भारतीय बीमा संस्थान

INSURANCE INSTITUTE OF INDIA

INSUNEWS

Weekly e-Newsletter

25th Sept – 2nd Oct 2021

Issue No. 2021/39

QUOTE OF THE WEEK

"Discipline and united action are the real source of strength for the nation."

Lal Bahadur Shastri

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Termination Insurance

In liability insurance, termination insurance is a type of business liability coverage wherein an employer is protected in case an employee sues the company for wrongful termination. Wrongful termination insurance used to be covered under regular business liability but later on, it was issued under employment practices liability (EPL) coverage.

Wrongful termination is one of the risks covered under the all-encompassing employment practices liability coverage, which protects employers from the financial implications of employment-connected court cases. This insurance coverage covers lawsuits against race or age discrimination, wrongful termination, sexual harassment or even legal suits arising from disputes between employees and third parties. Employers who want to protect themselves from the financial woes of lawsuits filed by terminated employees should take out an EPL policy.

INSURANCE REGULATION

Consumer forum can't order forensic test of insurance surveyor's report like civil courts: SC – Outlook – 28th September 2021

A consumer cannot succeed in a consumer forum unless the deficiency in service is established on the part of a service provider and unlike a civil court, such a panel cannot subject a report of an insurance surveyor to "forensic examination", the Supreme Court Tuesday held.

The top court upheld the findings of the National Consumer Disputes Redressal Commission (NCDRC) that consumers are "not entitled to succeed unless they were able to establish any deficiency in service on the part of the Insurance Company."

The verdict assumes significance since a firm sought enhancement of the insured amount on the grounds that the surveyor did not assess the loss of insured articles properly. "A Consumer Forum which is primarily concerned with an allegation of deficiency in service cannot subject the surveyor's report to forensic examination of its anatomy, just as a civil court could do.

"Once it is found that there was no inadequacy in the quality, nature, and manner of performance of the duties and responsibilities of the surveyor, in a manner prescribed by the Regulations as to their code of conduct and once it is found that the report is not based on adhocism or vitiated by arbitrariness, then the jurisdiction of the Consumer Forum to go further would stop," said a bench of Justices Hemant Gupta and V Ramasubramanian.

Referring to the facts, the verdict said it was not the case where the Insurance Company has repudiated the claim of the appellant arbitrarily or on unjustifiable grounds. "This is a case where the claim of the appellant has been admitted, to the extent of the loss as assessed by the Surveyor. In cases of this nature the jurisdiction of the special forum constituted under the Consumer Protection Act, 1986 is limited. Perhaps if the appellant had gone to the civil court, they could have even summoned the Surveyor and cross-examined him on every minute detail.

"But in a complaint before the Consumer Forum, a consumer cannot succeed unless he establishes deficiency in service on the part of the service provider," it held.

The verdict came on an appeal of one company Khatema Fibres Ltd against the NCDRC order holding that its insurer, New India Assurance Company Ltd, was obligated to pay Rs 2.86 crore as insurance claim as per the surveyor's report. The apex consumer body has confined the compensation payable only to the extent of the assessment as made by the final Surveyor.

The firm had taken a 'Standard Fire and Social Peril' policy for the period from May 7, 2007, to May 6, 2008, for a sum of Rs 42.40 crore, and when the policy was in force, a fire broke out in the factory premises on November 15, 2007. The insured firm submitted a claim estimating the quantity of waste paper destroyed by fire at 8500 MT and its value at Rs 13 crore.

However, the surveyor firm submitted a final report assessing the loss suffered by the appellant on account of the fire accident as Rs 2.86 crore. "We fail to understand how the Surveyors could be found fault with, for rejecting the stock records of the insured, especially in the light of the circumstances narrated... When the insured produced two sets of records and the quantum of material destroyed by fire arrived based on these records showed huge discrepancies, the Surveyor had no alternative except to reject these records and proceed on volumetric analysis," the top court said on facts of the case.

TOP

LIFE INSURANCE

Add disease and disability riders to strengthen your term insurance cover – Moneycontrol – 30th September 2021

In India, often people buy term plans for saving on taxes and not because for their primary purpose – financial protection of dependents. Those with liabilities and financial dependents are advised to invest in a compressive term insurance plan with adequate coverage, so that it protects them until their retirement, at least.

Staying prepared for unfortunate events

Yes, it may be an unpleasant experience for anyone to discuss death amongst family members and friends, but then we all must accept the fact that death is a universal fact. While one may not be able to avoid death, it is always wise to stay protected against unforeseen circumstances. While staying financially prepared against death is important, it is also important to plan for disease and disability as well. All these conditions can majorly affect a family with dependents.

You must understand all these three factors in detail with respect their financial implications on your family – death, disease and disability.

The sole purpose of term life insurance is to provide the dependents of the policyholder financial assistance in case of sudden death of the policyholder. For a term life insurance plan, the customer pays a certain premium for a pre-defined term period for a chosen sum assured/coverage amount. This sum assured is paid out to the dependents of the policyholder upon his or her death. Apart from death, there are a couple of important covers that term plans provide in the form of riders/additional covers – disability and disease.

Covering other unforeseen circumstances

Why is covering disability important? If you live until 65, you will be there to take care of your family. If you pass away at the age of 35 and had a term insurance plan then, the pay-out from the policy would take care of your family's financial needs. However, what if you stay alive until 65, but end up becoming disabled at 35? In such scenarios, the disability rider is what comes to your rescue and pays a lump-sum amount that can be used to take care of your family's financial needs to the extent feasible.

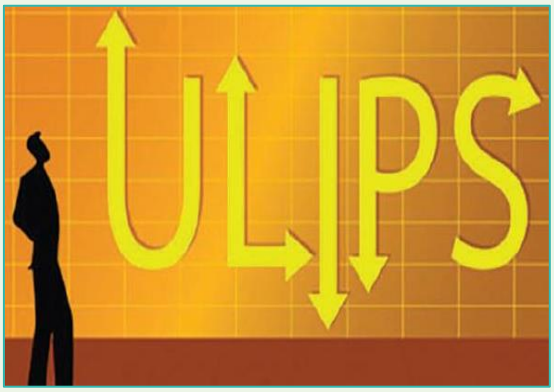
On the other hand, a critical illness/disease affects the financial future of one's family in many ways. Probably three months of leave without pay, followed by shifting to a lower stress job profile that has a limited growth path. Moreover, for those who do not have health insurance coverage, poor healthcare facilities in case of an ailment can even lead to death or disability. And, the cost of these riders or additional covers are very economical when compared to certain standalone plans. Thus, purchasing a term plan offering critical illness benefits is strongly suggested.

You must buy a term plan at the earliest, with many prominent studies warning about a possible third wave. During the past waves, the process of physical medicals became slow, due to which the entire process of issuing term insurance was delayed. Usually, a term insurance is issued in 4-5 days. However, during the earlier waves, the process took approximately 8-10 days. And if someone gets affected due to COVID, he or she may have to wait for up to three months to be eligible for a term insurance plan which, is a much larger risk to take. To avoid such a situation, it is advisable to buy a term plan at the earliest.

(The writer is Sajja Praveen.)

TOP

3 reasons why you should choose ULIPs for accumulation of wealth – Financial Express – 29th September 2021



Insurance, investment and saving for emergencies are the three core elements of any sound financial plan. Traditionally, customers are advised to keep these elements separate from each other to provide the necessary commitment to each. However, not everyone has the time and skills to manage their financial portfolio optimally. For such customers, Unit Linked Insurance Plans (ULIP) provide an effective way to participate in the market as well as an insurance cover to deal with uncertainties of life.

However, ULIP is always pegged against a combination of term plans and mutual funds. Over the years, many experts have tried to address this holier than thou debate. Let us understand these products in detail and what suits you better.

On the one end is a term plan that offers a life cover, which acts to provide a lump sum should the unfortunate event occur, once the breadwinner of the family is no more. Though it has no investment component, it covers your nominee for the duration of the policy without any changes in the premium. Also, the offered benefit can be enhanced by clubbing the basic policy with notable add-ons such as Waiver of Premium, Critical Illness Rider, Accidental Death Benefit, Return of Premium etc.

On the other end, ULIP bridges this gap by providing dual benefits of life insurance and a low-cost way to participate in the financial market to accumulate wealth. A part of its premium goes towards buying a life cover while the rest is invested in equity, debt, or a combination based on one's allocation based on risk appetite.

The three golden rules of accumulate wealth while having life cover:
1. Do not put all your eggs in one basket: Having a diverse portfolio is like is a risk management strategy that mixes a wide variety of investments within a portfolio. The strategy of constructing a portfolio of different kinds of assets will, on average, yield higher long-term returns and lower the risk of any individual holding or security.

Similarly, Term Plans and ULIPs serve different purposes, and therefore, you should not pick one over the other. Adding both to your financial portfolio will not only help you secure the financial future of your family but also build a corpus for your retirement and other future needs. That is why it's wise to supplement your Term Plan with a ULIP, or vice versa.

2. To accumulate wealth with the power of switching between fund options: – ULIP Plans allow policyholders to switch between multiple fund options like equity, bonds and hybrid funds, whenever they want, free of charge. Policyholders can choose to allot future premiums between different ULIP funds basis the prevailing scenario, for example, with an all-time high Sensex, one can safeguard a part of their windfall gains by moving it into debt segments.

One can also alter the allocation of future premiums from equity to bonds or vice versa to take advantage of the market movements. It all comes down to research and choosing the funds wisely, ULIPs may provide substantial returns from the market provided you have stayed invested for a long term. This offers much-needed flexibility.

3. Tax efficiency: ULIPs are considered tax-efficient instruments in comparison to Mutual Funds as they help policyholders save taxes in all phases. In ULIPs, switching between funds is permitted without any tax implication whereas in Mutual funds, switching between schemes has tax implications.

ULIPs, besides providing tax advantage while switching funds also helps in income tax up to Rs 1.5 lakh under Section 80C of the Income-tax Act, 1961. Under Section 10(10D), even the maturity amount is tax-free should the annual premium is lower than Rs 2.5 lakh.

ULIPs offer an investment option that can straddle multiple financial needs and goals and cater to the core concern of capital growth and life insurance. This makes it a lucrative option for your portfolio, especially if growth and protection are your priorities. Just as you multitask to make ensure a comfortable life for you and your loved ones, a ULIP multitasks to ensure your life goals are fulfilled.

(The writer is Akhilesh Gupta.)

TOP

Why it is a good time to invest in market-linked products – Find out – Financial Express - 28th September 2021

The ongoing COVID-19 pandemic has significantly highlighted the need for money planning amongst people of all ages and all 'walks of life'. For everyone, financial security of self and the loved ones is what matters the most considering the ongoing situation. The foremost step to take forward in your journey towards financial planning is having the right financial roadmap in place that has something real and tangible, and allows you to evaluate the road ahead.

