



भारतीय बीमा संस्थान  
INSURANCE INSTITUTE OF INDIA

# INSUNEWS

Weekly e-Newsletter

9th – 15th October 2021

Issue No. 2021/41



## QUOTE OF THE WEEK

**“When it is obvious that the goals cannot be reached, don't adjust the goals, adjust the action steps.”**

**Confucius**

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## INSURANCE TERM FOR THE WEEK

### *Face of policy*

Face of policy refers to the amount of coverage the insured pays for in an insurance policy. Because this figure is often included on the policy's top sheet or face, it is often referred to as the policy's face value. In terms of life insurance, it refers to the amount the policyholder would receive upon the insured's death or the death benefit.

It is important to note that the face value of a life insurance policy is different from the cash value. Cash value is the value of the savings and investments that have built up over time with permanent policies. It is subject to fluctuations in the market and how well the investments perform; however, the face of policy never changes. That means beneficiaries would receive the face amount or death benefit, even if the investments did not do well and significantly reduce the cash value.

## INSURANCE INDUSTRY

### *Growth of insurance in India will come from real BHARAT through insurtech platforms - BW Disrupt - 11th October 2021*



India is a country where there is a huge latent need for insurance, but there is a lack of information and access for consumers. After so many years of privatization and extensive push, not more than 100 million Indians have insurance. Insurance penetration, even today, exists in the top 50-60 cities. While there are more than 700 million consumers in the country staying in tier 3 cities and beyond who need insurance, and can afford to pay the premiums, there is a big gap in availability of right advice and suitable products for them due to lack of distribution beyond tier 1 & 2 cities.

These 700 million consumers are from Real Bharat, who have been traditionally underserved. Why – Simply because there are no branch networks of insurers beyond top cities. The traditional, physical and branch led driven model of insurance, has made it difficult to reach out to the large uninsured consumer base of the country. This gap can only be solved using a digital distribution model.

Digital insurance and insurance for 'Real Bharat' are co-related. The growth of one will push the growth of the other segment. On one hand, digital insurance will increase consumer outreach in the smaller towns and cities; on the other hand, increased consumer outreach will give a double boost to digital insurance to expand its infrastructure and further outreach. Below are the reasons why the growth of digital insurance will come from Real Bharat.

Traditional and branch led model will become redundant- One of the major reasons for insurance gap is the lack of branch led models in the smaller cities and towns. With digital, there would not be any need for insurance branch to take insurance to consumers. Digitally enabled apps/ technology-based models can recreate what a fully operational branch can do. Moreover, a branch led model can only serve consumers within a certain radius, the outreach of digital insurance is limitless. With almost 54% of smart phone penetration into the country, insurers can service consumers even in territories where they may not have physical branch network, just by using a technology enabled distribution platform. A digital driven model is clearly the only model that can work in Tier 2/3 and beyond to provide right insurance plans to the uninsured.

Increased awareness- Another reason for under-penetration of insurance is due to lack of awareness, especially in the Tier 2,3 & beyond cities. Digital will play an instrumental role in building awareness amongst consumers in those cities and towns. Covid played a significant role in building the importance for health and life insurance, across the country and digital will play the next big role in taking the momentum forward. Government insurance schemes such as Pradhan Mantri Jan Arogya Yojana, Pradhan Mantri Fasal Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, and Pradhan Mantri Jeevan Jyoti Bima Yojana can be further boosted using digital.

Increase in Insurance Advisor outreach- The reason why people do not want to take up insurance advisor as a career in the smaller towns and cities is because, insurance is not a thriving sector in those cities. People who might have the potential to become the best of insurance advisors might not even be aware of this as a career. He/ she can earn as much an insurance agent earns in metro cities; or even more. A digital driven insurance framework can train and make people eligible to become an insurance agent, even without the presence of a branch in that town or district. Online classrooms, digital exams are equally effective to empower insurance agent in a remote city, and make them eligible to earn a livelihood. Thus, there will be an increase in insurance advisor network in 'Real Bharat' which will become a huge driving force to accelerate insurance outreach amongst consumers.

