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QUOTE OF THE WEEK

"The roots of all goodness lie in the soil of appreciation for goodness."

Dalai Lama

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Hurricane insurance

Hurricane insurance is a policy that covers for damage and loss to property brought about by a natural disaster that is hurricane. Coverage for damage from hurricane winds might be included in a homeowner's policy. Water damage caused by same might not be covered. Damage and loss caused by hurricane might be a part of the regular homeowner's policy in the US, specifically the damage or loss brought about by the wind from the hurricane. Damage caused by flooding from hurricane might be an exclusion and requires another policy.

The hurricane coverage also has a deductible, a percentage of the property's value. If the deductible is high, the premium is low. The other thing to consider is whether the personal belongings within the property are part of the coverage. Most likely, they are covered but up to a certain percentage only.

INSURANCE INDUSTRY

In India, why insurance is the least sought after investment option? – Inventive - 3rd February 2022

Insurance is a means of protecting oneself against financial loss. It's a type of risk management used to guard against the possibility of a speculative or unforeseen loss. A company that sells insurance is known as an insurer, insurance company, insurance carrier, or underwriter. A policyholder is someone or something that buys insurance, while an insured is someone or something covered by the policy. Although the terms policyholder and insured are interchangeable, coverage can sometimes extend to non-purchased insureds. In exchange for the insurer's pledge to compensate the insured in the case of a covered loss, the policyholder takes a guarantee in the form of payment to the insurer.

The loss might be both financial and non-financial. Still, it must be monetary and frequently involves something in which the insured has an insurable interest due to ownership, possession, or the last relationship. An insurance policy is delivered to the insured and lays out the terms and conditions under which the insurer will compensate the insured or their specified beneficiary or assignee. The premium is the amount that the insurer charges the policyholder for the coverage that is stated in the insurance policy. Suppose the insured suffers a loss covered by the insurance policy, the insured files a claim with the insurer, which a claims adjuster then processes. By obtaining reinsurance, the insurer can lower its risk. Another insurer agrees to take on some risk, especially if the primary insurer believes the risk is too high to bear.

Let's understand why the insurance industry is so crucial to the growth of any economy
Provides Safety and Security to Individuals and Organisations: Insurance provides financial support and mitigates the dangers that individuals and organisations face at all stages of their lives. It's a terrific risk-mitigation tool for people and businesses in scenarios that could result in financial hardship. With medical inflation hovering about 15% per year, even regular medical treatments might throw a family's carefully planned budget off. Still, a Health Insurance policy would provide financial certainty. Provides Long-Term Financial Resources: The insurance industry receives funding from millions of policyholders in the form of premiums. Because these funds are long-term, they are invested in long-term infrastructure assets (like roads, ports, power plants, dams, and so on) that are critical to nation-building. Large investments that result in capital formation in the economy create employment prospects.

Promotes Economic Growth: The insurance industry impacts the whole economy by mobilising domestic savings. Insurance converts collected funds into profitable ventures. Insurance also allows for loss mitigation, financial stability, and the promotion of trade and commerce operations, all of which contribute to long-term economic growth and development. As a result, insurance is critical to an economy's long-term viability.

Provides Support to Families during Medical Emergencies: Everyone cares about their family's well-being, and the majority of people are more concerned about the health of their family members. From elderly parents to new-born children, medication and hospitalisation play a key role in ensuring the well-being of families. Rising medical care costs and soaring prescription prices might drain your savings if you are not prepared. A critical illness can strike anyone. Furthermore, increasing medical costs are a source of concern. Medical insurance is a type of coverage that protects people financially from various health-related risks. In a medical emergency, health insurance coverage provides financial aid.

Spreads Risk: The insured might transfer the risk of loss to the insurer through insurance. The basic assumption of insurance is to spread risk among many people. Many people buy insurance plans and pay the insurance company premiums. When a loss occurs, the funds raised from millions of policyholders are utilised to compensate the victims.

Overview of the Indian Insurance Industry

There are 57 insurance companies and 24 life insurance companies, and 34 non-life insurance companies in India's insurance industry. Life Insurance Corporation is the only public company among life insurers. There are six public sector insurers in the non-life insurance segment. Aside from that, India's General Insurance Corporation is the country's only national re-insurer (GIC Re). Other stakeholders in the Indian insurance business include agents, brokers, surveyors, and third-party administrators who handle health insurance claims.

Insurance Market Size in India

By 2020, India's entire insurance business is expected to be worth US$ 280 billion. The life insurance sector is expected to increase at a CAGR of 5.3 per cent between 2019 and 2023. Insurance penetration in India was 4.2 per cent in FY21, with life insurance accounting for 3.2 per cent and non-life insurance accounting for 1.0 per cent. India was rated 78th in the world in terms of insurance density in FY21. The life insurance industry grew at a 5.8 per cent annual pace in the first half of FY22, compared to 0.8 per cent in the same period the last year. New premiums from life insurers rose by 22.2 per cent in September 2021, compared to 2.9 per cent in September 2020.

Non-life insurers wrote down Rs. 108,705.3 crore in gross premiums between April and September 2021, up 12.8 per cent from the exact period in FY21. The non-life insurance market earned a total premium of Rs. 17,679.98 crore (US$ 2.38 billion) in October 2021, compared to Rs. 15,906.71 crore (US$ 2.14 billion) in October 2020. Private sector companies increased their market share in general and health insurance from 47.97 per cent in FY19 to 48.03 per cent in FY20. In the life insurance sector, private companies had a market share of 33.78 per cent in underwritten premium services in FY20.

Non-life insurance premiums in July 2021 were Rs. 20,171 crore, up 19.5 per cent year on year from Rs. 16,885 crore in July 2020. Strong performance from the health and motor categories fueled the expansion. remium growth for standalone private health issuers was Rs. 1,753 crore (US$ 235.11 million) in July 2021, up 27.5 per cent year on year. The general insurance business in India earned Rs. 1,087 billion (US$ 14.62 billion) in gross direct premium income in FY22 (through September 2021), up 12.3% YoY, thanks to 28.8% growth in the health segment and 84.7 per cent growth in the individual accident segment.

Six freestanding private-sector health insurance businesses saw their gross premium increase by 66.6 per cent to Rs 1,406.64 crore (US$ 191.84 million) in May 2021, compared to Rs 844.13 crore (US$ 115.12 million) the previous month. Health insurance firms in the non-life insurance market grew by 41% in March 2021, owing to increased demand for health insurance products during the COVID-19 rise.

Non-life insurers' premiums, which comprise general, standalone, and specialised public-sector insurance, increased 19.46 per cent year on year in July 2021, reaching Rs. 20,171.15 crore, up from Rs. 16,885 crore (US$ 2.27 billion) the previous month. According to statistics from S&P Global Industry Intelligence, India is Asia-second-largest Pacific's insurance technology market, accounting for 35 per cent of the country's US$ 3.66 billion insurtech-focused venture investments.

Recent Developments and Investments

Some of the most impactful investments and innovations in the Indian insurance market are listed here. Companies are trying to leverage strategic partnerships to provide the following services:

In November 2021, ICICI Lombard partnered with Vega to offer personal accident insurance with every online Vega helmet purchase to raise customer awareness of road safety. ICICI Prudential Life Insurance collaborated with NPCI Bharat BillPay, a subsidiary of National Payments Corporation of India (NPCI), to offer Click Pay to its customers in November 2021.

The Competition Commission of India authorised HDFC Life Insurance's acquisition of a 100% stake in Exide Life Insurance in November 2021. HDFC Life's position in South India is projected to be strengthened due to this move. In November 2021, Willis Towers Watson bought the remaining 51 per cent of WTW India's shares, bringing the company's stake in the company to 100 per cent. Acko, a digital insurance start-up, raised US$ 255 million in November 2021, bringing its valuation to US$ 1.1 billion.

PhonePe stated in August 2021 that it had gained preliminary approval from the IRDAI to function as a broker for life and general insurance. The company's 300 million+ users can now get insurance advice. In FY21, LIC's assurance business generated a record first-year premium income of Rs. 56,406 crore (US$ 7.75 billion), up 10.11 per cent from the previous year.

Non-life insurers' gross premiums written in India increased to US$ 26.52 billion in FY21 (April 2020 to March 2021), up from US$ 26.49 billion in FY20 (April 2019 to March 2020), owing to robust growth from general insurers. ICICI Prudential Life Insurance and the National Payments Corporation of India partnered in August 2021 to offer a single payments interface autopay.

ICICI Lombard General Insurance announced comprehensive coverage for remotely piloted aircraft, notably drone operators, in August 2021. This product protects the drone and the payload (camera/equipment) attached to it from theft, loss, damage, and third-party liability. In July 2021, MedPay, a Bengaluru-based B2B tech start-up, launched its Med Pay Connected Care Network, which connects healthcare service providers, clinics, pharmacies, labs, and insurance companies via an API architecture.

Bharti AXA Life Insurance reported a 10% increase in renewal premiums of Rs. 1,498 crore in FY21 in June 2021. Gallagher announced plans to purchase a 100 per cent stake in India's Edelweiss Gallagher Insurance Brokers in July 2021. Aditya Birla Sun Life Insurance announced the start of a new Vision Life Income Plus Plan in June 2021, which would give policyholders guaranteed recurring income and variable bonus payouts.