Your financial roadmap must talk about robust planning for not just the ongoing COVID-19 pandemic but also some common unforeseen circumstances, like death, disease and disability. In addition, it must have the very important element of retirement planning.

To begin with, start taking stock of your current financial health and evaluate where your financial portfolio stands. Until you are not aware about your status, you cannot take the forward steps, as you will not know what steps to take. Before investing anywhere, it is first important to know whether you are in debt and need to build a portfolio or you are financially sound to start building your financial future stronger. Over the years, it has been observed that by following a disciplined approach towards investment, one can easily accumulate a decent corpus for a sound financial future. Building a financial future for your loved ones is also an important element of financial planning. This makes financial planning even more important and set financial goals early and plan your investments accordingly.

One of the most important investment instruments considering the current market conditions is Unit Linked Insurance Plans (ULIPs). The most preferred choice of young investors, ULIPs promise the right exposure to equity or debt or even both. The life insurance element under the ULIPs makes these products the first choice of investors with investment horizon ranging between 7 and 15 years. These plans can be great financial products to create decent wealth in the long run provided you pick the right choice of funds across various categories.

Apart from the insurance cover, ULIPs give investors the choice of parking their money in equity or debt instruments, depending on their risk appetite. As soon as you buy the policy, some part of your investment is placed in life insurance cover, while the remaining amount is invested in the market to grow and generate favourable returns. By investing in ULIPs, customers have the prerogative of switching their invested money from time to time between different asset classes. These plans also offer policyholders the option of switching their portfolios between debt and equity, giving them the option to switch as per the market performance.

One of the most important reasons why ULIPs have gained quick popularity amongst the investors is that over the last few years, insurers have brought down the mortality charges significantly and in fact, most insurers return the mortality charges along with the maturity amount to attract maximum investors. Investment pundits suggest that one must always invest in equities with a long-term horizon in the mind like kid's education and marriage, and building surplus corpus for investment. Yet another impressive advantage of investing in ULIP is that it helps you earn inflation-beating returns in the long term.

Since the onset of the COVID-19 pandemic in India, the performance of ULIP products has remained remarkable. Over the longer-term investments – majorly between 7 years and 10 years – most equity ULIP funds have outperformed their benchmark index. By systematic investment in equity products, you can ensure compounded wealth in the long term. Not to forget, keeping patience and discipline while investing money is key to achieve life goals.

(The writer is Vivek Jain.)

TOP

Insurance cos hope for a hike in PMJJBY premium – The Hindu Business Line – 28th September 2021

Life insurance companies have pitched for a re-pricing of the government's flagship Pradhan Mantri Jeevan Jyoti Beema Yojana. According to calculations, the premium would have to be fixed at a little over ₹400 per annum per policy from the current ₹330.

Launched in 2015, the PMJJBY scheme provides a life cover of ₹2 lakh to people in the age group of 18 to 50 years (life cover up to age 55) having a savings bank account. The scheme is available for one year, stretching from June 1 to May 31 and is renewable every year.

The government had chosen to keep the premium rate low to enable more people to take life cover and get social security. However, insurers point out that the premium for the life insurance cover was fixed a long time ago and needs to be reviewed. Further, there has also been a rise in claims under the scheme following the Covid-19 pandemic.

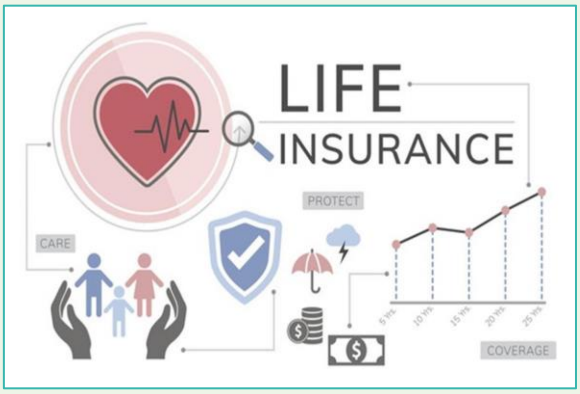
"It is very, very important that the premiums for the scheme increase. It has not been hiked even once since the scheme was launched. It is not sustainable at the moment," said an official with a life insurance company. "We are hoping that the premium is reviewed. A large number of people have joined the scheme, especially in the last two years. Claim ratio has also increased since the pandemic," said another insurer. On a cumulative basis, there were 10.34 crore persons enrolled under the scheme with a total of 2.6 lakh claims by May this year.

The government is also looking to bring more people under the scheme. The Finance Ministry had recently said it would try and bring the 43.04 crore eligible account holders of the Pradhan Mantri Jan Dhan Yojana announced under PMJJBY and Pradhan Mantri Suraksha Bima Yojana. Banks have already been communicated on the issue, it had said.

(The Writer is Surabhi.)

TOP

Four boxes to check before picking a life insurance plan – The Indian Express – 27th September 2021



Life insurance is the bedrock of financial planning and should be one of the starting points for investing in financial assets along with other savings instruments. One positive outcome of the pandemic is that a lot of individuals have started taking their financial planning more seriously than before, and are making conscious efforts to safeguard their financial future by buying term plans at an early age. As a diversified financial asset, life insurance comes in handy to meet goals at various stages of life.

While buying insurance is comparatively quick and convenient in the present-day digital world, do check these four important boxes before you pick your plan:

1. Make an assessment: Understand your life goals. Each individual has a different life journey and ambitions and the goals differ too. An ideal life insurance policy should match your pre-defined goals and safeguard your dependents' future. These may include paying for your child's education and marriage, taking a loan or repaying debts, meeting healthcare and disability costs, and building a retirement corpus. If you would like a policy with affordable premiums and high cover, then a term plan is your best bet. You may also consider investing in a ULIP (unit-linked insurance plan) or a retirement plan for a regular income to enjoy a comfortable retirement.

2. Do your research: Read well before you decide on a specific insurance plan amidst the plethora of products available in the market. Find out the type of policy and its various benefits.

For example, while a term plan will help fulfil long-term goals such as building a retirement fund, a child insurance plan will secure your child's future in several ways. An endowment policy offers the combined benefits of life insurance and regular savings over a period of time, and bring you lump sum returns. A thorough understanding of your policy will prevent hurdles later on and especially at the time of filing a claim.

3. Zeroing down on your term cover: While selecting the right plan is important, choosing the right sum assured becomes key. The sum assured depends upon the Human Life Value (HLV) or the policyholder's financial worth and takes into account the income, expenses, future responsibilities and liabilities, and financial goals at various life stages.

While there is no one rule for calculating the exact term cover, one must keep at least 15 times the annual salary for a smooth hurdle-free life of the dependents. A lot also depends on the pre-defined and constantly evolving life goals of the individual and the family. It is hence advised to calculate the sum assured at major intervals of life.

4. Do not let your policy lapse: Make sure that you never stop paying your annual premium till the end of the term. This will ensure a regular flow of various benefits as well as financial protection to the dependents and give assurance and security to them forever.

If you keep these basic but important tips in mind, then your insurance journey from the moment you buy a plan will be a smooth ride with little or no hiccups along the way. This will ensure financial protection for both you and your loved ones in the present and the future.

(The Writer is Sanjay Tiwari.)

TOP

Life insurers are at the cross-roads – Business Standard – 26th September 2021

The global life insurance industry has seen major transformations over the past decades, but none have been as course-altering as the Covid-19 pandemic. The pandemic reminded life insurers across the globe that protecting people against risk will continue to remain at the heart of insurance offerings. It also brought into focus two dominant themes, health and retirement, as the imperative business drivers in the decades ahead. By 2030, the number of persons aged 60 and over will have increased by more than 50 percent. Furthermore, lifestyle diseases such as diabetes and heart disease are estimated to account for nearly 71 percent of all yearly deaths worldwide, representing a higher share of mortality risk. As life expectancy rises and health patterns shift, insurers are set to play an increasingly important role in their customers' health in the years to come. This will be aided hugely by technological advancements.

For instance, globally, the concept of life insurers offering connected wellness is fast picking up pace. Connected wellness services link several digital devices like mobile apps, wearables and sensors with an analytics framework that provides customers the ability to track various health parameters. This enables life insurers to drive continuous engagement with customers while letting them track and manage health progress. It typically has a "wellness score", based on which life insurers offer rewards like premium discounts to further motivate them to lead a fitter lifestyle. While in India, some digitally advanced players are increasingly developing products that offer premium discounts as part of an associated wellness programme, in light of a pronounced push towards health and fitness, there remains a massive opportunity in the coming years. In the wake of Covid-19, life insurance providers who offer critical illness covers, additional riders, and wellness benefits will remain relevant and earn customer loyalty.

Secondly, changing economic and demographic trends are here to offer tailwinds to retirement products. India's life expectancy has consistently risen over the years. In the backdrop of Covid-19, however, an aging population cannot solely depend on government and employer-sponsored pension schemes for financial security. As per a World Economic Forum report, India is among the few countries with larger retirement savings markets, although having a significant retirement-to-savings gap that is estimated to exacerbate in the coming decades. Retirees around the world will outlive their savings, the report says. As government pension and retirement schemes become less sustainable, ensuring financial security for the older population will become the central focus for life insurers in India. This would involve rethinking the conventional one-size-fits-all strategy, and modernising retirement solutions currently being offered, making them more comprehensive and customised. Also, creating vistas for people to retire in unconventional ways, helping build financial resources for the golden years, and enabling discretionary spending while ensuring investments until retirement, becomes an important element to design. Apart from this, insurers must also look at developing solutions for both protection and income creation that provide for alternating phases of retirement asset accumulation.

Alongside fundamentally reshaping the world we knew, Covid-19 brought a sea shift in people's approach to life and its insurance. In many ways, the pandemic instituted a necessary reset — it resulted in increased awareness of the value of protecting loved ones, underlined the importance of mortality protection, and put financial wellbeing and health matters at the forefront in the minds of Indians. In the decade ahead, the life insurance sector is at a similar crossroads. On the back of a strategic focus on health and retirement, the sector has the opportunity to meet evolving customer needs and unlock long-term growth and profitability. Winning life insurance firms would excel by personalising every aspect of the customer experience, facilitating flexible solutions, and collaborating with government and regulators more systemically.

(The Writer is Prashant Tripathy.)

TOP

Insuring a bright future for the life insurance industry – The Hindu Business Line – 25th September 2021

The next decade holds a lot of promise for the life insurance industry. The increase in the size of the global middle-class population, higher incomes, medical and healthcare inflation, and the heightened need for mortality protection have become the tailwinds for the life insurance industry. Awareness amongst consumers continues to rise, and so do the business volumes.