Focus on choice, transparency and consumer satisfaction- From the epoch of no insurance access to digital insurance; consumers in the smaller towns and cities will get access to the best and most suitable insurance plans. While this segment of population has struggled over the years to get access to insurance; they will now experience digital and real time insurance. From waiting for days to receive an insurance policy, they will be guided with buying the right insurance policy, serviced real time, and will experience seamless claim settlements. Digital will also make consumer experience personalized and they can buy insurance policies as per their family needs and requirements. For a consumer in the remotest of the country, this is as good as a dream come true. These satisfied consumers will bring in more consumers into the sector.

While the insurance industry has been talking about digital being a key driving force for taking insurance to the masses; we also need to note that the real growth of digital insurance will come from the Tier 2,3 cities & beyond, where the real insurance demand supply gap exists.

*(The Writer is Devesh Rai.)*

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## LIFE INSURANCE

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***Should you buy Guaranteed Income Plans for Life Insurance? Check Pros and Cons - Financial Express - 14th October 2021***



Personal finance experts suggest that one should see insurance as a protection tool and not as an investment option. However, several policies promise guaranteed income over a period of time and create a whole lot of confusion in the minds of buyers - whether to see life insurance as an investment or just as the name suggests, i.e. insurance.

**Another question that troubles buyers is: Whether they should buy a policy that is offering guaranteed income?**

According to Dharendra Mahyavanshi, Co-Founder,

Turtle mint, the very purpose of a Life Insurance Plan in anyone's life is to provide protection. However, some have savings-oriented goals coupled with guaranteed pay-outs complimenting their protection goals. This is where Guaranteed Income Plans from Life Insurance companies play a role.

Guaranteed Income Plans have a predefined schedule and a specified amount that is paid to the policyholder if he survives the mentioned tenure. These incomes can be paid annually, quarterly, half-yearly, or monthly.

The amount of income under such plans is fixed and is expressed either as a percentage of the sum assured or the annualised premium.

Mahyavanshi told FE Online in an email interaction that the income pay-out under guaranteed income plans starts at either of the following instances:

- After the premium payment term if the policy is a limited premium policy
- After maturity, for a fixed number of years
- After death, either for a fixed number of years or up to the end of the policy tenure.

### **What role Guaranteed Income Plan can play in one's overall financial plan**

"If an individual needs a guaranteed and regular source of income, guaranteed income plans can prove beneficial. As far as financial planning is concerned, guaranteed income plans can prove worthwhile for people nearing retirement who would like to receive a guaranteed and secure source of income post-retirement," Mahyavanshi said. "Moreover, for individuals looking to supplement their incomes, guaranteed income plans can be helpful," he added. It is believed that one should not see insurance as an instrument of income. Rather one should see insurance as insurance only.

So, is it right to mix insurance and income through such guaranteed income plans? Explaining this, Mahyavanshi said Guaranteed income plans are available in the market and people must know their features and aspects before they buy the plan. "If an individual's requirement aligns with guaranteed income plans then they can invest in such plans and create a secured corpus for their needs."

There are various types of insurance products to meet the different needs of consumers. There were traditional insurance plans with an element of savings offered in the market for ages. However, now with more private players in the market, the consumers have a larger bouquet of products with higher returns to choose from. "If an individual's requirement aligns with guaranteed income plans then he/she can surely invest in such plans to create a secured corpus for the future," Mahyavanshi said.

### **Who should buy a guaranteed income plan?**

Mahyavanshi said this is more of a subjective and relative question. "The suitability of guaranteed income plans depends on an individual's needs, risk appetite, financial goals, and investment horizon."