In June 2021, Ward wizard Group will partner with Bajaj Allianz to offer Joy e-Bike clients insurance packages. Max Life Insurance Co. Ltd. introduced the 'Max Life Saral Pension,' a non-linked, individual instant annuity plan, in May 2021. Health insurance businesses in the non-life insurance industry expanded by 41% in March 2021, owing to increased demand for health insurance due to the pandemic.

Bharti AXA General Insurance introduced its 'Health Advant EDGE' health insurance policy in February 2021 to give comprehensive coverage against rising medical bills and other healthcare expenses. The International Financial Services Centre (IFSC) has authorised ICICI Lombard General Insurance, a private non-life insurance provider, to open an IFSC Insurance Office (IIO) at GIFT City in Gandhinagar, Gujarat, in February 2021.

Government Initiatives
The Indian government has made several steps to help the insurance industry grow. The following are a few of them:

The Indian government inked a US$ 40 million agreement with the World Bank in November 2021 to improve the quality and standard of health services in Meghalaya. In September last year, the Union Cabinet approved an investment of Rs. 6,000 crore in organisations to provide export insurance cover for an additional Rs. 5.6 lakh crore in exports over the next five years. The General Insurance Business (Nationalisation) Amendment Bill was enacted in August 2021.

In the Union Budget 2021, the FDI limit in insurance was raised from 49 to 74 per cent. India's Insurance Regulatory and Development Authority has announced that insurance companies can issue digital insurance policies using Digilocker. As part of the banking and insurance industry consolidation, Finance Minister Nirmala Sitharaman said in the Union Budget 2021 that the LIC initial public offering would occur in FY22. LIC's public offering has the potential to raise Rs. 1,00,000 crore despite the lack of a formal market valuation.

The government of India extended Rs. 50 lakh insurance coverage scheme for healthcare professionals across the country till June 2021. Nirmala Sitharaman, the Finance Ministry, announced in February 2021 that it would inject Rs. 3,000 crore into state-owned general insurance businesses to boost their overall financial health. A sum of Rs. 16,000 crore has been set out for the crop insurance scheme in the Union Budget 2021.

Road Ahead
Thanks to several regulatory improvements, the life insurance industry's future is bright. This will result in even more changes in how the industry operates and interacts with its customers. The insurance industry as a whole is expected to be valued at US$ 280 billion by the end of 2020. For the next 3 to 5 years, the country's life insurance business is predicted to grow by 14-15 per cent annually.

The application of IoT in the Indian insurance business goes beyond telematics and customer risk assessment. In India, there are presently around 110 InsurTech start-ups. The rise of Indian life insurance will be aided by demographic factors, including a growing middle class and an awareness of the need for protection and retirement planning.

So, why is insurance one of the least popular financial options among Indians?

Many people in India avoid purchasing a life insurance policy because they either do not understand the value of insurance or believe it is unnecessary. Continue reading to learn about the five reasons why Indians do not get life insurance.

In India, insurance is still a growing business compared to western countries. Although the number of people purchasing life insurance has increased dramatically over the years, a large percentage of people remain unprotected. People in India avoid buying life insurance because they are either unaware of the many insurance policies available or believe it is too costly.

The following are the most common reasons Indians do not purchase life insurance:
1. Oblivious to the financial risks
In India, most people prefer to stay in denial, thinking that 'nothing will happen to me, and hence they like to keep self-insured rather than buy an insurance policy to protect against the risks. In addition, a large section of the Indian population has little or no understanding of the financial repercussions of not having enough insurance coverage.

2. Insurance products are not well understood
Insurance companies in India now offer a variety of insurance solutions to meet the demands of their consumers. However, the available options frequently confuse customers, making it challenging to select the best plan for their needs. Some plans protect crises, while others, including the Unit-Linked Insurance

Policy (ULIP), provide both protection and the option to invest in the money market. As a result, you can select the appropriate policy depending on your preferences and the coverage you require.

3. Insurance provided by the employer

One of the most prevalent reasons Indians avoid purchasing life insurance coverage is this. In India, several companies provide insurance coverage to all of their employees. However, you should be aware that the insurance provided by the employer is a minimal benefit, and it may not be enough to meet your needs. Furthermore, the insurance provided by your company may not cover all members of your family. So, even if your job covers you, you need to purchase personal insurance to provide complete security for your family.

4. Good health

Many Indians put off purchasing life insurance because they assume they are healthy and do not require insurance. If you believe this, you should know that buying insurance when you are young and healthy is the greatest time to do it because you may acquire it at a reduced premium cost. One will have to pay a larger premium if one wait until later in life to purchase insurance.

5. Procrastination

It is not necessary to have life insurance in India. Furthermore, there is no legal age limit for purchasing insurance. People don't think of protection as a top concern and believe they can have it later. However, research shows that in the breadwinner's death, four out of ten homes with a single earner face challenges covering household expenses.

Another reason Indians avoid buying life insurance is because they believe it is prohibitively expensive. However, the truth is that it is cost-effective for all. A term life insurance policy with coverage up to INR 5 lakh can be acquired for as little as INR 500 per month.

TOP

Reforms in the budget will increase the uptake of life insurance - The Economic Times – 3rd February 2022

The uptake of life insurance went up multiple folds due to the impact of COVID-19 on health and subsequent hospitalizations. The Economic Survey for 2021-22 highlighted that the insurance level in India has manifested to global levels due to COVID-19, bringing the insurance segment to the forefront for the union budget.

Annotating that the initiatives around digitalizing banking and health ecosystem can further boost the uptake of insurances, MS Sreedhar, MD & CEO, Royal Sundaram General Insurance said, "The Union Budget 2022 is all about setting the stepping stones for long term economic growth. The large investments in core sectors will lead to job creation, better connectivity and boost consumption in the mid to long term. The initiatives around expanding the digital banking units as well as National Digital Health Ecosystem, hopefully should help to boost the demand for general insurance by creating more awareness amongst the citizens across the country. We believe with the worst phase of the pandemic behind us, it is now time for the country to get its growth momentum on track and the Budget presented today seems to be in line with that vision"

Highlighting that the budget exceeded the expectations, Mahesh Balasubramanian, Managing Director, Kotak Mahindra Life Insurance Company Ltd said that slew of measures announced for various segments in addition to the massive CAPEX plan will help in strengthening India's economy. Commenting on the budget, he added, "While there are concerns around inflationary risks due to the high commodity prices leading to fuel and food inflation, the government is betting on growth. The fiscal deficit of 6.9% for FY 22 and target of 6.5% for Fy 23 may seem very high but given the context of the global issues post pandemic the markets feel this may be required to spur growth. The intent to stay on the fiscal glide path announced last year gives some comfort. The good news is that the entire excess fiscal deficit is going towards Capex which will have a multiplier effect on the economy. Overall, there is widespread optimism that the FM has exceeded expectations on her growth stimulus, we need to watch out for the global geopolitical situation leading to higher imported inflation and rising interest rates, which could derail the bets on going for growth."

Pointing out the initiatives still needed in the health sector, Vishal Bali, Executive Chairman, Asia Healthcare Holdings said, "Budget 2023 focuses on key pillars of Capex led growth, enablement of the entrepreneurial ecosystem, and controlling fiscal deficit. If executed well, an increase in the capital outlay of INR 7.5 Lacs crores can kick start the economic engine. The budget is silent on the increase in public expenditure on healthcare and the path to 2.5% of GDP spent on healthcare which is the much-needed reform path for this sector and enablement of healthcare access to India. However, the focus on digital healthcare with the National Digital Health Ecosystem is a welcome move and a national telemedicine-led mental health program with a network of 23 telemental health centers, with Nimhans serving as the nodal centers is also a step in the right direction. However, reform in paramedical education for faster enablement of clinical/paraclinical talent is still not addressed. While the FM led Budget 21 made healthcare a central subject, Budget 22 does lack continuity of that vision."

Commending the healthcare initiatives introduced in the budget, Vijay Chawla, Partner & Head, Life Sciences and Head, Risk Advisory for KPMG in India said, "The budget reflects a new India moving towards greater mental health initiatives and increasing digitalization for life sciences as a sector. The budget highlights the importance of a strong healthcare infrastructure backed by digital investments for long-term benefits in democratizing the healthcare industry. In one year, with the mantra of 'Sabka Saath, Sabka Prayas we have been able to vaccinate the majority of our population, despite holding the second largest population in the world. A PLI scheme has also been introduced in the healthcare sector to reduce dependency on imports. The 35% on-year increase in budgetary support to capital expenditure to 7.5 lakh crore can boost spending on construction of hospitals and healthcare facilities, production of equipment, medical machinery as well as ICT equipment which can foster developments and further strengthen the healthcare sector. The direction that the government has taken is a positive step towards boosting the life sciences sector."

Commenting on this year's union budget, Vivek Tiwari, CEO & Founder, Medikabazaar said "One very critical impact of the pandemic has been on the mental health of people and the initiative from the government to address this growing concern is laudable with the amalgamation of technology, AI, and healthcare as a nation we can win over this silent pandemic of mental wellness. From a supply-chain standpoint, the last two years have been very challenging and as stated in the survey 2022, the government had opted for a barbell strategy to cushion the impact on vulnerable sections, with the covid restrictions easing out we hope for a pickup and recovery in the overall supply chain scenario and an upturn in the performance of the sector. With the gradual unlocking of the economy, record vaccinations, improvement in consumer demand, and continued support by the government in the form of Atmanirbhar Bharat Abhiyan and further reinforcements we are well throttled towards economic recovery this fiscal." Experts from the financial segment of the health industry lauded the reforms introduced through the budget, highlighting that it will lead to further economic growth and increased uptake of insurance.