As of year to date August 2021, the industry has grown by 17 per cent in terms of Individual New Business Annual Premium Equivalent (APE), and the private sector has grown by 31 per cent - and this is just the beginning. The future is rapidly changing with ever-evolving technologies that keep altering business and social landscapes. The only way we can be prepared is through relentless and disruptive innovations. As insurers, it is our responsibility to proactively drive the change we wish to bring about.

Consumer expectations will pivot, and our value propositions have to keep up. Are protection or pure term plans truly vanilla offerings, or can we spice them up a bit? Is savings in life insurance restricted to creating a financial corpus, or can we also offer ecosystem solutions? Is the current buying journey adept, or can we impress the customer by simplifying it further?

Answering these questions by "thinking like a customer" will give us incisive insights into how the industry will shape over the next decade. Here is a glimpse of what we can expect.

Vanilla is Passe
We must spice up our product suite to meet the needs of our customers. Millennials and Gen Z need products that can adapt to their changing lifestyle; bite-sized or context-based insurance appeals to them. Imagine winning extra points for following a healthy lifestyle! Data from lifestyle apps, search engines, wearables and other consumer devices offer invaluable insights into customer habits, which can help predict premiums. E.g., fitness enthusiasts with a healthy exercise record may have to pay lower premiums than to those with a high-stress job and an adversary medical history.

Essentially, in 10 years from now, I foresee people buying insurance for a handful of rupees, which can potentially reduce further if the buyer is fitter than the 'average Indian'. An insurance policy could also be activated or deactivated at will. As bizarre as it may seem today, this seemingly large gap between "here and now" and "then and there" will most likely be bridged within the next few years itself.

An Ecosystem Vs. A Corpus
Intending to offer customers a larger range of relevant products and services, many insurers build the means to facilitate end-to-end buying experiences.

● If retirement is the financial goal, setting up an ecosystem with retirement homes, delivery services, hospitals, and other relevant services will help an insurer provide differentiated offerings to customers.

Life insurers could offer 25 years at a retirement home, along with appropriate services, instead of paying out annuities.

● If the financial goal is providing for a child's education, tying up with educational institutions, hostels, packers & movers, and other relevant services will help an insurer ensure that the customer's goals are fulfilled.

Offering an ecosystem solution is currently difficult to fathom, but it will change with time. This will also present insurers with forward integration opportunities, and it should not surprise us if insurance companies invest in schools, retirement homes and the likes in the foreseeable future.

KISS (Keep it Supremely Simple) for the customer
A digital footprint is a reality. Financial health, medical health, social and political beliefs – everything has a digital trail. There are nine billion devices connected to the internet today, and in ten years, this number will only rise. We have to bring it all together and use it to make life simpler for the customer. Documentation, health check-ups, and underwriting can be done by leveraging on the customers' digital trail – as soon as the customer gives their consent. Adhering to safety protocols and safeguarding the customer's privacy is a given.

This is likely to lead to a productive role reversal. Instead of the customer sharing documents and insurers verifying them subsequently, insurers would now collate the necessary data to populate the application form, underwrite the policy and eventually issue it. The customer simply needs to check the veracity of the facts and confirm accuracy. Opportunities don't happen. We create them. There are endless possibilities to create bespoke products that make sense for the consumer, enhance the buying experience, and excite them. Imagine a hyper-personalized product that grants peace of mind for your lifetime.

Imagine you securing for your life's certainties by simply saying YES – isn't that wonderful? Yes, it is! Is this transition easy? No, it is not! But then again, is this transition impossible? Most certainly not! Then, what will we need to ensure a bright future for the industry and its customers? It needs relentless inventions, innovations, and initiatives! The good news is that insurance industry practitioners recognise this.

(The writer is Rushabh Gandhi.)

TOP

Term life insurance policy cost likely to get costlier – The Telegraph – 27th September 2021

Term life insurance policies may become costlier with reinsurance companies in favour of stricter guidelines on underwriting amid high mortality claims.

According to industry sources, reinsurers have raised their provisions to cover for the rising claims, particularly in the first half of 2021. Munich Re, the largest foreign reinsurer in India, for instance, has increased its provisions by 241 million euros in the second quarter of calendar year 2021 because of higher-than-expected mortality in India and South Africa.

The numbers are also evident in the public disclosure of domestic life insurance companies. LIC saw its death claims rise to Rs 7,355.45 crore till the quarter ended June 30, 2021 against Rs 3,151.87 crore for the corresponding period a year ago. The trend of death claims is on the rise among private life insurance companies as well.

As a result of the high claims, reinsurers are proposing stricter underwriting guidelines. These include more financial information about the policyholders such as six months' salary slip and bank statement, more medical tests and higher sum insured.

“Already in the last 18 months, there has been a 25-30 per cent rise in premium rates. Additional compliance with the tightening of guidelines from October could result in higher cost for the policyholder,” said an industry source.

The premium rates have risen for health insurance policies too with the increase more steep for senior citizens. An increase in the claims ratio, standardisation of polices, medical inflation largely because of the Covid pandemic are among the factors contributing to the rise in rates.

“Majority of the grievances and complaints in health insurance are related to lack of proper understanding of the product that is purchased. Individuals should enquire about the waiting period, co-pay sub-limits, sum insured, top-up options, non-payables, discount on wellness while purchasing the policies,” said S. Prakash, managing director, Star Health Insurance.

TOP

Choosing the perfect rider for your life insurance policy – Live Mint – 27th September 2021

Life insurers offer a range of riders that you can buy with your life insurance policy by paying an additional premium. Sometimes, insurers provide riders in bundled plans to lure customers. Many riders may suit your needs. But, should you increase the life insurance element by buying these bundled plans?

Let us look at the types of riders available, and who should ideally buy these riders along with life insurance.

A rider is a voluntary add-on that you can typically buy with life insurance. Some familiar riders are accidental death benefit rider, waiver of premium rider, income benefit rider, special exit value rider, premium break rider, guaranteed insurability option rider and critical illness benefit rider.

Accidental death benefit rider: Accidental death benefit riders promise an additional sum insured to policyholders upon their death in an accident. Suppose a base policy offers a sum insured of ₹50 lakh, and the policyholder has availed accidental death benefit rider for ₹10 lakh. Upon the policyholder’s death, the insurer pays ₹60 lakh to the beneficial nominee.

This rider is essential in today’s life, as almost everyone needs to travel for their jobs, business or other work. “Probably, you are careful when driving. However, you can’t be sure about others driving on the road; hence, this rider is essential for people travelling inter-city, outside the city or abroad," said Naval Goel, founder and chief executive officer, PolicyX.com.

Waiver of premium rider: Generally, a policy automatically lapses when an insured discontinues premium payment due to job loss or disability. However, this rider helps a policyholder to keep the policy active despite non-payment of premium in such cases. It keeps the insured entitled to their policy and provides access to all its promised benefits.

According to industry experts, this rider helps people working in vulnerable environments and who require frequent hospitalization that affects their income.

Income benefit rider: This rider provides the policyholder’s family with additional income annually besides the sum insured. “The breadwinners with large and extended families can go for this option as at times only the sum insured is inadequate for the survival of the family that may include aged parents, children and spouse with no income source. It helps sustain the policyholder’s family, said Goel.

Critical illness benefit rider: This rider pays a lump sum upon valid diagnosis of a critical illness covered in the plan that can be useful to policyholders or their family in dire times.

Anyone who has a history of critical illness in the family or is likely to get one in the future due to lifestyle can take this rider. Piyush Trivedi, joint president, Kotak Life Insurance, said, "Given the incidence rates of critical illness and the impact of lifestyle-related illness, this benefit is relevant for all individuals irrespective of age. If we still need to identify a segment, any individual 30 years and above should have this cover."

Return of premium rider: This rider helps a policyholder get a refund of the total premium paid for the term insurance if he survives the policy tenure. But if the policyholder dies during the policy tenure, the sum assured is paid to the nominee. Most people feel term insurance is a waste if they survive the policy tenure. Thus, people looking for some return on their survival can buy this rider. An industry expert said a conservative investor looking for financial security and protection could buy this rider.

Accidental disability benefit rider: If the policyholder faces a permanent or partial disability due to an accident, this rider comes into play. The policyholder can get regular pay for the next 5-10 years after the accident in a specific percentage of the sum insured. This steady income may work as a regular income for the policyholder. People involved in travelling, driving or riding bikes can opt for this to ensure that no accident-led event makes their family suffer. Trivedi said, "Again, this rider can be taken by all age groups between 18 and 50 years, along with the other riders taken."

Special exit value rider: This rider allows the policyholder the freedom to choose a time to exit a policy and receive all premiums paid for the base protection benefit. This rider can be availed when the policyholder does not take the return of premium.

According to Goel, people who think their financial responsibilities towards their family will be over by the age of retirement and their family will not depend on them for finances can use this rider. "This rider is for the masses as it comes free of cost," he said.

Premium break rider: This rider allows you to take freedom from the premium payment twice during the policy by taking breaks and still have the policy active. It helps policyholders skip paying a premium for a year, during which their policy will still cover them. The first break can be availed only after 10 policy years, if the policy is in force. The policyholder can exercise the second premium break only after a minimum of 10 years from the first premium break. According to industry experts, this premium can help policy buyers in the 30-35 years age group who would like to take a break from insurance premium payment to fulfil their other responsibilities such as children's education fees or surgery in future.

(The Writer is Navneet Pandey.)

TOP

GENERAL INSURANCE

Underwriting losses fall, profits jump 300% for general insurers – The Indian Express – 28th September 2021

Despite paying a huge sum as claims and facing other challenges and constraints triggered by the Covid pandemic throughout the fiscal, the general insurance industry has seen its net profit rise almost 300 per cent year-on-year to Rs 3,868 crore and underwriting losses decline in FY21.

Two dozen general insurance players including four public sector companies, five stand-alone health players and two specialised players — Agriculture Insurance Company (AIC) and Export Credit Guarantee Corporation (ECGC) — had made losses of Rs 1,403 crore in FY20, as per an analysis based on data from General Insurance Council. The industry's total underwriting losses fell 17.24 per cent to Rs 19,416 crore in the period. While the industry saw massive disruption due to the sudden onset of Covid-19 in terms of key parameters like gross premium, policies issued, underwriting losses/profit, combined ratio, gross claims, number of employees, FDI and investment in infrastructure and social sectors since March 2020, it witnessed significant improvement in FY21.

With a gross premium of over Rs 2 lakh crore, posting a 9 per cent growth, of the total 31 players, 17 — including two specialised insurers AIC (along with underwriting profit) and ECGC — posted healthy net profits, including in FY21. Insurers saw a significant rise in health claims in the year. While FY21 results of the industry point to a turnaround in fortunes, a deeper analysis shows the same was driven by some few one-off factors: motor claims were low amid a prolonged lockdown, agriculture had a good year and property insurance prices remained stable. The insurance industry's losses were relatively benign due to a variety of reasons in the first wave of Covid, analysts said.