- Such plans may prove suitable for individuals who –
- Have a medium to long-term investment horizon
- Are completely averse to market risks
- Want to create a guaranteed corpus
- Want to avail of insurance coverage on their investments
- Want a stream of guaranteed incomes for their needs

### **Options other than guaranteed income plans**

If your primary aim is to generate a fixed wealth or income, then there are several other options that you can look into. Some of these are: Public Provident Fund, fixed deposits, post-office deposit schemes, recurring deposits, National Saving Certificates, etc. These savings schemes do not promise insurance coverage, which is available under guaranteed income plans.

### **Pros and cons of guaranteed income plan**

#### **Pros**

Some of the benefits offered by Guaranteed Income Plans are:

First, the benefits that you earn from the plan are guaranteed. There is no exposure to market volatility ensuring that you get a fixed rate of income even when the markets are volatile or bearish. This may be helpful for risk-averse investors who look to avoid market risks and want a secured avenue for their investments. Guaranteed income plans secure a source of additional income. This is helpful if you need supplemental income in meeting your expenses or if you want a regular stream of income after a specified age.

The incomes can be used to pay the premium of the policy, partially or fully, making premium payments easy and affordable. If the income is paid after death, the plan ensures that your family is financially secured even in your absence.

Lastly, the tax angle cannot be ignored. The premiums paid as well as the incomes that you receive are tax-free subject to certain terms and conditions. As such, you can plan your taxes effectively and even create a tax-free corpus with the plan.

### Cons

According to Mahyavanshi, the only con of guaranteed income plans is the overall return of the product is usually lower than its counterparts but that is mainly because of the insurance portion in-built into the plan. Thus, an individual would have to factor the insurance portion in, while comparing returns.

*(The writer is Rajeev Kumar.)*

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## ***The era of cheap and easy term insurance plans may be over – Bloomberg Qunit – 9th October 2021***



Life insurers are expected to increase premiums for term plans as claims spiked during the Covid-19 pandemic. Reinsurers are becoming stricter about underwriting and the documentation required from customers, said Vighnesh Shahane, managing director and chief executive of Ageas Federal Life Insurance. “It will not be so easy or cheap to get a term product in India.”

The quantum of hike, he said, will vary depending on the insurer, the reinsurer and the volume of business between the two.

The revenue and profit of listed life insurers tumbled in the quarter ended June as they set aside more provisions against anticipated claims from the deadlier second Covid-19 wave. ICICI Prudential Life Insurance Co. saw the biggest sequential decline in new business premium at 50%, followed by SBI Life Insurance Co. and HDFC Life Insurance Co.’s 46% and 43% fall, respectively. The companies have yet to report their earnings for the quarter ended September.

Term plans are likely to turn costlier because of three main reasons:

**Risks of Higher Penetration** Since the original target group for term or protection products was the affluent category with better medical facilities, a lower risk was associated with lower premium, according to Prithvish Uppal, analyst at IDBI Capital Ltd. But as penetration for protection products rose, lower-income groups susceptible to higher risk merit higher premium, he said.

**Cheaper Than Developed Countries** While India has a lower life expectancy, pricing has been on a par with the developed nations where people live longer on an average, according to Uppal. Annual premiums in Hong Kong, with a life expectancy of 84 years, are around Rs 12,000, about the same in India where mortality age is 69 years, he said.

**Covid-Induced Expenditure** An upsurge in claims due to the pandemic, especially the second wave, prompted reinsurers to hike rates, according to Mohit Mangal, analyst at Anand Rathi Financial Services

Ltd. "In Q1 FY22, HDFC Life's gross claims were Rs 1,600 crore and net claims were Rs 960 crore," Mangal said. "Thus, the reinsurers had to bear the burden of Rs 640 crore."

Premiums declined in the 10 years through 2019. But just prior to the pandemic, reinsurers—companies that provide financial protection to insurance firms—raised prices ranging between 15% and 40%, according to Uppal. ICICI Prudential Life Insurance passed on the entire hike to customers in July 2020, Mangal said. Others didn't.