TOP

Budget 2022: Insurance guarantees next round of infra build-up - The Times of India – 2nd February 2022

Contractors bidding for infrastructure projects will find it easier to get on board with the government accepting surety bonds as a substitute for bank guarantees. The acceptance of surety bonds will also benefit gold importers. Typically, in projects, successful bidders are asked to provide a bank guarantee that can be invoked if the contractor fails to deliver. Banks treat these guarantees as a form of credit and charge the borrower for the same. "Insurers will be able to provide surety bonds to reduce indirect cost for suppliers and work-contractors thereby diversifying their options and acting as a substitute for bank guarantee," said Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance. Last month, the Insurance Regulatory and Development Authority of India (IRDAI) came out with norms that allowed non-life companies to issue various types of surety contracts. "With these surety bonds, I believe, the initial project cost will slightly reduce and the overall project viability will improve," said Singhel. However, former IRDAI member K K Srinivasan says that caution is the keyword for insurers. "Surety bonds of this type is tremendously riskier than other classes. Expertise will take years to build. The present solvency norms may not be adequate. Risk-based capital norms will be required. Alternatively, additional capital for this class business based on the planned volume of business for the company may be required." The bonds that insurers have been allowed to issue include advance payment bond, bid bond, contract bond, customs and court bond, performance bond and retention money.

TOP

Budget Expectations 2022: Affordability, reform need of the hour for insurance sector - Financial Express - 1st February 2022

Despite the pan India presence of many insurance companies, the insurance penetration is very low in the country. The reasons for low insurance penetration include high premium, high tax rates, lower adoption of technology etc.

There are high expectations that the government would take steps in the upcoming Union Budget for the financial year 2022-23 to increase the insurance penetration in the country.

Reduction of GST

The recent pandemic and natural calamities have emphasised the importance of health care and home insurance on the economy.

To further give a boost to health Insurance and its deeper penetration, following steps may be taken:

- GST on all health insurance products should be reduced from 18 per cent to 5 per cent
- Small ticket size Insurance products like micro insurance and products with smaller insurance limit (sum insured limits up to Rs 5,00,000) may be exempted from GST, this will provide added boost to these products by making them affordable and increasing penetration levels
- Certain Health Insurance policies which got introduced during Covid (Corona Kavach & Corona Rakshak) should be continued till March 31, 2023 and should be totally exempted from GST
- All Health Insurance policies for senior citizens should be totally exempted from GST

Stamp Duty on Life Insurance

Stamp duty needs to be completely exempted on term life insurance policies since these policies cover pure risk and are not investment products.

80D tax deduction limit

The limit of health Insurance under section 80D should be increased from Rs 25,000 to Rs 50,000 and Rs 1,00,000 for families and completely removed or raised further for senior citizens.

Pandemic Pool

The risk associated with the Pandemic is currently a top-of-the-mind issue for businesses and individuals. Support from the Central government is required for the successful start of the Pandemic pool.

The government support can gradually reduce to near-zero levels, as the pool becomes self-sufficient with an accumulated surplus over a period of 10 -15 years as we have seen in the case of the Terrorism Risk Pool. Reinsurance capital is more likely to be available to the first few countries that start the pool.

Double taxation for reinsurance broking
Currently, GST is paid on reinsurance premium and again paid by the insurance broker on the reinsurance brokerage. This should be removed and tax treatment is made simple.

NAT CAT protection
During the last 5 years, India has seen several extreme weather events that are set to multiply in the future. Most of the assets damaged during these events are uninsured and the burden of reconstruction, support, and relief largely falls on the government.

Worldwide many countries have created government-sponsored NAT CAT pools and Catastrophic Bonds (CAT Bonds) / Sovereign schemes as insurance financing solutions for catastrophic risk, which keeps the budget expense and allocations less volatile.

The government should consider insurance-based financing options and the introduction of Instruments such as catastrophic bonds or natural catastrophic pools that will help the government save on unplanned relief expenses

Relaxing Investment norms for Insurers
In the upcoming Budget, policy initiatives may be laid down to relax investment norms and thereby, enable insurance companies to generate better returns for policyholders.

GST Input credit
Health insurance will get a big boost if corporates are encouraged to offer Health Insurance to cover their employees. For this, the employers should be allowed to claim an input tax credit for the GST paid on group health insurance covers. The current GST regulations do not have these provisions.

Privatisation of Public sector general insurers
The government may announce certain capital infusion in the Public sector insurance companies for privatisation and better valuation. The Finance Minister has already announced the intent to take one General Insurer for privatisation. More clarity is expected in the budget.

Emphasis on AI & Automation
For both insurance distribution and for faster claims management, emphasis on AI and Automation should be the focus area of the government through the regulatory channel.

(The writer is Amitava Chakrabarty.)

TOP

Surety Bonds: Insurers to give tough competition to banks - The Economic Times – 1st February 2022

FM said surety bond as a substitute for bank guarantee will be made acceptable in government procurements. Insurers may give a tough competition to banks when it comes to providing financial backstop to clients. Finance Minister Nirmala Sitharaman, on Tuesday, said the use of surety bonds (issued by insurers), as a substitute for bank guarantee (BG), will be made acceptable in government procurements.

“Business such as gold imports may also find this useful. The IRDAI has given the framework for issue of surety bonds by insurance companies,” said the Minister in her Budget speech. Joy deep K Roy, Partner and Leader - Insurance, PwC India, observed that overall growth of infrastructure projects will automatically increase premiums in this regard, but the promulgation and introduction of Surety Bonds will open up a fresh stream of insurance revenue and capital and can even attract many specialised insurance companies to come into India with foreign capital.

Rakesh Jain, CEO, Reliance General Insurance, noted that the move on the Surety Bonds front recognises the ability of the insurance industry to provide alternative products to the banking sector, thus paving the way to reduce the cost and diversify risk.

Banking expert V Viswanathan said insurance companies will get new business. BGs require a customer to provide a margin (of 10-25 per cent) and commission (2-3 per cent) to the bank. However, in the case of surety bonds, a customer only needs to pay premium to the insurer. “But, I think, there is a cap on issue of Surety Bond in a project. Notwithstanding the cap, this move is likely to impact bank guarantee business.

“Probably banks may try to compete with less margin and commission requirements, at least in respect of reputed contractors of long-standing,” said Viswanathan. However, insurance companies might not have the expertise that banks have in evaluating credit risk. So, surety bonds might encounter delays in sanction.

Rakesh Jain, CEO, Reliance General Insurance, said the move on the Surety Bonds front recognises the ability of the insurance industry to provide alternative products to the banking sector, thus paving the way to reduce the cost and diversify risk.

TOP

LIFE INSURANCE

Budget 2022: How will the National Digital Health Ecosystem benefit insurers? - The Economic Times – 4th February 2022

The insurance and healthcare industry believes that the National Digital Health Ecosystem will help provide universal access, streamline healthcare processes and enable security in tertiary and secondary care from a single point interface. Finance Minister Nirmala Sitharaman, while presenting the Union Budget 2022 on Tuesday, announced an open platform for the National Digital Health Ecosystem.

Prathap C. Reddy, chairman of Apollo Hospitals Group, believes that the ecosystem will enable universal health accessibility. “During the pandemic, we saw an immense contribution of startups to innovation in healthcare and the extension of the tax benefits for another year should encourage more start-ups in the health-tech space to come up and invest in R&D especially in the field of AI-powered predictive healthcare,” he said. Sitharaman said that the open platform will consist of digital registries of health providers and health facilities, unique health identity, consent framework, and universal access to health facilities.

The platform can also help insurers become a data source in the future, experts said.

Insurer's take on National Digital Health program
Insurers can become a data source in future in terms of knowledge sharing about various health ailments, successful course of treatments, accident information, etc, said Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance. "Hence, this Union Budget will encourage financial inclusion, enable insurers to reach the last mile and also make a difference to the society and economy by contributing towards infrastructure growth," he added.

The set-up of unique health identity under the platform will also help insurance providers in better risk assessment, premiums and claims, according to Layak Singh, Founder & CEO of AI based Insurtech and Healthtech, Artivatic.AI. Mayank Bathwal, chief executive officer of Aditya Birla Health Insurance said, "The ecosystem will help create a digital backbone for integrated healthcare delivery, enabling deeper penetration and acceptance of health insurance, improving accessibility while also making it affordable.

Tele Mental Health Program
Sitharaman also announced the launch of National Tele Mental Health Programme, which will include a network of 23 tele mental health centres, with National Institute of Mental Health and Neurosciences (NIMHANS) being the nodal centre.

PC Kandpal, MD and CEO of SBI General Insurance, believes that the two initiatives will raise awareness, and in turn encourage people to opt for health insurance. "The Budget outlines the government's vision for economic revival and macro-economic growth, with a focus on digitalization and boosting the healthcare infrastructure," he said.

According to Anup Rau, MD and CEO, Future Generali India Insurance, mental health problems in the country have reached alarming proportions with the pandemic. "We welcome the government's initiative of a national tele-mental health program and believe it's a good starting point to normalize mental health conversations and seek help and access to universal health facilities," he said.

