentives appears to have been marginal. There are roughly the same number of 20 to 30-year-olds insured in the June quarter 2021 as the same time last year (a 1% increase), but 2021 numbers are down 4% on 2018.

TOP

Australia: Actuaries Institute says retirement income system must be reformed - Asia Insurance Review

The retirement income system in Australia must undergo significant reform to be simpler, more efficient, and equitable, according to the findings of a year-long policy review from the Actuaries Institute.

The Institute's recommendations are set out in a just-released policy document, "Securing Adequate Retirement Incomes for an Ageing Australia". More than 200 actuaries provided feedback and advice, with a core group of 40 from three high-level public policy working groups, making specific recommendations. It is the Institute's most comprehensive public policy review of retirement savings.

Actuaries Institute chief executive, Ms Elayne Grace, said, "Gaps need to be addressed. While the system is sound and broadly sustainable, it is widely recognised that there is scope for further reform to improve outcomes."

The federal government is currently consulting on the development of a retirement income covenant, to help retirees effectively plan for retirement. The Actuaries Institute, in a statement, says it strongly supports this covenant, coupled with a clear objective for the retirement system as a whole. The system currently consists of the three pillars: compulsory superannuation, a publicly-funded Age Pension, and voluntary savings.

The Institute drew on Australia's leading actuaries, working within the Institute's Superannuation and Investments Practice Committee, the Retirement Incomes Working Group, and the Retirement Strategy Group to develop its set of recommendations.

3 pillars

The policy document considers the level of the superannuation guarantee in the context of overall retirement adequacy; how the provision of guidance and advice results in better use of super savings; greater flexibility for the role of the family home in retirement income provision, coupled with its inclusion (above a certain threshold) in the Age Pension means test; preservation of superannuation savings and greater support for renters for whom super and the Age Pension can fall short.

It also supports the continued development of lifetime retirement income stream products that would offer better outcomes for many retirees.

"The 'three pillars' of compulsory superannuation, the Age Pension and voluntary savings mean that individuals are required to make complex choices about how much to save and consume, and how to invest," Ms Grace said. "We support simplifying Age Pension means testing, improving the interaction between the retirement income and aged care systems, encouraging innovation in retirement products, and developing best practice in the provision of financial advice and guidance.

"We would also like to see structural changes such as the removal of disincentives for older Australians who want to continue to work, and greater flexibility for the role of the family home in retirement income provisioning."

Mr Andrew Boal, convenor of the Actuaries Institute's Retirement Strategy Group, said government changes to its supply and demand-side policies would improve system efficiencies in delivering retirement incomes to Australian retirees for the rest of their and their partner's lives. These include:

a covenant, already slated, which requires super funds to have a retirement strategy and solutions that are appropriate for different member cohorts; incentives that encourage retirees to take part of their super as a lifetime income stream and disincentives for those who want to leave large bequests from super; and accessible and affordable financial advice and guidance at the point of retirement.

Gaps

The Institute also warned against the growing number of retirees who use part of their super to pay off a home loan, or other large debts. "The adequacy of the system is now being undermined by the relative ease for older Australians to obtain a mortgage with a long outstanding term", the report states. "Superannuation benefits are intended to be used for retirement living rather than secure mortgages."

Low savings balances for women, who typically retire with super balances that are at least 40% lower than men, must also be addressed. Gig workers, and other self-employed workers who may miss out on super entirely, should be considered; super should be paid on paid parental leave; and super must be properly considered in divorce settlements.

TOP

Thailand: Insurance regulator acts to help speed up COVID-19 insurance claim settlement - Asia Insurance Review

The Thai insurance regulator, the Office of Insurance Commission (OIC), has issued directives to prod insurers into quickening the settlement of COVID-19 insurance claims.

OIC secretary-general Mr Suthiphon Thaveechaiyagarn says that the OIC has spelt out three urgent sets of measures in this regard:

1. Measures for an ad-hoc team to inspect insurers that offer COVID-19 plans in order for the insured to receive benefits under the insurance policies quickly
2. Wef 1 September, non-life insurance companies with 100 or more COVID-19-related claims must maintain a system that includes:
    - setting up an internal unit to handle these claims
    - vetting of claims documents must be completed within three days in cases in which the insured submits complete documentary evidence
    - the insurance company will pay the compensation within 15 days of the date of submission of complete documentation
    - in the event that there is a problem with interpretation or dispute about the COVID-19 insurance policy and no solution could be found, the insurer shall submit an opinion to the OIC within 7 days of the date of receipt of documents supporting the claim.
3. Measures to increase efficiency in handling complaints.