"HDFC Life and SBI Life chose to retain some portion of this hike on their books while others, in a bid to expand their protection business, absorbed the entire hike," Uppal said. HDFC Life, SBI Life and ICICI Prudential Life refused to respond to queries from BloombergQuint citing the silent period ahead of their earnings.

Shahane said insurers may take a decision "depending on their expectations and predictions of the future and how the pandemic is likely to play out". According to Uppal, the companies will pass on the increase in reinsurance costs based on their historic mortality experience and follow a cautious underwriting approach to avoid pandemic-related uncertainties.

"ICICI Prudential is most likely to continue passing on the entire hike to customers due to its management policy," he said. "[But] HDFC Life and SBI Life may also follow suit, unlike in the past." Unlikely Gainer: LIC As term plans of private insurers turn costlier, Uppal expects one company to gain: state-run Life Insurance Corp. The hikes will narrow the pricing gap with LIC. Currently, private firms charge around Rs 10,000 to Rs 15,000 a year for a plan worth Rs 1 crore, while LIC which sells similar policies at Rs 20,000-25,000, Uppal said.

"LIC is most likely to benefit from the price hike as brand recognition will enable it to gain market share in the protection business." Uppal also expects a volume growth in the third quarter before the reinsurers increase prices by December-end.

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### ***Life Insurance - Private players' individual weighted received premium grows in September: Motilal Oswal - Bloomberg Quint - 8th October 2021***

Private players' individual weighted received premium reported growth of 35 percent Y-o-Y in September 2021 (two-year compound annual growth rate of 18.3 percent; up 39 percent in August 2021), and the industry posted growth of 30.2 percent Y-o-Y (two-year CAGR of 16.4 percent; up 19 percent in August). In FY22 year-to-date, private players' individual WRP has grown 31.8 percent Y-o-Y. The same for the industry has grown 19.6 percent Y-o-Y. Among the listed players, SBI Life Insurance Company Ltd. posted strong growth of ~56 percent Y-o-Y in September and ICICI Prudential Life Insurance Company Ltd. grew 41 percent Y-o-Y. HDFC Life Insurance Company Ltd. reported growth of ~20 percent Y-o-Y while Max Life posted modest growth of 7.5 percent Y-o-Y. Life Insurance Corporation of India reported 22 percent Y-o-Y growth in individual WRP.

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## GENERAL INSURANCE

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### ***Non-life insurers' September revenue short of pre-pandemic levels - Bloomberg Quint - 12th October 2021***

Non-life insurance business in India was below pre-pandemic level in September even as it recovered from the second wave of Covid-19. The industry's revenue or gross premium underwritten rose 1.6% over August to Rs 22,226.4 crore in September, according to data filed with the the Insurance Regulatory and Development Authority of India. That's 2.8% lower than a year earlier and a 10% contraction from the pre-pandemic month of 2019. General insurers, which offer cover for home, travel, motor, health, fire

and other natural or man-made calamities, witnessed a 22% increase in revenue over the preceding month to Rs 19,021.7 crore in September. That was 0.6% higher than a year earlier.



Standalone private health insurers' revenue rose 8% to Rs 1,743 crore month-on-month, recovering from the decline in August. On a year-on-year basis, it rose 32%. Revenue for specialised state-run non-life insurers, which had been rising since June, declined 68% over August to Rs 1,461.7 crore. It fell 45% over September 2020. Overall though, the July-September quarter fared better.

#### **Half-Yearly Performance**

The industry reported a revenue of more than Rs 1.08 lakh crore in the first half of fiscal 2021-22, 13% higher than a year earlier. Gross premium underwritten of : General insurers was rose 11% to Rs 90,950.9 crore. Standalone private health insurers' top line grew 39% to Rs 9,332 crore. Specialised state-run non-life insurers' gross premium rose 10% to Rs 8,442.4 crore.