(The writer is Sheersh Kapoor.)

TOP

People cite many reasons for not buying term life insurance cover. Find out why they are mistaken - The Economic Times – 3rd February 2022

Covid changed the average Indian's perception of life insurance and brought pure protection term plans into focus. Though financial planners recommend term insurance, a majority of people continue to avoid these plans. The India Protection Quotient survey by Max Life Insurance revealed that term insurance ownership among urban Indians shot up by 4 percentage points in 2021. But even after the increase, less than one-third (32 percent) of the respondents had term insurance. The reasons for not buying term insurance are both bizarre and untenable. Abhijeet Chatterjee is not buying term insurance because he doesn't have enough liquidity. "I may not have adequate life insurance, but buying a policy requires money," snaps the Kolkata-based bank executive before disconnecting.

TOP

Covid brings life insurance penetration in India to global levels - The Economic Times – 31st January 2022

Coronavirus did what no amount of advertisement by life insurers could do. It pushed life insurance penetration in India from 2.82% in 2019 to 3.2% in 2020 (the year Covid hit) which is close to the global average. Thanks to the coronavirus pandemic, many more Indians purchased life insurance policies. According to the Economic Survey 2021-2022, life insurance penetration rose to 3.2% in the year 2020.

Insurance penetration is measured as the percentage of total life insurance premium paid in a year to GDP. Insurance density is calculated as the ratio of premium to population (measured in US$ for convenience of international comparison). The last time the penetration of life insurance was at this level was in 2011 at 3.4%. After 2011, life insurance penetration had gradually declined over the years and even reached its lowest level in a decade in 2014 at 2.62%. Since then it saw a marginal improvement and reached 2.82% in 2019.

When it comes to overall insurance penetration which includes both life and non-life insurance in India, the insurance penetration was 2.71% in 2001 and has steadily increased to 4.2% in 2020. As of 2020, the penetration of non-life insurance penetration was 1%. While India has now reached close to the international average in terms of insurance penetration for life insurance, we lag behind in terms of non-life insurance. Globally, insurance penetration was 3.3% for the life segment and 4.1% for the non-life segment in 2020. As far as population density in India is concerned it increased from $11.5 in 2001 to $78 in 2020. In 2020, density for life insurance in India is $59 and Non-Life insurance is $19, much lower than global standards. Globally, insurance density was $360 for the life segment and $449 for the non-life segment respectively in 2020.

The significant rise in purchase of life insurance by Indians in 2020 can also be gauged by the fact that 44.3% of total premium collected by life insurers in 2020 was from new policies. "During 2020-21, the gross direct premium (within and outside India) of Non-Life insurers was Rs 2,02,082 crore, as against Rs 1,92,193 crore in 2019-20, registering a growth of 5.2 per cent. Motor and health segments contributed a significant portion of the growth. Life insurance industry recorded a premium income of Rs 6,28,731 crore during 2020-21, as against Rs 5,72,910 crore in the previous financial year, registering a growth of 9.74 per cent. While renewal premium accounted for 55.7 per cent of the total premium received by the life insurers, new business contributed the remaining 44.3 per cent," stated the survey.

(The writer is Naveen Kumar.)

TOP

Insurers focusing on women-specific plans to boost growth – Business Today – 28th January 2022

With women becoming financially independent and having a bigger say in financial decisions at home, insurers have started focusing on women-specific plans to capture the larger share in the market. According to the 2020-21 annual report by Insurance Regulatory and Development Authority of India (IRDAI) the number of life insurance policies issued to women in the year 2020-21 is around 93 lakh policies, which is a 33 per cent share as against a share of 32.23 per cent in 2019-20.

Given the trend, Max Life Insurance has recently announced to offer its Smart Secure Plus Plan as an independent cover on Policybazaar to homemakers. Currently, homemakers in India are typically allowed term cover only as an add-on to their earning spouse's cover.

V. Viswanand, Deputy Managing Director, Max Life said, "A woman's contribution as the homemaker is essential and irreplaceable. They take care of the family's well-being, offer emotional support and ensure the financial balance of the household. Max Life's Smart Secure Plus Plan for homemakers is a step towards empowering Indian women and enabling greater financial inclusion by providing protection in challenging times."

Sarbvir Singh, CEO, Policybazaar.com said, "In the current sales mix of the online protection category the housewives segment remains an untouched opportunity. In the Indian context, this segment is and will continue to be a large pool. We are happy to partner with Max Life Insurance in their crucial endeavour to improve protection penetration and accelerate growth for homemakers."

Naval Goel, Founder and CEO, PolicyX.com points out that recently LIC also launched an individual savings life insurance plan called Dhan Rekha that has special premium rates for the women category. Similarly, Cholamandalam MS General Insurance and Equitas Small Finance Bank in partnership have launched Chola Sarva Shakti Policy, a women-specific health insurance policy that offers insurance in case of personal accidents or any health crisis, health indemnity and maternity cover, support for child's education and EMI benefit to the insured in case of termination or temporary suspension from employment owing to health problems and helping hand cover for insured hospitalization period, as well as genetic testing for mother and child.

Goel adds, "Women are becoming more financially independent with improving literacy levels and financial decision making power has increased along with having a clear say in buying insurance for themselves and their families, therefore, the insurance brands are targeting them with category bespoke plans that are designed in consideration with their requirements and needs in the mind."

(The writer is Teena Jain Kaushal.)

TOP

GENERAL INSURANCE

Insurers seek equal bonding with lenders for infra surety – The Times of India – 3rd February 2022

General insurance companies are seeking parity with banks and other lenders for them to be able to get into providing surety bonds for contractors bidding for large projects. The Union Budget had said that bidders for government projects could supply surety bonds instead of bank guarantees, which are much more expensive thus improving the viability of their bid. While in practice both surety bonds and bank guarantees do the same job of compensating the issuer of the tender for non-fulfilment, the challenge for the insurer lies during the recovery.

“Given surety bonds is an entirely new line of business, insurance companies would need clarity on various aspects such as pricing, the recourse available against defaulting contractors, reinsurance options and global best practices,” said ICICI Lombard General Insurance MD & CEO Bhargav Dasgupta.

“As an industry, we would urge the regulatory bodies to facilitate changes to laws such as the Indian Contract Act and the IBC and bring surety bonds on par with bank guarantees regarding recourse available to issuers. This will help the industry approach surety solutions with much more confidence, but it will be even more a viable proposition for all stakeholders,” he added.

Insurers pointed out that insolvency laws would need to be modified to enable the insurance companies to sit alongside the lenders in bankruptcy proceedings. “In the event of a default, lenders can convert their bank guarantees and claim to be secured creditors. Insurance companies might be categorised as unsecured creditors as their role is not defined,” said an official.

(The writer is Mayur Shetty.)

TOP

Economic Survey 2021-22: Only 51% deposits insured despite hike in cover - Business Standard - 31st January 2022

Even after increasing the deposit insurance to Rs 5 lakh from Rs 1 lakh, only about 51 per cent deposits are fully protected, though the figure remains higher than the international benchmark, the Economic Survey of 2021-22 said. The survey, tabled in both the houses of the Parliament, said the total insured deposits were Rs 76.2 trillion as at end-March 2021 which was 50.9 per cent of the total assessable deposits which is Rs 149.7 trillion. This was higher than the international benchmark of 20-30 per cent, the Economic Survey observed.

When the deposit insurance was for Rs 1 lakh only, about 30 per cent deposits were covered. In the 2020-21 budget, the finance minister announced to increase the cover to Rs 5 lakh. With the increase in cover, the number of fully protected accounts were 247.8 crore at end-March 2021 which constituted

98.1 per cent of the total number of accounts which was 252.6 crore. This was against the international benchmark of 80 per cent, the survey noted.

Among bank groups, the percentage of insured deposits is higher for Regional Rural Banks (84%), followed by 70 per cent for cooperative banks, 59 per cent for State Bank of India, 55 per cent for all other public sector banks, 40 per cent for private sector banks and 9 per cent for foreign banks. "Up to March 31, 2021, a cumulative amount of Rs 5,763 crore has been paid towards claims since the inception of deposit insurance (Rs 296 crore in respect of 27 commercial banks and Rs 5,467 crore in respect of 365 co-operative banks)," the survey said. After the DICGC Act was amended last year which laid down a 90 days' timeline for payment to depositors, over Rs 1,500 crore has been paid to over 120,000 depositors against their claims, as of early January 2022.

Commenting on the bad loans in the banking sector the survey while observing gross non-performing assets fell to 6.9 per cent as at the end of September 2021 from 7.5 per cent a year ago, standard restructured advances increased. Overall, the stressed advances ratio of commercial banks increased from 7.9 per cent at end-September 2020 to 8.5 per cent at end-September 2021. "Overall, the banking system appears to have weathered the pandemic shock well even if there is some lagged impact still in the pipeline," the survey said. The survey highlighted overall improvement in the capital position of commercial banks, and said public sector bank's capital adequacy ratio improved due to both government capital infusion and raising capital from the market.