New India Assurance, the largest Indian multinational general insurer, had recorded a net profit of Rs 1,605 crore in FY21 as compared to Rs 1,417 crore in FY20. Its gross global premium had expanded by 6 per cent to Rs 33,046 crore (Rs 31,573 crore of gross Indian premium) in FY21. However, the first half of 2021-22 has seen a reversal in several aspects. The second Covid wave has hit the health insurance portfolio much harder and motor insurance has seen more intense price competition due to lower demand of new vehicles. Prices for small and medium risks have plummeted in the property space. "All these point towards a much worse performance of the industry going forward," analysts said.

"Overall, the industry seems to have lost pricing discipline on many lines of business and the effect of increased rates of health portfolio remains to be seen in terms of how it is played out or sustained," said an official. Three PSU general insurers — National Insurance Company (NIC), United Insurance (UII) and Oriental Insurance Company (OIC) — have managed to bring down their such losses substantially. Kolkata-based NIC's underwriting losses plunged from Rs 5,759 crore in 2019-20 to Rs 2,484 crore in 2020-21. All the three PSU general insurers made losses, with OIC posting a loss of Rs 1,519 crore in 2020-21.

Five players, including Bajaj Allianz General Insurance (96.89 per cent), ICICI Lombard General Insurance (99.82 per cent), SBI General Insurance (95.71 per cent), Care Health Insurance (92.89 per cent) and AIC (94.35 per cent), recorded positive combined ratios in 2020-21. Any combined ratio, calculated by dividing the sum of claim-related losses and expenses by earned premium, below 100 per cent means the insurer is making an underwriting profit.

(The Writer is George Mathew.)

TOP

India: General insurance sector turns financial results around in FY2021 – Asia Insurance Review

The general insurance industry in India posted an aggregate net profit after tax of INR38.7bn ($522m) in the financial year ended 31 March 2021 (FY2021) from a net loss of INR14.0bn in FY2020, data released by General Insurance Council (GIC) show.

According to GIC, in FY2021 the industry earned a gross written premium of INR2.06tn up from INR1.96tn in FY2020.

The gross incurred claims for the industry in FY2021 stood at INR1.48tn, down from INR1.53tn in FY2020.

The non-life insurance sector narrowed its underwriting loss to INR194.16bn in FY2021 from INR228.59bn in FY2020. The industry's combined ratio in FY2021 was 112%, down from 118% the previous year.

The sector posted an increase in investment income to INR289.24bn in FY2021, up from INR278.22 in FY2020. The Indian non-life insurance industry last year comprised 25 general insurers, five standalone health insurers and two specialised insurers (Agriculture Insurance Company of India and ECGC). The number of offices fell to 11,245 at 31 March 2021 from 11,380 at the end of FY2020.

TOP

Health continues to lead premiums, but private health insurance cos' growth drops - The Economic Times – 25th September 2021

The non-life insurance industry continued its robust performance with August 2021 reporting a 24.4% growth vs 10.1% growth witnessed in August 2020 and 19.5% growth witnessed in July 2021. Nonlife insurance premium reached Rs 21,871.7 crores crore for August 2021 compared to Rs 17,580.6 crore in August 2020. The growth has continued to be driven by the health segment; however, the crop insurance segment has emerged as the largest contributor to the premiums.

Health leads

The health segment grew 34.9% in YTD in August FY22 which is significantly higher than the growth of 12.6% witnessed in YTD August FY21, given that the early part of FY21 was spent under a nationwide lockdown. The motor insurance segment has continued improving its growth rate from YTD July FY22 rate of 4.8% to 5.9% in YTD August FY22, compared to a 16.1% drop in YTD Aug FY21. The increase can be attributed to the continued higher sales witnessed in August 2021.

Crop insurance has increased 15.3% in YTD August FY22 to Rs 11,671 crore from Rs 10,096 crore in YTD August FY21, driven the kharif season crop enrolment deadlines. This jump has propelled the crop insurance segment to the third place ahead of the fire segment for the period under review. In FY21, crop insurance had a share of 9.6%, which had declined from 12.1% in FY20.

General insurers

General insurers grew at 17.9% for August 2021 which is higher than the 5.2% growth witnessed in August 2020. The YTD numbers grew at a 14% for YTD July FY22 versus a marginal decline of 0.6% in YTD August FY21. The general insurance segment continues to maintain the highest share; however, its continued growth can be attributed to the health portfolio.

Standalone private health insurers have reported a lower year-on-year growth of 26.1% in August 2021 (compared to last August's growth rate of 44.2%) to Rs 1,613.5 crore after growing by 46.6% for the first four months of this year. The premiums have also declined sequentially by 7.9% on month-on-month basis. Specialised insurers too have grown by 52.5% in August 2021 and by 38.4% for YTD August FY22. The growth can be attributed to the cop insurance premiums, which have increased due to the kharif season.

Public insurers ahead

Public insurers premium growth was higher at 30.1% compared to the 19.9% premium growth reported by the private players. Public insurers growth has been driven by the jump in crop insurance premiums especially in the Agriculture Insurance Company of India Ltd. On the other hand, the YTD August FY22 numbers have continued the previous trend of private players outpacing their public peers. "The non-life premiums are expected to be driven by continued uptick in the health segment and as covid claims are moderating compared to earlier levels, motor insurance segment reporting a growth in premiums, albeit on a lower base, and enhanced digital solutions complemented by the offline offerings," CARE Ratings said.

TOP

Commercial banks account for over 93% of premium payments to DICGC in FY21 – Financial Express – 25th September 2021

Scheduled commercial banks account for over 93% of premium payments to the Deposit Insurance and Credit Guarantee Corporation (DICGC) in FY21, showed the corporation's annual report for the year. This is even as a majority of bailouts by the DICGC were for co-operative banks.

Commercial banks, including local area banks (LABs) and regional rural banks (RRBs), paid a total premium of Rs 16,341 crore in 2020-21, while co-operative banks paid Rs 1,176 crore. However, the coverage of deposits by share is highest in the case of RRBs. "An examination of the covered deposits under insurance protection among major bank groups other than payment banks indicate that RRBs account for the highest share of around 84%, followed by local area banks (80.1%), co-operative banks (69.4%), State Bank of India (59.1%), public sector banks (54.6%), small finance banks (44.5%), private sector banks (39.6%) and foreign banks (6.8%), respectively," the annual report said.

Earlier this week, the DICGC said it shall pay the depositors of 21 insured banks facing restrictions on withdrawal an amount equivalent to the deposits outstanding up to a maximum of Rs 5 lakh within 90 days. The claims shall be settled in terms of Section 18A of the DICGC (Amendment) Act. Instructions have been issued to these banks to submit the claims within 45 days after obtaining the willingness of depositors to claim deposit insurance, DICGC said.

In recent years, some commentators have argued in favour of moving to a risk-based premium payment regime for banks. This means that a better-rated bank will have to shell out less as premium on its deposits and vice-versa. Indeed, Section 15(1) of the DICGC (Amendment) Act states that the DICGC can, with regard to the financial position of a bank and with prior approval of the Reserve Bank of India, raise the premium limit of 15 paise per annum for every Rs 100 of the total amount of its deposits. All banks currently pay a flat 12 paise for every Rs 100 worth of deposits.

Industry experts said it is only fair that customers of larger commercial banks help cover the costs of protecting the depositors of smaller banks. "The co-operative banks were set up with the specific purpose of financial inclusion for segments of the population that mainline banks tend to exclude. So there is nothing wrong in letting the customers of bigger banks support those from the weaker sections," a legal expert said on condition of anonymity.

TOP

HEALTH INSURANCE

World Heart Day: 63% fall in health insurance claims for heart disease – The Economic Times – 29th September 2021

There has been a steep 63% fall in the number of claims related to heart diseases in the past two years, as revealed by the ICICI Lombard General Insurance data. Compared with 7,360 claims in 2019-20, there were only 2,737 claims till August 2021.

Women have shown a sharper fall in the number of claims at 63.8% compared with 62.4% for men. This aligns well with the findings of a recent survey by ICICI Lombard, which claims that nearly 87% women suffering from heart diseases are regular with their health check-ups compared with 74% men. The survey was conducted among 1,493 people across the country, in September 2021.

Among cities, Kolkata has seen the steepest fall of 74.9% in the number of claims, followed by 71.6% for Chennai and 70.6% for Pune. As far as surgeries are concerned, there has been a decrease in both elective and non-elective surgeries during Covid, with the numbers falling by 50.5% and 64.3%, respectively.

Despite the fall in claims numbers for heart diseases, as many as 68% people have bought additional health covers since Covid, while 15% people are planning to increase it. This is probably because in the past two years 69% women and 43% men who were suffering from heart ailment, contracted Covid, while nearly two-thirds of the respondents faced heart-related issues after contracting Covid. Subsequently, more than two-thirds of the respondents have started eating healthy and exercising regularly to stay fit, claims the survey. Besides, 46% people believe health insurance has become a necessity, while one in three believe health insurance is more important now compared to pre-Covid time.

Pay-out for women has fallen by 57.1%, for men by 55.2%

Gender	2019-20		2020-21		2021-22 (till Aug)	
	No. of claims	Pay-out	No. of claims	Pay-out	No. of claims	Pay-out
Male	5,327	680	4,616	646	2,001	304
Female	2,033	212	1,638	182	736	91
Total	7,360	892	6,254	829	2,737	395

Kolkata has seen the sharpest fall of 74.9%

City	No. of claims		% age fall in no. of claims
	2019-20	2021-22 (till Aug)	
Mumbai	1,252	403	67.8%
Delhi NCR	1,127	395	64.9%
Hyderabad	565	211	62.6%
Chennai	500	142	71.6%
Bengaluru	435	159	63.4%
Pune	371	109	70.6%
Kolkata	335	84	74.9%
Ahmedabad	148	75	49.3%

Source: ICICI Lombard claims data.

(The writer is Riju Mehta.)

TOP

Health insurance: Insurers need to own hospitals so as to reduce medical costs – Financial Express – 28th September 2021

Health insurance and healthcare are two inseparable elements for the insurance industry. If the cost of healthcare is too high, it will be difficult for insurers to provide health insurance at an affordable cost. When insurers are under compulsion to keep the price low, they will cut corners by imposing a whole lot of exclusions in the policy conditions. This is what our experience is. Rate of claim rejections continue to be high (except in group health covers purchased by big corporations). In many situations, only a fraction of the total healthcare costs are reimbursed. Out of pocket expenses continue to be high. This impasse has been going on for years. No wonder Indian health insurance has the highest complaints rate as compared to other countries.