#### **Here's how India's only two listed non-life insurers fared:**

ICICI Lombard General Insurance Revenue rose 39% over August to Rs 1,467.8 crore in September. It rose 35% over a year earlier. For the quarter ended September, revenue surged 53% year-on-year and 31% sequentially. Half-yearly revenue grew 33%. Its market share stood at 7.9% as of September.

#### **The New India Assurance**

Gross premium increased 33% over the previous month and 7% year-on-year to Rs 3,038.7 crore in September. For the July-September period, the top line rose 22% year-on-year and fell 9% over three months through June. Revenue increased 20% year-on-year in the first six months of FY22. As of September, it's the market leader with a share of 16%. However, it has been ceding ground.

*(The Writer is Monal Sanghvi.)*

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### ***Insurance scheme for livestock discontinued, rearers anxious - The Tribune - 9th October 2021***



Livestock rearers across the state are at the receiving end following the discontinuation of Samuhik Pashudhan Bima Yojana, which ensures compensation in the event of accidental death of cattle due to disease and other reasons.

The scheme has been discontinued since April 1 and livestock rearers have been making rounds of the local office of the Animal Husbandry and Dairying Department to know when the scheme would be resumed.

"I suffered heavy losses after my two milch cows died due to diseases in July. Neither of the cows was insured, following the discontinuation of the government insurance

scheme," said Dharamvir Dangi, a cattle rearer.

Dangi said he had visited the Animal Husbandry Department office many times to enquire about the insurance cover for cattle but every time, he got the same answer that the scheme had not been resumed. Manoj Dhaka, another cow rearer, said the insurance cover of his three cows was set to expire at the end of this month so he was worried as the insurance scheme was no longer available.

“A beneficiary had to pay just Rs 100 per livestock to get the insurance cover for one year under the government scheme while private insurance agencies charge more than Rs 3,000 for the same. We want the state government to resume the scheme at the earliest to provide relief to cattle rearers,” Dhaka added. Surya Khatkar, Deputy Director (Animal Husbandry), confirmed that the scheme was not operational anymore while Dr Virendra Sehrawat, Semen Bank Officer, in the same department, said the scheme was likely to be restarted soon.

*(The Writer is Ravinder Saini.)*

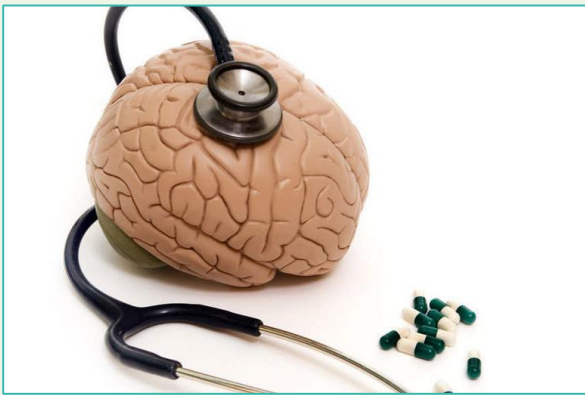
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## HEALTH INSURANCE

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### ***Consider buying health insurance plans to cover mental illness – Financial Express – 11th October 2021***



Mental health is an important element of an individual’s overall health. It comprises psychological, social and emotional well-being of a person. Mental fitness leads to improvement in productivity, harmonious relationships with other people and ability to cope up with difficult situations. Ever since the pandemic hit across the world, mental health became a far more open and relevant issue.

During the pandemic, people were living in isolation as they confined themselves to their homes and practiced social distancing. Depression, anxiety, and stress became common problems owing to burnout faced

because of work from home. All of this led to a realization that the overall well-being of a person comprises not just physical but mental health as well.