"Based on the capital position as on September 30, 2021, all Public Sector and Private Sector banks maintained the Capital Conservation Buffer (CCB) well over 2.5 per cent," the report said. Commenting on loan growth, the survey observed it picked up sharply in December to reach an year-on-year growth of 9.2% as on 31 December 2021. Bank credit growth has been sluggish for the last two years. The growth in non-food credit was mainly driven by personal loans and loans to the agriculture sector. The report also observed that credit to industry which has been tepid for a long time is showing signs of improvement while deceleration in the services sector continued.

(The writer is Manojit Saha.)

TOP

HEALTH INSURANCE

COVID-19 has spurred health insurance in India: Experts - Express Healthcare - 3rd February 2022

The pandemic has allowed the insurers to be more flexible in terms of rolling out special health packages. The ongoing COVID-19 pandemic has transformed many sectors in India, and none has been as massively impacted as the health insurance sector, as per health insurance experts. The experts believed the disruption, in a way, has allowed the insurers to be more flexible in terms of rolling out special health packages, for instance, home-based COVID-19 care.

They were taking part at a special spotlight session by the name 'Evolving COVID-19 Treatment and Insurer's Viewpoint' hosted by the Integrated Health and Wellbeing

Council in association with Prudent Insurance Brokers. Talking about the evolving treatment that emerged during the various stages of the COVID-19 pandemic, Dr Srinivas Samavedam, Head of Critical Care & Medical Director, Virinchi Hospitals, Hyderabad, said, “In various stages of this pandemic caused by different variants, many medications were used out of the blue and they caused more harm than any good. So,in a way, that was very problematic”

Pointing out the evolving treatment policies from the insurers’ point of view, Sanjay Datta, Underwriting, Reinsurance, Claims & Actuarial, and ICICI Lombard said “What we did was, we maintained a regular interaction with the hospitals to ensure the services remain hassle free and every important areas are covered, given the claims in a unprecedented manner.” “No bar was put from the insurers’ behalf in COVID-19 treatment for any patients,” pointed out Sushma Anupam, Deputy General Manager, The New India Assurance.

Reflecting on the severe impact of the COVID-19 pandemic on the health insurance sector, Pavanjit Singh Dhingra, Joint Managing Director, Prudent Insurance Brokers said, “The health insurance sector has incurred massive losses because of the COVID-19 pandemic. But, despite everything, from the large claims from the patients to other constraints, tens of thousands of patients were massively benefited, thanks to proactiveness of the insurance providers. However, given both the long and short term impact, a more holistic view is required on how future policies should benefit patients against more such deadly diseases.”

TOP

Budget 2022: plugging the health insurance gap for India’s missing middle – Outlook – 31st January 2022

As we grapple with the ongoing third wave of the Coronavirus pandemic, it is sufficient to say that most Indians are prioritising matters of health like never before. In fact, even before the pandemic set in, India had outlined the expansion of health insurance/assurance coverage as a vital step to achieve Universal Health Coverage (UHC).

As part of its efforts to achieve UHC, initiatives like the Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) provide comprehensive hospitalisation cover to the bottom 40 per cent of the country’s population, while another 18 per cent is insured through other government and group health schemes. Retail health insurance penetrates only a meagre 3.2 per cent of the 138 crore population, leaving a huge part of it—38.8 per cent, which is about 56 crore individuals—unprotected from any sort of health insurance cover, making them prone to financial shocks and healthcare debt. Termed as the ‘Missing Middle’ in NITI Aayog’s October 2021 report on the health insurance space in the country, it is important that all efforts be made to secure this population base and protect them from the catastrophic effect of high out-of-pocket expenditure (OOPE) arising from hospital expenses in times like the current Covid crisis.

It is imperative to note that India’s current healthcare spend is only 3.6 per cent of its GDP, which is much lower than that in other developing countries. Due to this, India has one of the highest out-of-pocket expenditures—close to 62 per cent— making it very difficult and costly for a common man to access quality healthcare.

The aforementioned NITI Aayog report estimates that most segments of this demography can afford to pay Rs 4,000-6,000 per year to protect their family from hospitalisation expenses; a figure arrived at based on extensive industry consultations and market research. However, most health insurance products, including Arogya Sanjeevani, the standardised health insurance product by the Insurance Regulatory and Development Authority of India (Irdai), entail an annual premium ranging from Rs15, 000 to Rs18, 000 for a family comprising of two adults (45 years being the age of the senior most member) and two children for a sum insured of Rs5 lakh.

Understandably, this price gap between what they can afford and the actual premium range needs to be brought down on an urgent basis and the inclination of this 'Missing Middle' segment of the Indian population to secure themselves and their family's health needs to be increased. Towards this end, the entire health insurance industry has been clamouring for a reduction in the GST rate on health insurance premiums, which stands at 18 per cent currently.

While there are unified calls to bring the applicable GST rate on such premiums to 5 per cent, it must be noted that all essential commodities are currently out of the purview of the GST regime. This makes the call for the GST reduction all the more important, especially considering the lack of any social security cover for Indian citizens. This picture becomes even more gloomy when we consider the plight of senior citizens who remain one of the most under-insured population classes in the country. Even the Arogya Sanjeevani product can be purchased only up to the age of 65 years. Therefore, there is a humanitarian need to completely forgo GST collection on health insurance premiums for this class.

While the central government has reiterated that there are no recommendations from the GST Council to reduce the GST rate on the premiums collected, it is a matter that needs addressing in Budget 2022. In addition to improving the affordability of standard health insurance products, a reduction in GST rates will boost the health insurance sector due to the improved insurance penetration and increased propensity of Indian citizens to avail timely healthcare. This will go a long way in achieving India's goal of UHC and pave the way for a healthier population that is vital to our country's long-term prosperity.

(The writer is Rakesh Jain.)

TOP

GST of 5%, tax benefit up to Rs 1.5 lakh in health covers is what insurers expect from Budget 2022 – Financial Express – 29th January 2022

Budget Expectations Health Insurance: Budget 2022 is expected to provide some relief to the common man by bringing in positive changes to the health insurance policies. Two important steps may be considered by the government to make health insurance plans more popular and preferable for individuals. One, the GST being applicable on the premium paid towards health insurance plans needs to be reduced and secondly, the income tax benefit on the premium paid may be increased. With more people buying health covers, the financial impact on one's savings gets curtailed.

The cost of hospitalization measured in terms of medical inflation is constantly going up. With high treatment costs owing to Covid-19 pandemic, there is a huge impact on one's personal finances. It has been seen that the cost may run into a few lakhs to get treated for Coronavirus infection in most hospitals. In the absence of adequate health insurance coverage, one may have to dip into one's savings or borrow from banks.

The best possible way to meet hospital costs is to buy a health insurance plan. However, for that one needs to pay a premium to the insurer in order to get coverage. Currently, there is a 18 per cent GST levied on the health insurance premium calculated after factoring in the age and sum insured (coverage amount) of the plan.

"Health insurance is an essential commodity and needs to be slotted in the 5% GST tax slab to make it more affordable to access quality healthcare. A significant reduction in the GST on all personal lines of products—from the existing 18% to 5% will encourage more people to buy health insurance. For senior citizens, it should be exempted," says Anup Rau, MD & CEO, Future Generali India Insurance.

Doing away with GST is also something that has been suggested by some insurers. “Health insurance penetration in India is abysmally low. To encourage more people to purchase health insurance and to ensure that they purchase the appropriate quantity of coverage, section 80D income tax exemptions should be raised, ideally doubled in light of higher medical expenses post Covid. Another thing that can be done is to eliminate GST on health insurance premiums. It is essential to make it more affordable in order to increase penetration especially in the rural markets,” says Pankaj Arora – MD and CEO, Raheja QBE General Insurance.

Apart from the reduction in GST, the insurers also expect the tax benefit on health insurance premium to be enhanced from the current limits. “The increase in tax deduction limit in Section 80D of the Income Tax Act can further help in penetration of health insurance. Under Section 80D, an individual can claim up to Rs 25,000 deduction for self and family. This limit should be increased to Rs. 1,50,000. The rising medical costs and the increase in the incidence of critical illnesses make it an unmanageable expense for middle-income and lower-income groups. So, a higher tax deduction limit for health insurance plans is the need,” adds Rau. As per the current income tax rules, under section 80 D, for those who are below age 60, the deduction may be availed up to a limit of Rs 25,000. This includes self, spouse and children and the health cover could be a Mediclaim, Family Floater, Critical Illness etc. the premium paid towards any of these schemes gets deducted from the gross income under section 80D. For those who are above age 60, the limit is Rs 50,000.

For those who still haven’t purchased health insurance plans, buying it as the first thing to protect savings is the way forward. Still, what if someone doesn’t have a health cover but had to incur expense on treatment of Covid-19. “The government should provide tax relief to the people who are paying for medical treatment of Covid-19 on their own. Extended tax relief should be provided for the expenditure on medical treatment of the Covid affected to those who didn’t have medical insurance. These individuals have carried the devastating financial impact of Covid-19 on their own,” suggests Neeraj Dhawan, Managing Director on behalf of Experian India.

(The writer is Sunil Dhawan.)

TOP

MOTOR INSURANCE

Factors to Pay Attention while Choosing Car Insurance – The Pioneer – 31st January 2022

If you’ve recently purchased your dream four-wheeler or are in the process of buying one, have you taken out the time to think about the car insurance you’ll be moving forward with? Choosing the right car insurance takes as much time, and due diligence as picking the right car does. Moreover, you cannot take your vehicle on the Indian roads without valid, active car insurance. If you’re ever caught driving an uninsured vehicle, you will be charged with heavy fines and penalties by the concerned authorities.