This is bound to happen when demand and supply are allowed free play in the healthcare industry. The market should always determine the price of a commodity. But, in a country where people are yet to be as prosperous as the developed countries, high costs of medical treatment can lead even a middle-income household into penury.

Social security

Health insurance is more of a social security type arrangement, designed to indemnify a person of the financial losses suffered due to medical treatment including treatment that is needed after hospitalisation. The healthcare industry and health insurance industry are functioning at cross-purposes in most situations. Health insurers can remain useful to society only if the hospitals do not overcharge and avoid going for treatment protocols that are not required.

In India, the end result is both health insurers and healthcare providers manage to maintain their bottom-line at the expense of the customers and customers accept this as fait accompli. India can prosper only if people are strong and healthy. Rise in lifespan per se does not indicate good health of citizens. A disease infested body can neither do quality manual or intellectual work.

Use of artificial intelligence

What then is the way out? One solution is to delist all hospitals which thrive by exploiting customers with some health insurance cover. Artificial Intelligence should be used to find out cases where unnecessary medical protocols may have been used to extract money. To make health insurance more acceptable, there should be simpler health plans with very limited exclusions. Rather, let there be a battery of medical tests before a proposal is accepted. Let there also be a waiting period of, say, 90 days that can prevent customers from claiming reimbursement for treating diseases like cancer, paralytic stroke, renal failure and even Covid-19. But, after 90 days, there should be no scope for insurers to reject any portion of the claim whatsoever.

However, to make health insurance really alter the face of healthcare, the health insurers perhaps need to go one step further. As it is practically impossible to keep a tab on how each of their network hospitals function across the country, a model adopted by many health insurers of the developed markets can be looked into. The insurers are acquiring hospitals in major cities and making it mandatory for their customers to get admitted into these hospitals only. This arrangement ensures that the medical bills are never inflated and out-of-pocket expenses are kept at the minimum. US health insurer Aetna not only owns hospitals but ties up with specialist doctors also. This model can reduce the costs in India much more than the developed countries. The government also has to encourage more hospitals and medical colleges to come up.

(The Writer is Tushar Chatterjee.)

TOP

Things to remember while buying a health insurance – The Telegraph – 27th September 2021

Most of us invest a lot of time in researching and determining what's best for us. For instance, we look for a smartphone with a good storage space and battery life or when deciding on a car, we check the leg room it offers and the mileage it gives.

Checking the features and durability when buying anything is a common tendency. But are you this careful when buying a health insurance for yourself and your family members?

Just buying health insurance for the sake of it is not enough. In order to be appropriately secured, you need to look into the coverage and more importantly, the sum insured of the policy. Your policy may cover you for many ailments, but if you don't opt for the right sum insured, the policy is not of much use.

The sum insured of your health insurance policy is basically the extent to which your insurer will pay you in case of a medical exigency under the terms and conditions mentioned within the policy. Just imagine a scenario wherein you have a family floater health insurance policy for yourself and your spouse with a sum insured of Rs .3 lakh, which you may have bought for tax saving purpose.

Do you think this amount will be enough to cover both of you in case both are detected Covid-19 positive and need to be hospitalised? Certainly not. You may end up digging into your savings or borrowing from your relatives to pay for the hospitalisation expenses. Below are some of the factors I believe if accounted for will help you choose the right sum insured for your base health insurance policy.

Age is a factor
It is a known phenomenon that the more you age, the higher will be your medical treatment costs. Hence, you should opt for the right sum insured from the beginning. When you are younger, not only is the premium of your policy less, but since there are less chances of you making a claim, you also get a no claim bonus upon renewal wherein your sum insured increases up to a certain extent.

However, if you are buying a policy when you are 50 years or above, you must have a sum insured of at least Rs 10 lakh considering that even a normal surgical procedure can cost you about Rs 2 lakh.

'What if' scenario
While we always hope for the best, we need to be prepared for the worst. Hence, think about 'what if' you or your family members were to be hospitalised. You need to understand and identify the average treatment expenses of good hospitals around you and their room rent costs. This simulation will help you arrive at the sum insured you need to opt for your base cover.

Family history & members
If there's a history in your family for a particular ailment or health condition, you should factor in the treatment cost of that ailment while choosing the sum insured of your policy.

Family members: This factor is more important in case you are buying a family floater health insurance policy. Since the sum insured under this policy floats across all the family members, it is important to consider everyone's age, needs of each member and their future healthcare expenses.

You need to ensure here that if one family member falls ill, the sum insured is such that it doesn't get completely exhausted, thereby ensuring other members are still covered.

Revisiting the sum insured
Today, a Rs 5 lakh base health indemnity policy may be sufficient for an individual.

However, considering the rising medical inflation at 12-15 per cent every year and the unknown ailments striking us for which the treatment costs may be higher, it's wise to revisit your sum insured every couple of years. This will ensure that you are appropriately covered in line with the healthcare costs, thus reducing your out of pocket expenses.

There are times when your basic health insurance policy with reasonable sum insured may not be sufficient for you, especially for treating health conditions like a stroke or a kidney failure. Hence, after you have sorted out the sum insured of your base cover, you need to look at how you can further enhance your health coverage.

In addition to the basic health policy it is advisable to opt for a super top-up policy, which helps extend your policy to a higher sum insured at a very low price. Additionally, you can opt for a critical illness policy, which is a benefit-only policy that provides you a lump sum amount upon being diagnosed with life threatening health conditions as listed in your policy.

Opt for a personal accident cover, which is also a benefit policy and covers death along with total, partial and temporary disability that arises out of an accident. These measures will ensure you have a holistic health insurance cover to take care of you in case of any medical exigency. Health insurance is an indispensable financial tool, which can go a long way in increasing one's life expectancy because of access to quality medical treatment. I'm sure that if you take into account all the above points, you'll be sufficiently covered in case of a medical exigency.

(The Writer is Tapan Singhel.)

TOP

Seniors should buy health plans with some co-pay if premium has to be low – Business Standard – 26th September 2021

Keeping in mind the possibility of a third wave of the pandemic, buying health insurance for those who have none is a priority--especially those who are vulnerable, like senior citizens. S P Prakash, managing director, Star Health and Allied Insurance, says, "Health insurance for seniors is now an essential need like food, clothing and shelter, etc. It's no longer a question of whether or not they should have a health plan." But when choosing a senior citizen plan, many issues need to be considered. There are comprehensive insurance plans which can be bought for senior citizens, though some insurers also offer dedicated senior citizen policies. Prakash says, "Individual cover and family floater cover is available up to 65 years. Those over 65 years must consider senior citizen policies." Compared to regular policies, these specific plans are expensive, as the insurer has factored in the age risk. Gurdeep Singh Batra, head–retail underwriting, Bajaj Allianz General Insurance, says, "Standard Plans covering hospitalisation/medical costs for disease or accident should be preferred so as to have a comprehensive cover. Dedicated plans can be additionally bought looking at hereditary illnesses or previous family history of diabetes or cancer, in order to have extra protection."

Some dedicated policies don't even have a medical check-up for buying. If you are a healthy senior, go for a normal policy. But what if you have any health issues? Rishad Manekia, founder and managing director, Kairos Capital says, "It depends on individual to individual; usually a floater is recommended if you're covering several family members. But if someone has a certain specific illness, one can opt for dedicated plans as well. For instance; a diabetic should opt for dedicated plans which cover the ailment." Simply put, co-pay amount is the percentage of the claimable hospital bill that you will have to pay. Higher the co-pay, the more you will have to shell out of your pocket. Mayank Bathwal, CEO, Aditya Birla Health Insurance, says, "Co-payment provides a win-win situation for both, customers and insurers. Settling for plans for co-payment options is one way of keeping premiums low." Co-payment applies on specified hospital charges, ailments, room rent and surgeries etc. Bathwal adds, "It is advisable for one to opt for waiver of co-payment by paying an additional premium, if possible." If you don't mind shelling out a little more premium to avoid co-pay later, you may consider the same. Manish P Hingar, founder, Fintoo says, Sometimes the minimum share may also go beyond your expected limit. So, it is always advisable to go for a regular, all-inclusive health insurance, instead of a co-pay plan." In short, for senior citizen plans, the percentage of co-payment is 10-30 percent. Go for plans with a reasonable co-pay amount if you need to keep premiums low.

It is usually a critical illness that burns a bigger hole in the pocket. Hence, many buy defined-benefit critical illness policies. Here a lump sum is paid in the event of diagnosis of listed ailments; this supplements the co-pay ratios or disease-wise capping if any. Naval Goel, founder & CEO, PolicyX.com, says, "Base cover is always essential as it pays for multiple diseases and their related treatments in hospitalisation wherein critical illness riders come alive only when the policyholder is found to be infected with a critical illness." If a person has to pay the bill of Rs 5 lakh and the base cover is merely Rs 3 lakh then the rest of the money will have to be paid by the policyholder. Goel says, "The add-on will not come into the play here. However, if a person has sufficient base cover then he/she can pay for the critical illness as well, even in the absence of the rider." In short, health insurance will take care of the insured person’s hospitalisation expenses, an independent critical illness cover will help meet additional expenses triggered due to it. First go for base, then add-on. Bathwal says, "It is a known fact that critical illness expenses are costlier than any other common illnesses. It is advisable to have an independent critical illness cover, as the money pay-out here is a lump sum on detection of particular illness and not based on actual treatment cost."

Since senior citizen plans are expensive, to keep premium affordable, many skip the base health insurance cover and try to manage only with super top-up plans. Bathwal says, "A super top-up health plan can be the ultimate backup in case the insured person exhausts the base insurance coverage. The best part is that one can avail this even if he doesn’t have a health policy. Once the deductible is paid, the super top-up policy is activated for subsequent claims." With a top-up health insurance plan, you can exceed the threshold limit for your coverage for a single medical claim or hospitalisation per year of the policy. Any further medical expenses or hospitalisation within that year will not be covered under the top up health insurance plan. In super top ups health insurance plans, you can avail this same benefit for multiple medical claims and hospitalisations in a year. Ideally, one should always have an adequate base cover for themselves and their family members. Batra adds, "One should opt for a super top-ip cover besides the base cover to ensure wider protection considering the increase in medical costs." Amit Chhabra, head-health insurance, Policybazaar.com says, "Go for a high sum insured or if you buy super top up, it should be from the same insurer." There are several things to keep in mind while buying a senior health insurance plan. Chhabra says, "Homecare treatments are yet another important aspect to consider when buying health insurance for senior citizens. One should buy a plan that covers hospitalisation at home."