TOP

Bangladesh: Regulator designs insurance plans against bond default - Asia Insurance Review

The Bangladeshi insurance regulator is working to introduce insurance products for bond issuers to protect against non-payment and to cover all associated benefits to bondholders in the event of issuer default.

To look into this, the Insurance Development and Regulatory Authority (IDRA) has formed a 10-member high-powered committee headed by general manager of the state-owned non-life insurer, Sadharan Bima Corporation (SBC), Mr Bibekananda Saha, according to The Financial Express.

The panel is exploring product design for risk coverage of fixed-income instruments in the capital market. "We're now working on how to design bond insurance products for insurers," said a panel member, wishing to be unnamed. He said there are some challenges in designing the tools because the reinsurance available is not sufficient.

In the meantime, the IDRA has drafted a guideline on bond insurance. It has been receiving the views of experts and stakeholders on the issue. Among other things, the guideline stipulates that insurance coverage should be taken prior to placing an application for a bond issuance before the securities regulator. This is a precondition for bond issuance approval.

However, the securities regulator, Bangladesh Securities and Exchange Commission (BSEC), in a note on the proposed guidance, says that bond insurance cannot be made mandatory.

"Bond issuers may decide to seek bond insurance facility based on their own financial strength or creditworthiness," BSEC said. The insurance premium must be less than the cost of bank guarantees, because otherwise, the insurance product would not be attractive.

However, many of the committee members say that the insurance coverage might help develop the secondary bond market. Currently, only two bonds are traded on Dhaka Stock Exchange.

TOP

Indonesia: Non-life insurance sector expands at faster pace in 1H - Asia Insurance Review

The general insurance industry in Indonesia generated growth of 2.1% in premium income in 1H2021 to IDR38.37tn ($2.68bn), compared to the corresponding period last year. This pace was faster than in the first quarter when premiums expanded by only 1.5% year on year, indicating that 2Q2021 growth was more rapid.

In 1H2021, property insurance remained the business line that contributed the most premiums. The Indonesian General Association (AAUI) says that the property insurance business line accounted for 29% of non-life business, according to a report by Kontan. The contribution was supported by the growth in property insurance premiums of 16.1% year on year to IDR10.97tn.

However, this growth in 1H2021 slowed compared to the first quarter of this year when the increase was 35%. Motor insurance premiums in the first half of this year contracted by 5.2% year on year to IDR7.40tn while credit insurance grew 1.5% year on year to IDR5.87tn.

“Contributors of general insurance are still mainly the three business lines, namely, property, motor and credit insurance. This was the same as in the first quarter, despite falling vehicle insurance premiums,” said AAUI executive director Dody Dalimunthe.

Mr Dody says that the premium growth in property insurance was also driven by the relaxation of home loans by the government such as allowing for a postponement of payments. He says that business lines other than property, motor and credit can also develop. These could be health insurance and miscellaneous insurance. “Microinsurance is also currently growing well, although we do not have the exact data yet. It shows that insurance does not only rely on conventional products," added Mr Dody.

[TOP](#)

Australia: Private health insurance premiums increase modestly this year - Asia Insurance Review

Annual premium increases in the private health insurance (PHI) market have been modest, with a 2021 industry average increase of 2.75%, says leading global insurance broking company Marsh.

In its Mid-Year Insurance Market Update 2021, Marsh notes that most insurers provided a six-month rate freeze in 2020 to assist with managing premium costs during the pandemic, and continued to offer various support measures for members in the first half of 2021, including telehealth. It is encouraging to see that relevant initiatives have also filtered through to most corporate PHI arrangements.

Employer-subsidised health insurance continues to be a highly valued employee benefit, and is a significant differentiator for talent retention and attraction. This has particularly been the case over the last 18 months, with the pandemic putting health and wellbeing under the spotlight. Mental health continues to be a key area of focus for most employers, especially given remote working arrangements, and other impacts of COVID-19 on individuals and communities.

While premium increases have been fairly conservative in recent years, employers are still seeking ways to predict and/or control future costs. A notable trend in the area of cost containment has seen employers review existing programmes, in order to seek optimisation opportunities, including implementing employer-employee cost-sharing arrangements.

In other developments, one recent government initiative raises the maximum age of dependants under a family policy, from 24 to 31 years of age, and removes the limit on age of dependants with a disability. Despite this measure being implemented in 2021, health funds have not yet incorporated it into their fund rules. Most insurers have indicated that they will formulate a position by the end of 2021, after robust commercial analysis, as the change is not compulsory. It remains to be seen whether insurers’ margins, and/or the cost of cover for family policies, are impacted in health funds adopting this initiative.

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