When something is so important, it becomes crucial to pay special attention to it. If you’ve begun the search for car insurance, but are not sure how to pick the best option, consider the following factors to ensure you get the ideal insurance for your vehicle.

Benefits of choosing comprehensive car insurance over third party cover

1. Choose the Ideal Type of Car Insurance from the List Below:

The search for the perfect car insurance starts with understanding your requirements. Decide what you want and then proceed to take a pick from the following:

- **Third-Party Car Insurance:**

Third party car insurance is the most basic insurance type that vehicle owners are mandated to have by law. This insurance secures car owners against any financial damages caused to third-party properties and third-party individuals during a road accident. A downside of third-party insurance is that it does not cover losses caused to the vehicle owner during a road accident.

Car insurance cos come to bhopal residents' rescue, initiate claims.

- **Comprehensive Car Insurance:**

If you want better coverage, proceed with comprehensive car insurance. This insurance covers the policy owner against third-party financial losses and own damages, providing better coverage and security. You can also enhance the security by opting for specific add-ons you feel can improve the policy coverage.

- **Own Damage Car Insurance:**

If you want to cover damages caused to you and your car alone, you must opt for own damage car insurance coverage. Own Damage Insurance is a customized motor insurance policy designed to protect you and your insured vehicle from your own damages, mainly of damages and losses caused to your own vehicle. This particular insurance policy also covers damages caused due to natural calamities, road mishaps, etc.

Even though own-damage car insurance is a standalone policy, its functionalities come to a better use when you have third-party insurance by its side. Therefore, it is advisable to have a third-party insurance and then opt for an own damage car insurance policy.

Driving Habits Soon to be a Determiner of Your Car Insurance

2. Check the Insured Declared Value (IDV)

A vehicle's car insurance premium is greatly influenced by its IDV. For the uninitiated, the Insured Declared Value (IDV) is the vehicle's current market value. Like other tangible assets, even cars depreciate in value due to natural wear and tear, ultimately reducing their market value.

Some tend to confuse IDV with the vehicle's current resale value, so make sure you don't fall into this confusion. IDV is just the vehicle's current market value and not resale value. While booking insurance, digital insurers allow you to select your car's IDV from a given range. Always remember that the higher the car's IDV, the higher the premium, and vice-versa.

3. Look for Claim Procedure & Approval Reviews

The very reason to get car insurance is to get hassle-free and quick assistance from the insurer. You wouldn't want yourself going through a complex, time-consuming claim process after having met with an accident. So before shortlisting any insurance, always check the insurer's claim procedure and approval reviews online.

Genuine reviews from real customers can help you a lot in picking a reliable insurance partner. You can join Facebook groups, subreddits, forums, or other online communities built around insurance to easily find, connect, and ask questions about claim procedure and approval reviews from people who've had an association with the particular insurance company.

4. Compare Similar Policies from Other Insurers

Once you're clear about your requirements, you should start looking for at least two to three policies from different insurers. The more options you compare, the closer you'll get to the ideal policy. Luckily, comparing policies is not that hard. You can look for websites that compare different car insurance plans from various insurance companies or create exhaustive online resources around car insurance plans that are enough to help you make a decision.

You can also consider taking the help of online insurance premium calculators to understand how much premium you'll end up paying for the type of car insurance you choose. These calculators also make policy comparisons an easy task, so make sure you use them during your research phase.

Rental car company Hertz orders 1 lakh Teslas worth $4.2 bn.

5. Check the list of Add-ons Being Offered

Add-ons, also known as riders, are purchased separately to enhance the coverage of a selected policy. Though not all the policies offered by various insurers will have the same add-ons, some of the standard riders that you can find include:

Ø Zero Depreciation Cover: An add-on that ensures the final settlement is calculated on the original value and not depreciated value.

Ø Engine Protection Cover: This add-on covers the damages caused to the engine and gearbox due to oil leakage, water damage, etc.

Ø Roadside Assistance: It helps significantly when a vehicle breaks down on the road and needs immediate roadside repair assistance.

Ø Consumable Cover: This rider covers your car's consumables like oil, nuts, bolts, screws, etc.

Ø Return to Invoice Cover: An add-on that ensures you get an ex-showroom price of your car and not IDV if it gets stolen or damaged beyond repair.

Ø Tyre Protection Cover: This add-on covers your car tyres against losses arising from tyre bursts, cuts, bulges, etc. Tyres aren't covered in any standard car insurance and need separate protection. So if you're purchasing own-damage car insurance, you might want to purchase this rider along with a few others for better coverage.

Purchase only those add-ons that are needed as each add-on will increase your premium amount.

6. Ask About Voluntary Deductibles

Once an insurance company approves the filed claim, they pay a significant part of the claimed amount. The balance amount is paid by the insured, which is called a deductible. If you agree to pay a higher deductible, the insurance company might reduce your premium. To calculate an approximate amount you'll be able to comfortably pay to cover for losses from road mishaps and propose them a higher deductible accordingly.

7. Double-check the Inclusions & Exclusions

Not all four-wheeler insurance policies are created equal, so a wise step is to double-check the list of inclusions and exclusions explicitly mentioned in the policy document. For example, just because you're purchasing standard car insurance doesn't mean it will cover your car tyres. If you want those covered, you'll have to buy an add-on for them. There are various other things that are usually not covered in standard car insurance, so it's best to clearly check what is covered and what is not, instead of assuming it covers everything. It will save you from unpleasant shockers during claim settlement.

8. Choose Policies where Premiums are Affordable

Don't choose a policy with a higher premium that you cannot comfortably pay. Use online premium calculators to find a car insurance policy that offers decent coverage and comes with affordable premiums. It will ensure you don't end up missing a timely premium payment. Even a single lag in premium payment can prevent you from getting the No Claim bonus benefits and even affect your insurance portability request at a future date.

9. Understand the Insurance Terminologies

Before you start searching for car insurance, get acquainted with insurance terminologies. It will help you better understand all the car insurance plans you have to review, assisting you in making the right decision.

Some of the terms you should clearly understand are IDV, deductibles, no claim bonus, etc. A quick online search will show you the complete list of insurance terminologies along with their meaning in layman's terms for better understanding, so do check it out. If you consider all the factors discussed-above while picking car insurance, your chances of making any mistake will be avoided.

TOP

CROP INSURANCE

Why Maharashtra might opt out of the PM crop insurance scheme? – The Hindu Business Line – 2nd February 2022

Maharashtra, one of the major States to participate in the Pradhan Mantri Fasal Bima Yojana (PMFBY) with more than 1 crore farmer applications every year might opt out of the scheme. The State government is considering launching its own crop insurance scheme for farmers as per their demand. In the meeting with State Agriculture Minister Dada Bhuse in Mumbai on Tuesday, various farmers' organisations pushed for the State the level crop insurance scheme and the Minister said that the government will consider the demand. He ordered the Agriculture Department officials to draft the proposal based on the demands made by farmers. Bhuse said that the government will consider all the issues raised by farmers and also follow up with the union government for the pending insurance dues under the PMFBY.

Farmer leaders claimed that the majority of farmers in the State are not receiving insurance claims under PMFBY. Leaders also alleged that the assessment of crop damage under the scheme was faulty. Maharashtra farmers have enthusiastically participated in the PMFBY since its inception from Kharif 2016 season. The PMFBY is voluntary for States and UTs as well as for farmers. States/UTs can participate in the scheme keeping in view their risk perception and financial considerations etc. Since the inception of the scheme 27 States and UTs implemented the PMFBY in one or more seasons. Andhra Pradesh has started Dr. YSR Free Crop Insurance Scheme, while Bihar has launched Bihar Rajya Fasal Sahayata Yojana. Gujarat has its own Mukhya Mantri Sahay Yojana while West Bengal is implementing Bangla Shashya Bima. Jharkhand has its own Fasal Rahat Yojana.

"The State will work on schemes beneficial to farmers and effectively execute them," said Bhuse in the meeting. He warned that the State government will consider not paying its share in the PMFBY if farmers don't receive a second installment of insurance claims. Politicos present in the meeting supported the demand saying that farmers are suffering in the PMFBY. The Union Ministry of Agriculture in December last year told Rajya Sabha settlement of a few claims in some States got delayed due to reasons like delayed transmission of yield data and late release of their share in premium subsidy by some State governments to insurance companies. The delays were also attributed to yield-related disputes between insurance companies and States, non-receipt of account details of some farmers for transfer of claims to the bank account of eligible farmers, and National Electronic Fund Transfer (NEFT) related issues.

(The writer is Radheshyam Jadhav.)

TOP

Fasal Bima loses mojo as states, farmers opt to stay out – The Economic Times – 28th January 2022

The Pradhan Mantri Fasal Bima Yojana (PMFBY), the crop insurance scheme sponsored by the Centre and states, is seeing a major drop in farmer enrolment and sum insured for the recent rabi crop. This is on account of several state governments opting out of the scheme and wheat farmers in many states losing interest in the scheme. Several states, including Gujarat, Bihar, Telangana and West Bengal, have dropped out of the scheme, while the enrolment of farmers under the scheme for rabi 2021-22 crop has fallen 12 percent to around 1.7 crore compared to the previous winter crop. The sum insured has dropped a sharp 52 percent to Rs 39,232 crore in 2021-22 rabi season as against Rs 82,378 crore in the previous rabi season.