Senior Citizen Health Insurance Plans		
Insurer	Plan	Annual Premium (Rs)
Star Health and Allied Insurance	Senior Citizen Red Carpet	26,550
Aditya Birla Health Insurance	Activ Care Standard	24,202
Care Health Insurance	Care Senior	25,828
Comprehensive Health Insurance Plans		
Insurer	Plan	Annual Premium (Rs)
Care Health Insurance	Care	25,265
Star Health and Allied Insurance	Star Comprehensive	30,881
Aditya Birla Health Insurance	Activ Health Platinum Enhanced	31,927
Bajaj Allianz General Insurance	Individual Health Guard	39,884
Source: Policy bazaar		

Annual health check-ups are very important for senior citizens as most of them get themselves tested once every-year. Claim ratio is a ratio of the number of claims paid to customers by the insurance company to the total number of claims. You should purchase health insurance from insurers that have a 90 percent claim settlement ratio. You can get this information from the insurer's websites. Every insurance comes with some exclusions. Read the fine print of the policy to understand exclusions. Check if there are any medical tests needed. Prakash says, "We don't have pre-acceptance screening. You have to fill a self-declaration proposal form." Be careful you don't lie in the self-declaration form, as that could lead to claim rejection. Look for policies that allow you a cashless facility and have a network hospital in your home vicinity. Pre-existing diseases (PED) are an important parameter to check. If you are currently suffering from an illness, the policy may either exclude it permanently or cover it only after a waiting period. The waiting period is usually 2-4 years. Look for a policy where the PED wait period is lower. Go for policies that have a one-year waiting period for senior citizens.

(The Writer is Bindisha Sarang.)

TOP

MOTOR INSURANCE

No Insurance Claim if Vehicle Driven Without Valid Registration: Supreme Court Hindustan Times – 30th September 2021

Supreme Court has came out with the observation that car insurance claim for vehicles without valid registration can be denied. The observation was made on Saturday when Supreme Court rejected an insurance claim of a car with temporary registration which was reportedly stolen.

United India Insurance Company Limited, one of the more popular vehicle insurance companies in India, had filed an appeal against the claim.

United India Insurance had challenged an order of the National Consumer Disputes Redressal Commission which dismissed the company's petition challenging an earlier redressal in Rajasthan. The vehicle, a Mahindra Bolero with an insured sum of ₹6.17 lakh, had expired 10 years ago.

The top court dismissed the insurance claim saying there is a fundamental breach of the terms and conditions of the policy. “What is important is this Court's opinion of the law, that when an insurable incident that potentially results in liability occurs, there should be no fundamental breach of the conditions contained in the contract of insurance," said the bench, headed by Justice U Lalit and Justices S Ravindra Bhat and Bela M Trivedi.

The Supreme Court made the observation, noting that the Bolero SUV had been driven without a valid registration on the date of theft. The offence is a violation of Sections 39 and 192 of the Motor Vehicles Act, 1988. “This results in a fundamental breach of the terms and conditions of the policy, as held by this Court in Narinder Singh (supra), entitling the insurer to repudiate the policy. This court is of the opinion that the NCDRC's order cannot be sustained," the bench said.

The owner of the vehicle had bought the insurance policy in Punjab, despite being a resident of Sri Ganganagar, Rajasthan. 10 years ago, his vehicle was stolen from a parking lot in Jodhpur. He lodged an FIR at Jodhpur alleging commission of offences under Section 379 (theft) of the Indian Penal Code. Few months later, the police lodged a final report stating that the vehicle was untraceable.

TOP

CROP INSURANCE

Crop insurance and interest subsidy top Centre's agricultural spends – The Hindu Business Line – 30th September 2021

The actual total expenditure on important agricultural schemes and missions by the Centre has increased from ₹30,167 crore in 2016-17 to ₹41,417 crore in 2020-21. However, 75 per cent of the actual expenditure is on two schemes - Pradhan Mantri Fasal Bima Yojana (PMFBY) and interest subsidy for short term credit to farmers. Major initiatives like mechanization of farming, micro-irrigation and organic farming planned to introduce a paradigm shift in agriculture have received a minuscule share of the total expenditure. In the last five years the government has incurred expenditure of ₹1,75,533 crore on 13 major schemes according to the Ministry of Agriculture and Farmers Welfare data presented to Lok Sabha last month.

Many schemes implemented by the Department of Agriculture are providing subsidies apart from other components, on various aspects of agriculture like credit, insurance, mechanization, marketing, irrigation, seeds and other interventions.

PMFBY

The government spending on PMFBY is 36 per cent of the total expenditure on schemes in the last five years. The scheme was planned to provide a comprehensive risk solution at the lowest uniform premium for farmers. Premium cost over and above the farmer share is equally subsidized by States and the Centre. The government of India shares 90 per cent of the premium subsidy for North-eastern States to promote the uptake in the region. The average sum insured per hectare has increased from ₹15,100 during the pre-PMFBY Schemes to ₹40,700 under PMFBY. The PMFBY launched in 2016 has seen rising government expenditure for the last three years.

Scheme-wise actual expenditure

Department of Agriculture and Farmers' Welfare (₹ in crore)*

Name of mission/ scheme	2016-17	2017-18	2018-19	2019-20	2020-21
PM Fasal Bima Yojna-NCIP	11,055	9,419	11,937	12,639	17,790
Interest subsidy on short term credit	13,397	13,046	11,496	16,219	14,161
Market intervention/ price support scheme	146	701	1,400	2,005	1,358
Agricultural mechanization for crop residue	0	0	584	594	571
Pradhan Mantri Krishi Sinchan Yojana	1,991	2,819	2,918	2,700	2,562
National Food Security Mission	1,292	1,377	1,606	1,769	1,675
Organic value chain dev. for NES region	49	66	175	104	137
Paramparagat Krishi Vikas Yojna	153	203	329	284	381
National project on AgroForestry	23	43	29	28	27
Integrated dev. of horticulture, NBHM	1,501	2,027	1,997	1,331	1,423
Sub-Mission seeds & planting material	170	424	333	284	257
Sub-Mission on agri mechanization	391	764	1,101	965	1,000
National Bamboo Mission	0	0	150	85	75
Total	**30,167**	**30,890**	**34,054**	**39,005**	**41,417**

*Numbers for 2020-21 is provisional Source: Lok Sabha August 2021

Interestingly, the data available with the Ministry of Agriculture shows that out of total farmers in the group of marginal, small and other farmers who opted for crop insurance in the Kharif season the number of marginal farmers has declined from 18.08 per cent in 2018 to 16.55 per cent in 2020. For Rabi season it has gone down from 19.18 per cent to 17.39 per cent during the same period.

Credit flow

The government sets the annual target for the flow of credit to the agriculture sector. The agriculture credit flow target has been set at ₹13.50 lakh crore for the F.Y.2019-20, ₹15 lakh crore for F.Y. 2020-21 and ₹16.50 lakh crore for FY 2021-22. To extend the reach of institutional credit to farmers, government provides interest subvention of 2 per cent on short-term crop loans up to ₹3 lakh. Presently, a loan is available to farmers at an interest rate of 4 per cent per annum on prompt repayment. According to Raju Shetti, farmer leader and former

MP from Maharashtra even as the government claims that it is helping farmers to get credit, a huge number of small and marginal farmers are in the debt trap of private money lenders. Natural calamities, volatile markets, and government machinery's approach force farmers to rely on private money lenders, he said.

Mechanization last on the list

Promotion of agricultural mechanization for in-situ management of crop residue has received just ₹1,749 crore from the government in the last five years, which is just 1 per cent of the total expenditure on agricultural schemes while sub-mission on agricultural mechanization received ₹4,220 crore (2%) during this period. The Government of India has released funds for various activities of farm mechanization like the establishment of custom hiring centres, farm machinery bank, high-tech hubs, and distribution of various agricultural machinery to different States. The government has planned this mission to maximize the productivity of the available cultivable area and make agriculture a more profitable and attractive profession.

Micro-irrigation scheme Pradhan Mantri Krishi Sinchan Yojana has received relatively more amount (₹12, 991 crore) compared to schemes other than PMFBY and interest subsidy for short term credit.

(The writer is Radheshyam Jadhav.)

TOP

PMFBY losing sheen: Centre to discuss crop insurance norms with states – Financial Express – 30th September 2021

Amid a drop in the enrolments under its flagship crop insurance scheme PMFBY, the Centre will elicit the views of state governments over the next two days on how to restructure the scheme to extend the cover to more farmers.

The Union agriculture secretary Sanjay Agarwal will lead the discussions with the states. Agriculture minister Narendra Singh Tomar in a recent review meeting on PMFBY had directed officials in the ministry to make suitable changes to the scheme after getting feedback from states, a source said.

Already, Gujarat, Andhra Pradesh, Telangana, Jharkhand, West Bengal and Bihar exited the scheme, citing the cost of the premium subsidy to be borne by them. While Punjab never implemented the crop insurance scheme, Bihar, West Bengal and Andhra Pradesh have their schemes under which farmers do not pay any premium, but they receive a fixed amount of compensation in case of crop failure.

"Claims assessment task should be assigned to independent agencies using technology, preferably under the control of Insurance Regulatory and Development Authority (IRDA)," said Navneet Ravikar, CMD of Leads Connect Services. Claims to premium ratio under crop insurance in one season has a direct bearing on the premium charged by insurers in subsequent seasons.

According to provisional data of 19 states (excluding Karnataka), there is over 11% fall in enrolment of farmers under crop insurance during Kharif 2021 from last season's 1.68 crore. Karnataka is not included since this year's Kharif data of the state is yet to be uploaded in the central portal. Among major producing states namely Chhattisgarh, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Tamil Nadu and Uttar Pradesh the fall in enrolment is in the range of 2-75%.

Due to the late start of enrolment, Tamil Nadu has seen a 75% fall while Madhya Pradesh has an 11% decline in the number of enrolled farmers. Both these states joined late after the Centre approved of their plans on August 2 and got only one month for enrolment against normal April-July. While Madhya

Pradesh is implementing an 80-110 plan, popularly known as the "Beed formula", Tamil Nadu is doing it under an 80-20 plan.

Except in Rajasthan, Madhya Pradesh and Chhattisgarh, most other states have also seen a fall in applications during Kharif 2021, on-year. Applications are always higher than the number of farmers as the same farmers with multiple landholdings apply separately for each land. Due to the integration of digitised land records with PMFBY, Rajasthan has seen more than two and half times increase in applications, on-year, even though there is a 2% drop in the number of farmers enrolled. The agriculture ministry had earlier told the parliamentary standing committee on agriculture that most of these states opted out of the PMFBY due to their financial constraints and not because the scheme was unpopular among the farming community.