TOP

REINSURANCE

Surety bonds: Slow take-off likely as pricing, reinsurance concerns remain - The Indian Express – 4th February 2022

The government move to allow the use of surety insurance bonds as a substitute for bank guarantees is likely to take time for implementation by the insurance industry. The insurance sector is yet to achieve expertise on risk assessment of suppliers and work contractors and there's no clarity on pricing, the recourse available against defaulting contractors and reinsurance options, experts said.

While insurance regulator IRDAI has given the framework for issue of surety bonds by insurance companies, insurance experts said the guidelines are silent on the right of recourse available to a surety insurance company in the event of a default by the contractor. "These are critical and may impede the creation of surety-related expertise and capacities and eventually deter insurers from writing this class of business," said an insurance sector official.

In the Budget speech, Finance Minister Nirmala Sitharaman said the use of surety bonds as a substitute for bank guarantee will be made acceptable in government procurements to reduce indirect cost for suppliers and work-contractors. Business such as gold imports may also find this useful, she said. Insurance experts said surety bonds, a new concept, are risky and insurance companies in India are yet to achieve expertise in risk assessment in such business. There's no clarity whether surety bonds will get the required reinsurance support.

According to KK Srinivasan, former Member, IRDAI, these types of bonds are enormously risky and have the potential to sink reckless insurers. "And insurers are often blindly top line growth oriented. The risk to PSU insurers, whose ability to do cherry picking is relatively limited, is even more. To believe that reinsurers will provide cushion to this bad class of business is naive," Srinivasan said. "Banks which had expertise on credit risks were swamped by NPAs. Insurers here are light -years away from building expertise in assessing the type of risks that these bonds entail," Srinivasan said.

As surety bonds is an entirely new line of business, insurance companies would need clarity on various aspects such as pricing, the recourse available against defaulting contractors, reinsurance options and global best practices. "As an industry, we would urge the regulatory bodies to facilitate changes to laws such as the Indian Contract Act and the IBC and bring surety bonds on par with bank guarantees regarding recourse available to issuers. This will help the industry approach surety solutions with much more confidence, but it will be even more a viable proposition for all stakeholders," said Bhargav Dasgupta, MD & CEO, ICICI Lombard General Insurance.

(The writer is George Mathew.)

TOP

SURVEY & REPORTS

49% of bank deposits in India are not insured under DICGC: Eco Survey - The Economic Times - 31st January 2022

With many banks facing trouble in the past where depositors were unable to withdraw their deposits and where some have even lost their life savings, one thing is quite clear – the insurance cover on bank deposits works as the biggest safety net. However, a large part of bank deposits are still out of this coverage. As per the Economic Survey 2021-22 49.1% of the total deposits held with Indian banks are not covered by the deposit insurance cover available under the DICGC scheme. In terms of absolute amount, this is Rs 73.5 lakh crore worth of deposits without the DICGC insurance cover.

"In terms of amount, the total insured deposits (Rs 76.2 lakh crore) as at end-March 2021 constituted 50.9 per cent (up from about 30 per cent under Rs 1 lakh cover) of the total assessable deposits (Rs 149.7 lakh crore) as against the international benchmark of 20-30 per cent," stated the Economic Survey 2021-22. A large part of the deposits are still out of this safety net primarily because depositors hold much higher deposits in the same right and same capacity than the maximum coverage of Rs 5 lakh. For instance, if you have 4 deposits worth Rs 15 lakh held in a bank in the same right and same capacity then you would enjoy cover only on Rs 5 lakh while remaining Rs 10 lakh will not be covered under the deposit insurance scheme.

To enjoy higher insurance cover, it is better to divide deposits and book in different rights and capacities. For instance your joint deposit with each of your family members separately will be treated as a different deposit and enjoy the deposit cover separately. Similarly, your single individual account, account as a director of a company, account as a guardian of a minor etc are treated as separate accounts and can help you enjoy the Rs 5 lakh insurance cover separately.

(The writer is Naveen Kumar.)

TOP

Only 3 out of 100 people in India have life insurance policy: Economic Survey – India - 31st January 2022

According to the latest Economic Survey released by the Ministry of Finance, only 3 people out of 100 have a life insurance policy in India. This figure stood at 2.82 in 2019. The cumulative insurance coverage, including the non-life insurance coverage, stood at 4.2.Also Read - Mumbai Local Train: Audio-Visual Recording Systems, Automatic Alert Signals To Be Installed On Trains Soon For Safety Of Passengers.

The figures for non-life insurance coverage were worse. Only 1 out of 100 people had a non-life insurance policy in India, according to the official figures. However, the figure has grown steadily in the last decade. In 2011, the non-life insurance penetration stood at 0.70. Also Read - Industry Elated As FM Calls Startups 'Drivers of Growth'.

The life insurance penetration, too, has grown steadily since 2014. In 2014, the life insurance penetration in the country stood at 2.6. It was much higher at 3.4 in 2011. The figure for 2021 still lags behind the 2011 penetration. Also Read - Budget 2022: Industry Experts Welcome Crypto Tax, CBDC.

The Economic Survey read, "In India, insurance penetration was 2.71 per cent in 2001 and has steadily increased to 4.2 per cent in 2020. As of 2020, the penetration for life insurance in India is 3.2 per cent and nonlife insurance penetration is 1 per cent (Table 15 and 16). While India is at par with international average in terms of insurance penetration for life insurance, we lag behind in terms of non-life insurance. Globally, insurance penetration was 3.3 per cent for the life segment and 4.1 per cent for the non-life segment in 2020."

Interestingly, Finance Minister Sitharaman, in Budget 2021, had said that the government will privatise one public sector insurance company in the upcoming year. However, this plan was not implemented.

The government, on the other hand, has been planning the LIC IPO and according to media sources, the IPO will hit the Indian share markets by March 31, 2022. This is expected to give a major boost to the government finances and will take it one step nearer to the goal of achieving its disinvestment target of Rs 1.75 lakh crore.

(The writer is Raghav Aggarwal.)

TOP

People cite many reasons for not buying term life insurance cover. Find out why they are mistaken – The Economic Times – 31st January 2022

Covid changed the average Indian's perception of life insurance and brought pure protection term plans into focus. Though financial planners recommend term insurance, a majority of people continue to avoid these plans. The India Protection Quotient survey by Max Life Insurance revealed that term insurance ownership among urban Indians shot up by 4 percentage points in 2021. But even after the increase, less than one-third (32 percent) of the respondents had term insurance. The reasons for not buying term insurance are both bizarre and untenable. Abhijeet Chatterjee is not buying term insurance because he doesn't have enough liquidity. "I may not have adequate life insurance, but buying a policy requires money," snaps the Kolkata-based bank executive before disconnecting.

(The writer is Babar Zaidi.)

TOP

PENSION

Govt's NPS move to enhance social security cover of state govt employees: PFRDA Chairman – Financial Express – 2nd February 2022

State government employees will get an enhanced social security cover and will be treated at par with central government staff, as the centre has proposed hike of tax deduction limit to 14 per cent for state government employees under the National Pension System (NPS), PFRDA Chairman Supratim Bandyopadhyay said on Wednesday. At present, the central government contributes 14 per cent of the salary to the National Pension System, which is allowed as a tax deduction in the income of an employee. For the state government, the tax-free contribution by the employer is 10 per cent.

Finance Minister Nirmala Sitharaman while presenting the Union Budget 2022-23 in Parliament on Tuesday, proposed to increase the tax deduction limit from 10 per cent to 14 per cent in employer's contribution to the NPS account of the state government employees as well. "This is a significant announcement to bring state government employees on par with the central government employees and this will help state government employees getting extended social security benefits in line with their counterparts in the union government," Pension Fund Regulatory and Development Authority (PFRDA) Chairperson Bandyopadhyay said.

Sitharaman said the move will provide equal treatment to both central and state government employees. This would help in enhancing the social security benefits of the state government employees and bring them at par with central government employees, the Minister said.

TOP

Budget 2022: Will NPS subscribers get these additional deduction limit from FM? – Financial Express - 31st January 2022

Budget 2022 expectations for NPS: National Pension System has emerged as a popular investment scheme for retirement. There are tax benefits galore in NPS and the scheme provides market linked investment funds to grow savings over the long term. For those who wish to take additional tax benefit over and above Rs 1.5 lakh available under section 80 C, the deduction up to Rs 50,000 exists under Section 80CCD(1B). However, an increase in the limit could help taxpayers to reduce their tax burden further. Finance Minister Nirmala Sitharaman may provide additional deduction limits in NPS in Budget 2022. "An enhancement of the additional deduction limit provided in NPS contributions from Rs 50,000 to Rs 1,00,000 under Section 80CCD(1B) is expected," says Raghunathan Parthasarathy, Associate Partner – Tax & Regulatory Services, BDO India.

As per Section 80CCD(1B), the taxpayer either employee or self-employed, is allowed a deduction on the amount contributed towards NPS up to Rs 50,000. The deduction under Section 80CCD (1B) is over and above the deduction availed under Section 80CCD (1), however, the same amount cannot be claimed under both the sections.