"Withdrawal/non-implementation of PMFBY by more states in subsequent years will defeat the very purpose for which the scheme was launched. The Committee, therefore, recommend the Department to properly look into the reasons/factors leading to withdrawal/non- implementation of the PMFBY by Punjab, Bihar, West Bengal, Andhra Pradesh, Gujarat, Telangana and Jharkhand and to initiate suitable steps so that States continue to implement the Scheme and farmers reap the benefit of the Scheme," the committee said in a report, submitted last month.

Under the 'Beed formula', also known as the 80-110 plan, the insurer's potential losses are circumscribed – the firm won't have to entertain claims above 110% of the gross premium. The insurer will refund the premium surplus (gross premium minus claims) exceeding 20% of the gross premium to the state government. Of course, the state government has to bear the cost of any claims above 110% of the premium collected to insulate the insurer from losses. In the 80-20 plan, both the gross premium and claims/profit of state government and insurer will be shared at 80:20 ratio, respectively.

The 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 under PMFBY. The balance premium is split equally between the Centre and states. Many states have demanded their share of the premium subsidy be capped at 30% while some others demand the Centre to bear the entire subsidy.

(The writer is Prabhudatta Mishra.)

TOP

SURVEY & REPORTS

75% COVID-19 patients were overcharged by hospitals: Survey – Live Mint – 30th September 2021

As many as 75 per cent of COVID-19 patients were overcharged by private hospitals, a survey carried out in Maharashtra has found. Nearly half of these patients died during treatment, said Dr Abahy Shukla of the Jan Aarogya Abhiyan, an umbrella group of activists working in the healthcare sector.

"We surveyed the cases of 2,579 patients, spoke to their relatives and audited the hospital bills. Ninety-five per cent of them were admitted to private hospitals," he said. "We found that 75 per cent were overcharged. The amount that was overcharged ranged between ₹10,000 to ₹1 lakh," said Dr Shukla.

Most of these patients were hospitalized during the second wave of the pandemic. There were at least 220 women among these patients who shelled out between ₹1 lakh to 2 lakh more than the actual bill, while in 212 cases, the patients or their relatives paid more than ₹two lakh in excess, Dr Shukla claimed.

Though the Maharashtra government had announced that the rates of treatment of COVID-19 at private hospitals will be regulated, the official instructions were not heeded, he said. Many of these patients or their families faced a financial crisis, were forced to sell off jewellery, borrow from relatives or even take out loans from money lenders to settle the bills, he said. As many as 1,460 (56 per cent) of the patients or their relatives faced this situation, as per the survey.

Seema Bhagwat, who lost her husband to mucormycosis, a fungal infection which some COVID-19 patients contracted, said he was in hospital for 38 days and they were presented a bill of ₹16 lakh. "Still, I paid three EMIs of the bank. There was insurance cover for the bank loan, but because I approached them late, they are denying my claim. How can they expect me to submit my husband's death certificate the day after he died?" she asked. "I am not begging for help. But the hospital bill should be audited and if I have been overcharged, the difference should be refunded to me," she said.

Shakuntala Bhalerao, convenor of the Abhiyan, said what is lacking is a law to regulate hospitals. A draft of the clinical establishment bill which seeks to create a regulatory mechanism is gathering dust, she added. "We fought two cases in Pune recently and the hospitals returned ₹83,000 and ₹90,000. They even admitted that they had overcharged. But we cannot fight each and every such case. There has to be some state mechanism to protect patients,' Bhalerao said. Mukund Dikshit, a senior activist, recounted that a police complaint had to be filed in Nashik because a hospital refused to hand over a patient's body over unpaid bill. "After intervention by the police and some activists, the body was handed over, but the hospital faced no action," he said.

TOP

Insurance claims for heart care see dip after Covid: Report – The New Indian Express – 27th September 2021

An internal analysis by ICICI Lombard General Insurance reveals that there was a sharp decline in insurance claims for cardiovascular ailments in India in 2020-2021 (during the pandemic), compared with 2019-2020 (before the pandemic). This trend was visible across men and women, major cities, for elective surgeries, non-elective surgeries and acute medical cases. The data was released ahead of World Heart Day on September 29.

While 2,033 claims were made in financial year 2019-2020, only 1,638 claims were made the following year, among women. As for men, 5,327 claims were made in 2019-2020, which reduced to 4,616 during the first year of the pandemic. "All cities showcase a downward trend of claims arising from heart ailments. However, Mumbai still has the highest number of claims, followed closely by NCR," the analysis read.

Bengaluru saw 435 claims in 2019-2020, which decreased to 378 in 2020-2021. During 2019-2020 and 2020-2021, the city had the fifth highest number of claims among eight cities. "Claims for cardiovascular ailments come in two categories. One, is acute emergencies such as heart attacks, which saw no decline during the pandemic.

The other, are planned interventions which are reduced. One can speculate that this is due to patients postponing the procedures due to the Covid situation, diversion of hospital resources from cardiac to Covid-19 and closure of OPDs, which would otherwise detect problems," said Sanjay Datta, Chief-Underwriting, Claims and Reinsurance, ICICI Lombard General Insurance.

TOP

INSURANCE CASES

When insurer tries to avoid liability, it has to show probable evidence: Karnataka high court – The Times of India – 28th September 2021

When an insurer attempts to avoid liability, it has to establish the ground on which it is doing so with precision and probable evidence, the high court observed while rejecting an appeal filed by Oriental Insurance Company Limited. The insurer had challenged the August 8, 2012 award passed by the Commissioner For Workmen Compensation, Raichur, directing it to settle Rs 4, 07,784 compensation along with 12 percent interest to the legal heirs of farm labourer Mounesh, who had died after falling from a tractor-trailer of his employer on February 11, 2010. The insurer contested the award, citing that in the statement given to police, claimant Amaresh and another witness had stated Mounesh was sitting on a harvesting machine loaded on to the tractor-trailer and died when it fell on him.

The insurer argued that the said risk was not covered and hence the company is not liable to pay the compensation. However, the owner of the tractor-trailer claimed it was nobody's case that Mounesh was sitting on the harvesting machine and the insurer had just attempted to take advantage of their statement. After going through the rival submissions and available records, Justice Nataraj Rangaswamy noted the insurer did not utter a word about Mounesh sitting on the harvesting machine in its statement of objections before the Commissioner For Workmen Compensation.

"In the present case, except taking advantage of the statement made by prosecution witnesses, who are not eyewitnesses to the accident, the insurer has done nothing more. Therefore, the claim of the claimants cannot be rejected as the vehicle in question was covered by a policy of insurance. Since there is a statutory liability on the insurer's part to cover the employees travelling in the tractor-trailer, the Commissioner was right in holding that the insurer was liable to pay the compensation determined by it," the judge further observed while turning down the insurer's appeal.

(The writer is Vasantha Kumar.)

TOP

Owner, insurance firm told to pay Rs 1.03 crore The Tribune – 25th September 2021

The Motor Accident Claims Tribunal has directed the owner of a car and an insurance firm to pay Rs1.03 crore to family members of a Havildar of the Indian Army, who was killed in a road accident involving the same vehicle. The Tribunal has directed the car owner and insurer to pay the amount within three months of the announcement of the decision. Failing to do so, they would be liable to pay 7.5 per cent interest per annum from the date of filing of complaint by the victim's family till the amount is realised. The complaint was filed by deceased's wife, parents and two minor sons against owner of the Swift Car Harbhajan Singh and the National Insurance Company with which the vehicle was insured.

Advocate Swarndeep Singh, legal counsel for the complainant, said Amarjit Singh (29) working with the Army had died in a hit and run case while he was jogging near his home during his holidays. He added that the driver of the car had fled from the place but the registration plate had fallen at the place from which the vehicle was tracked. He said brother-in-law of the deceased was also with him when the accident had occurred. He added that the tribunal has directed the opposite party to deposit the amount with it in three months.

TOP

PENSION

Modi government keeps small savings interest rates unchanged for Q3 as PPF continues to offer 7.1% per annum – Financial Express – 1st October 2021

There is no change in interest rate of PPF, NSC and other small savings schemes at least for the next three months.

The government has kept the post office small savings schemes interest rates unchanged for the October-November-December 2021 quarter. There is no change in interest rate of PPF, NSC and other small savings schemes at least for the next three months. The small savings interest rates for the quarter ending December 2021, therefore, remains unchanged as that of the previous quarter. At the start of every quarter of the financial year, the government sets the interest rates on post office schemes for the next three months. The reset in small savings interest rate is based on the average yield of the government securities.

With no change in the post office small savings schemes interest rate, the fixed-income investors can heave a sigh of relief. The status quo in PO savings schemes interest rate could continue to keep them attractive compared to bank fixed deposits. Currently, most leading banks are offering interest rates of around 5.5 per cent over 1 to 10-year deposits.

The interest rate on PPF remains at 7.1 per cent per annum while for the Senior Citizen Savings Scheme, the interest rate is 7.4 per cent per annum. Sukanya Samriddhi Account holders will continue to get 7.6 per cent compounded annually on their account balance. The 5-year Monthly Income Account Scheme is offering 6.6 per cent payable monthly, while the 5-year NSC continues to offer 6.8 per cent compounded annually. On the 1-year time deposit, the rate of interest stands at 5.5 per cent while on the 5-year deposit, the rate is 6.7 per cent per annum.

Even if the rates are changed, the new rates do not apply to all investors of all post office schemes. For NSC, KVP, Time deposits, Senior Citizens Savings Scheme (SCSS), the rate of interest remains fixed for investors until maturity. PPF and Sukanya Samriddhi Yojana (SSY) are the two prominent small savings schemes that witness a revision in the rate as and when the government revises them. National Savings Certificates (NSC), KVP, Time-deposits, Public Provident Fund (PPF), Senior Citizens Savings Scheme (SCSS), Sukanya Samriddhi Yojana (SSY) etc., will continue to offer the same rate as that of the previous quarter of July- August-September quarter of 2021.

Public Provident Fund (PPF) continues to be a favourite with many investors. Few factors that make PPF a popular choice among long time investors are –

- Firstly, the interest earned in PPF is tax-free under Section 10 of the Income Tax Act, 1961 and does not add to one’s tax liability, and
- Secondly, the interest gets the benefit of annual compounding in PPF.
- Thirdly, the investment made and the interest earned in PPF enjoys the sovereign guarantee.

Several other post office schemes are also the first choice of investors looking for fixed and assured income. Some of them also come with tax benefits under Section 80C of the I-T Act. All of them are sovereign backed investments wherein the principal invested and the interest earned are guaranteed by the government.

Sukanya Samriddhi Yojana (SSY) is an investment that earmarks funds exclusively for the needs of the girl child and can be opened in the name of a girl child below 10 years. NSC is another tax saver that requires only a lump sum payment and there is no need to pay further contributions. On maturity, a fixed amount is received which is known right at the time of investment.

The time deposit (TD) in a post office is somewhat similar to a bank fixed deposit. While the time deposits in a post office are for 1, 2 , 3 and 5 years, it is only the 5-year TD that comes with section 80C tax benefit. Senior Citizen Savings Scheme (SCSS) is a popular investment option with those who are 60 years and above.

Considering the current rate of interest on bank fixed deposits, the post office plans may appear to be more appealing. Before investing, make sure about the tax liability of the interest that you will earn on PO schemes as some of them may have a taxable interest. Also, as the majority of them have a long duration, ensure you have liquid assets available to you prior to locking funds for the long haul. Significantly, the post office schemes carry a sovereign assurance on the full amount invested and hence carry the highest safety on the entire principal invested.

(The writer is Sunil Dhawan.)

TOP

Custodians for NPS: PFRDA sets minimum ₹1-lakh crore assets under custody for eligibility – The Hindu Business Line – 27th September 2021

Pension regulator PFRDA has stipulated that entities aspiring to become a custodian of securities for National Pension System (NPS) and other schemes under its regulatory ambit should have holding of assets under custody of ₹1-lakh crore on the date of application. Not only that, applicants for Custodian licence should have already been registered with capital markets regulator SEBI for the past five years on the date of application, going by the Request for Proposal (RFP) issued by PFRDA on Saturday for selection of Custodians for NPS and other schemes. The proposed licence for Custodian awarded under the new process will be valid for a period of five years and PFRDA can appoint more than one custodian, the RFP highlighted. Applicants will have to put in their bid by October 18, according to PFRDA.

This RFP is expected to open the doors for the major financial sector players including HDFC Group, ICICI Group and State Bank of India group to enter the custodian space through their group entities. Hitherto, these players couldn't enter the Custodial services market due to the rigid regulations prescribed by PFRDA in 2015. The regulations had prohibited sponsors of pension fund and its associates from holding directly or indirectly shareholding in excess of 50 percent in an entity offering custodial services. Now, this stipulation has been relaxed. The RFP states that a in the same group, where a sponsor of a pension fund, central recordkeeping agency, trustee bank or their associates are holding more than 50 percent stake in the custodian applicant, then such custodian can apply for a licence with PFRDA so long as five conditions are met.

The conditions that need to be met for this include the net worth of the sponsor, associates or holding company remaining at least ₹50,000 crore at all time. The other conditions specified for the new regime include 50 percent or more of the directors of the custodian should be those who do not represent the interests of the sponsor or its associates; neither the custodian nor the pension fund company shall be a subsidiary of each other; and no person should be the director of both the custodian and pension fund company. Some of these conditions are aimed at preventing conflict of interest situations, sources added. It may be recalled that the Pension Fund Regulatory & Development Authority (PFRDA) had, few days back, amended its regulations on 'Custodians for Securities' so as to enable more players to take up the role of custodians in the pension space. Prior to this, there was only one player — StockHolding Corporation of India (SHCIL) — that performed the role of custodian in the pension market. Now even SHCIL has to get re-selected under the new process. With the pension assets under management — which has recently crossed the ₹6.5-lakh crore mark — growing leaps and bounds, the regulator is keen that more players take up the role of custodians.

(The Writer is K. R. Srivats.)

TOP

IRDAI CIRCULARS

Topic	*Reference*
Committee for review of IRDAI (Appointed Actuary) Regulations, 2017	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4577&flag=1
Cyber Security Awareness Campaign	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4578&flag=1
Public Disclosures by Insurers	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4576&flag=1
List of insurance web aggregators [as on 15.09.2021]	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo2337&flag=1

TOP

GLOBAL NEWS

Malaysia: Insurance & takaful sector resilient in face of financial market volatility – Asia Insurance Review

Financial market volatility and prospects of rising bond yields will continue to weigh on earnings of insurers and takaful operators (ITOs), given their sizeable financial investments, says Bank Negara Malaysia in its report, "Financial Stability Review - First Half 2021", released earlier this week.

Nonetheless, the insurance and takaful sector is expected to remain resilient. A sensitivity analysis conducted on the balance sheet of ITOs shows limited impact on their solvency positions in the event of a sharp rise in bond yields. This is underpinned by the strong capitalisation of ITOs. The aggregate industry capital adequacy ratio of 221.2% remains well above the regulatory minimum of 130%. All ITOs also continue to maintain capital ratios above their internal capital target levels that range between 150% and 250%. As of end-June 2021, aggregate excess capital buffers above the regulatory minimum stood at MYR36.8bn ($8.8bn). Stress tests conducted on insurers also affirmed their ability to withstand severe potential shocks.

Overall profitability

The overall profitability of insurance and takaful funds was lower in the first half of 2021 compared to the same period in 2020. Excess income over outgoings declined to MYR3.7bn (1H2020: MYR4.7bn). This was driven by net unrealised losses from bond investments in line with the weaker bond market performance and, to a lesser extent, mark-to-market equity investment losses.

Income from underwriting activities provided some support to profitability. Growth of new business premiums recovered strongly at 30.2% (1H2020: -7.1%), primarily driven by the investment-linked, Mortgage Reducing Term Assurance/Takaful (MRTA/MRTT), and medical and health business segments. This reflected the resumption of face-to-face product sales and property market activity as a result of less restrictive containment measures up until end-May. ITOs have also observed an increasing awareness among Malaysians of the importance of insurance and takaful in times of uncertainty. This is expected to provide some lift to demand for insurance and takaful despite near term pressures on household incomes.

COVID-19

The impact on life and family ITOs from the temporary relief measures granted to policyholders in the wake of the COVID-19 pandemic remained limited. Affected policyholders have been granted the option to defer premiums for three months without interruption in their coverage. This option, previously slated to expire by June 2021, has been extended until December 2021. Policyholders that have availed of the premium deferment option have continued to increase, although the amount of premiums deferred and covered by premium holidays remained relatively small at 8.3% of premiums in force (June 2021: 7.7%; March 2021: 6.5%). The impact on ITOs' earnings from the premium deferrals as well as COVID-19 claims is expected to remain manageable, with ITOs assessed to be resilient against stressed scenarios assuming higher claims than observed thus far. Consistent with this, ITOs have not to date been dependent on the regulatory flexibilities accorded to them throughout the course of the pandemic.

TOP

Cyber insurance premiums expected to rise sharply in 2021-2023 - Asia Insurance Review

The COVID-19 pandemic has reordered the cyber risk landscape and caused economic and insured losses from cyber to skyrocket, says S&P Global Ratings (S&P). In a report released yesterday, S&P says that demand for cyber re/insurance coverage has increased significantly, mainly because of heightened awareness of cyber risks.

"The trend toward digitalisation will inevitably lead to a higher likelihood of cyber incidents. Prices in the cyber (re)insurance market could therefore rise sharply over 2021-2023, even doubling in some cases," said S&P Global Ratings credit analyst Manuel Adam.

"We estimate that primary insurers pass 35%-45% of global cyber premium to reinsurers and rely on them for their expertise in managing potential accumulation risk and exposure to cyber risk. The pandemic exacerbated the huge cyber reinsurance protection gap by causing existing and new clients to request larger limits and more inclusions in their policies' terms and conditions.

"Partnership between reinsurers and primary insurers could strengthen coverage, give greater balance sheet protection against frequent, high-severity losses, and support access to cyber-related services. "A more mature retrocession and insurance-linked securitisation market could increase capacity and support cyber market growth and could lead to better returns on capital because of efficient capital management further down the re/insurance chain."

TOP

Bangladesh: Insurance regulator asserts its authority on insurers seeking IPOs - Asia Insurance Review

The insurance regulator has called on the stock market regulator not to approve any initial public offering (IPO) for insurers without a no-objection certificate (NOC) from it because it is their primary regulator. The call by the Insurance Development and Regulatory Authority (IDRA) was made following the IPO approval granted in August to Sena Kalyan Insurance Company by the Bangladesh Securities and Exchange Commission (BSEC), without a NOC from IDRA. The insurance regulator granted the NOC to the insurer after the BSEC approval, reported The Business Standard.

Meanwhile, IDRA has to contend with another issue. Under the IDRA Act 2010, sponsors of an insurance company must hold a stake of 60% in the company. The remaining shares are to be sold to the general public through a stock market listing within three years of the registration of the insurer. In January 2021, IDRA asked all the insurers to comply with the law to ensure that a stake of 60% is held by sponsors alone. However, more than 80% of listed insurers are only complying with the BSEC's requirement for a 2% shareholding by each director individually, and 30% shareholding by sponsors and directors collectively. Currently, there are 78 insurance companies – 32 life and 46 non-life – in the Bangladeshi insurance market. Of them, 51 companies are listed on the stock exchanges. A few of the unlisted insurers have applied to the BSEC to be exempt from a public listing.

TOP

Indonesia: Weaknesses in the economy could mute non-life insurance demand - Asia Insurance Review

A weaker-than-expected economic recovery, will likely delay the Indonesian non-life insurance market's recovery to pre-COVID-19 growth levels, along with the increased likelihood of depressed investment returns and heightened credit insurance risks, says AM Best. Citing these and other reasons, the international credit rating agency has revised its market segment outlook on Indonesia's non-life insurance market to negative from stable. The Best's Market Segment Report, "Market Segment Outlook: Indonesia Non-Life Insurance", notes that a resurgence of the COVID-19 virus, coupled with slow vaccination progress, has led to a reinstatement of stringent mobility restrictions, hampering near-term economic recovery. Weaknesses in the economy and the potential inability to contain the pandemic could mute insurance demand in a number of product lines, such as property, engineering, motor, transportation and travel insurance. Although premium income increased by approximately 2% to IDR38.5tn ($2.74bn) in the first half of 2021, compared with the same prior-year period, the growth lagged behind pre-pandemic levels, and may remain constrained as a result of the latest round of mobility restriction measures.

Credit

Credit insurance, a key line of business in Indonesia's non-life insurance market, is under pressure as well with further economic weaknesses arising from the escalation of COVID-19 infections. This could weaken the debt repayment abilities of debtors and lead to higher default rates, and therefore, higher credit insurance claims, particularly for the more vulnerable small and medium-sized enterprises. Insurers with higher exposure to credit insurance and weaker underwriting risk management may face outsized losses that could weaken their financial profile. The low interest-rate environment also continues to impede the investment performance of Indonesia's non-life insurers. The report states that investment risks could trend higher as prolonged pandemic conditions erode the financial strength and earnings abilities of debt and equity issuers. AM Best expects the mandatory tariffs within the non-life insurance market for property—including business interruption—and motor lines of business to remain a supportive element of the market. The mandatory tariffs for these lines of business have helped to limit the level of unhealthy price competition often seen in other liberalised markets. Additionally, greater investment in and usage of technology to support improvements in distribution and operational efficiency should help Indonesia's non-life carriers achieve competitive advantages over the medium to long term.

TOP