Another key change in NPS could be expected in the contribution being made by the employers in the NPS account of employees. Earlier, the contribution limit by the government into the NPS account of employees was raised from 10 per cent to 14 per cent. “The deduction for NPS contribution was increased to 14% of salary in case the contribution is made by the Central Government under Section 80CCD. However, no corresponding amendment is made to allow deduction to the employer. Hence, the amendment to allow a deduction up to 14% for employers as well may be introduced in Budget 2022,” adds Parthasarathy.

For a government employee, the monthly contribution will be 10 per cent of the basic pay plus DA while that of the central government, it will be 14 per cent of the basic pay plus DA. Through a notification dated 31st January 2019, the Central Government had enhanced the employer’s share of contribution for Central Government NPS subscribers from 10% to 14%. Later on, the 14% employer’s contribution rule has now been extended for employees of Central Autonomous Bodies (CABs) as well.

(The writer is Sunil Dhawan.)

TOP

Assets under NPS jump 35 percent Y-o-Y till September – Live Mint - 31st January 2022

Assets under management (AUM) of National Pension System (NPS) and Atal Pension Yojana surged 35% year-on-year as of September 30 to touch ₹6.67 lakh crore, according to the Economic Survey 2021-22 tabled in Parliament on Monday. On the same day last year, the combined AUM stood at ₹4.94 lakh crore.

The total number of subscribers under NPS and Atal Pension Yojana (APY) increased from 3.74 crore as on September 2020 to 4.63 crore as on September 2021, recording a growth of 23.7% over the year.

Table 19: Status of NPS and APY

	No. of Subscribers (in Lakh)		YoY	Contribution (₹ Crore)		YoY	AUM (₹ Crore)		YoY
	Sep-20	Sep-21	%	Sep-20	Sep-21	%	Sep-20	Sep-21	%
NPS									
Central Govt	21.3	22.3	4.5	1,11,293	1,35,820	22.0	1,60,606	2,04,227	27.2
State Govt	49.0	53.9	10.1	1,88,000	2,42,330	28.9	2,50,260	3,35,749	34.2
Corporate	10.5	12.7	21.0	37,788	53,707	42.1	50,730	77,041	51.9
UoS	13.6	18.4	35.3	17,282	26,145	51.3	16,224	27,089	67.0
NPS Lite	43.2	42.9	-0.7	2,776	2,931	5.6	4,068	4,624	13.7
APY									
APY	236.9	312.9	32.1	11,585	16,078	38.8	13,042	18,649	43.0
Total	**374.3**	**463**	**23.7**	**3,68,725**	**4,77,011**	**29.4**	**4,94,930**	**6,67,379**	**34.8**

“The overall contribution under NPS grew by more than 29% during the period September 2020 - September 2021. Maximum growth in contribution was registered under All Citizen model (51.29%) followed by Corporate Sector (42.13%), APY (38.78%), State Government Sector (28.9%), and Central Government Sector (22.04%). The Assets under Management (AUM) of NPS and APY stand at ₹6.67 lakh crore at end September 2021, as compared to ₹4.95 lakh crore at the end of September 2020, thereby recording an overall growth (YoY) of 34.8%," the Economic Survey said.

As on 12 October 2021, contribution of ₹16,109 crore was collected in the Atal Pension Yojana (APY) scheme from more than 3.45 crore enrolments. The APY scheme is being distributed through more than 250 active APY service providers including all banks and post offices.

The age profile of the subscribers in the APY scheme suggests increasing enrolments at younger age. As on September 2021, more than 43% subscribers were between 18 and 25 years, as compared to 29% as on March 2016. Further, more people are now opting for a pension amount of ₹1000 per month. As on September 2021, around 78% subscribers have opted for ₹1000 per month pension amount, as compared to 38% subscribers as on March 2016. Further, as on September 2021 the share of subscribers opting for ₹2000/ ₹3000/ ₹4000 per month pension is 8%, while 14% opt for ₹5000 per month pension, as per the Economic Survey.

The gender gap in enrolments under APY has narrowed down with increased participation of female subscribers, which has increased from 37% as of March 2016; to 44% as of September 2021, according to the Eco Survey.

The limit of aggregate holding of equity shares by a foreign company in Pension Funds has been revised up from 49% to 74%. The limits for allowing exit from NPS without requirement of annuitisation (complete lump-sum) was revised upward in case of superannuation or death of subscriber from ₹2 lakh to ₹5 lakh, as well as in case of premature exit from NPS from ₹1 lakh to ₹2.5 lakh across the sector for all NPS subscribers.

Subscribers, joining after age of 60 years, can remain invested/ subscribed to the National Pension System till the age of 75 years which was earlier 70 years. In order to enable its employees, build a sufficient pension corpus, the Central Government has increased the Government co-contribution from 10% to 14% for its employees. It is extended to Bank employees, State Govt employees and Central Autonomous Bodies (CABs). The Government has also provided the option to Central Government employees to change their pattern of investment along with opting for any other pension fund apart from the present default scheme, as per the Economic Survey.

TOP

IRDAI CIRCULARS

Topic	***Reference***
Gross direct premium underwritten for and upto the month of January, 2022	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4639&flag=1
List of valid insurance brokers as on 31st Jan 2022	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo2120&flag=1

TOP

GLOBAL NEWS

Asia: Pace of increase in insurance pricing continues to decline – Asia Insurance Review

Insurance pricing in Asia in the fourth quarter of 2021 increased by 4% year-over-year, continuing a slowing of increases that began in the third quarter of 2020, says leading global insurance broker Marsh in its "Global Insurance Market Index Q4 2021" report. Commercial insurance prices in Asia rose by 6% year on year in the second and third quarters of 2021 (down from 8% in 1Q2021 that itself was down from 11% in 4Q2020).

The report states:
Property insurance **pricing** rose 3%, down from 5% in the third quarter.
• Elements of insurer competition continued to return, focused on loss-free clients in low-hazard industries.

• The market remained challenging for clients in CAT zones, high-hazard industries, and those with poor loss histories.
Casualty insurance pricing increased 2%, a slight uptick from three years of relatively flat pricing.
• Clients with high claims frequency typically had more difficult placements.
• Capacity continued to be plentiful; however, multinational insurers restricted capacity on excess layers, particularly with product recall and products liability exposures.
Financial and professional lines pricing rose 17%, the same as in the third quarter.
• Insurers focused on risk selection, with D&O accounting for a significant portion of pricing increases.
• Cyber remained the most challenging coverage area, driven by ransomware claims, with considerable pressure on pricing and deductibles, a reduction in capacity, and narrowing of key coverages.

TOP

Taiwan: Regulator opens way for insurers to invest in or lend to 6 core strategic industries - Asia Insurance Review

Taiwan's Financial Supervisory Commission (FSC) has said that in order to cooperate with the government's policy of supporting the island's six core strategic industries and assisting these sectors to raise funds, the insurance industry may directly or indirectly invest in or lend money to these core strategic industries.

The channels for the insurance industry to invest in these industries are as follows:
1. Direct investments
2. Indirect investments (such as through investment trusts and private equity funds)
3. Joint loan participation (with guarantee or credit insurance provided by foreign central governments, credit guarantee institutions established by foreign central governments, or official export credit guarantee institutions announced by the OECD).

The six core strategic industries are:

- information and digital technology,
- cybersecurity,
- medical technology and precision health,
- green and renewable energy,
- national defence and strategy,
- strategic stockpiling.

TOP

Indonesia: Regulations for unit-linked insurance plans to be strengthened - Asia Insurance Review

The Financial Services Authority (OJK) will strengthen regulations governing investment-linked insurance plans so as to minimise misunderstanding by policyholders and to improve operations and governance at insurance companies.

Mr Riswinandi, the head of the Non-Bank Financial Industry Supervision Department of the OJK, said in a statement on 30 January that the revisions to the regulations would pertain to product specifications, product transparency, the criteria to be met for an insurer to sell such products, and investment management. The rule tightening follows numerous complaints received from policyholders unhappy that their investment-linked plans have lost value.

Separately, the executive director of the Indonesian Life Insurance Association (AAJI) Togar Pasaribu has said that several important points would need to be considered in the new regulations, reported *Kontan.*

Firstly, he says, prospective policyholders need to make a statement stating that they know this insurance product involves investment. The hope is that prospective policyholders know that investments are volatile. Therefore, the role of the agent is very important as he or she has to be able to explain the product to prospective policyholders.

Secondly, there will be definite rules for the allocation of premiums between protection and investment. In addition, 100% of the premium in the first year of the policy should not be set aside for acquisition costs. The minimum premium for unit-linked products will also be regulated, says Mr Togar. This can indirectly allow insurers to select prospective policyholders for whom ILS would be suitable. Lastly, how funds from ILS products are to be invested is also to be regulated, Mr Togar says.

TOP

Nepal: Insurance regulator eyes risk-based capital system by 2024 - Asia Insurance Review

The Insurance Board (IB) is planning to establish a risk-based capital (RBC) system by 2024.

An IB official has said that the regulator has started talks with the insurers to implement the framework. The board, in this regard, is formulating the necessary mechanisms for an RBC-based system with support from the World Bank, reported the news organisation *Republica*.

The RBC framework is being implemented in the banking sector at present.

The IB has also been pressing the insurers to increase their paid-up capital to strengthen their financial position. For this purpose, the IB has barred insurance companies from distributing cash dividends to their shareholders.
Insurance-regulator-eyes-risk-based-capital-system-by-2024

TOP