Last year 40% of Indians were suffering from common mental health problems due to Covid-19, as per a survey conducted by the Indian Psychiatric Society. The survey was floated to 1,685 respondents. What is more worrisome is that India occupies sixth position for being the most depressed country in the world ahead of the USA and China, said a report from the World Health Organization (WHO). Such startling figures highlight the urgency to shift our focus towards mental health. Every year, October 10 is celebrated as World Mental Health Day to increase awareness around mental health issues and promote their understanding. Various stakeholders deliberate solutions to cope up with this grave issue in order to reduce the number of suicides happening because of mental health problems.

#### **Shift towards mental health awareness**

There is a growing need to provide access to patients suffering from mental illness at par with those suffering from a physical ailment. We need to increase the number of mental health centres, councillors and doctors to help people cope up with depression. At the same time, we need to sensitize the community around mental health being a crucial part of our overall well-being, thereby reducing the stigma associated with it. A peer network of patients can be formed so that they can address their issues freely.

#### **Health insurance – a dependable partner**

When it comes to mental health, insurance can’t be left behind. In order to make mental healthcare available to all, the Insurance Regulatory and Development Authority of India (IRDAI) had disseminated guidelines in 2019 stating exclusion of treatment of mental illness, stress or psychological disorders, and neurodegenerative disorders shall not be allowed in health insurance. Following the guidelines, mental illness is now covered by all health insurance plans and considered at par with any other physical illness.

So, if you already have a health insurance policy, you are very well protected financially because all kinds of mental illness will be covered by your insurer.

However, if you don't have a health insurance policy, you should definitely buy one immediately. There's no doubt that the treatment cost of illness are increasing manifold. The average cost of a psychiatric consultation in India is around Rs 1500. Suppose, you need to visit the psychiatrist 3 times a month, it would cost around Rs 4,500. A comprehensive health insurance plan will certainly come at your rescue in covering these expenses. It would save you from shelling out money from your own pocket at the time of a medical emergency. So, it's better to be prepared financially than repent later on.

When you plan to buy a health insurance plan for coverage for mental illness, a crucial point to consider is whether you want Out Patient Department (OPD) or In Patient Department coverage. Generally, health insurance plans provide coverage for mental illness as in-patient hospitalization. Therefore, if you want coverage for medical consultation or therapy for mental illness, then you should consider those plans that provide coverage for OPD expenses.

Nowadays, there are a lot of plans which provide coverage for OPD expenses including Care Plus and Star Comprehensive health insurance plan which provides benefits upto Rs 1200/- per year. Similarly, Max Bupa's Go Activ plan also offers outpatient consultation benefits upto Rs 1500 per year. It is important to check how much OPD coverage is being provided before buying a health insurance plan. For a 30-year old person living in Delhi, a Rs 10-lakh sum insured cover with OPD benefits for coverage of mental illness can cost about Rs 700 per month only. Whereas, if you want a regular health insurance plan for coverage of mental illness as in-patient hospitalization, it will cost around Rs 600 per month.

*(The writer is Amit Chhabra.)*

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***All you need to know about network hospitals in health insurance – Live Mint – 11th October 2021***



The pandemic has made it evident that uncertainties will always find their way into our lives no matter how well-prepared we are. It is enough to make people realize that everyone is more exposed and vulnerable to deteriorating diseases, irrespective of their age.

Thus, knowing how expensive hospitalization and treatments are, it is wise to buy a health insurance policy and to understand the role of hospitals, which play a crucial part in settling claims. We often ignore the meaning of non-network hospitals and network hospitals in health insurance until someone gets hospitalized and a claim arises.

### **Network hospitals vs non-network hospitals**

When you buy a comprehensive health insurance plan, the insurance company provides you with a network hospital list. Insurance companies and the mentioned network hospitals have a tie-up that offers the policyholder the benefit of cashless hospitalization.

Amit Chhabra, head - health insurance, Policybazaar.com, said that while getting treatment from a network hospital, one doesn't have to worry about making preparations for money at the last moment. The health insurer settles the hospital bills directly, thereby taking the burden off the policyholder's shoulders. "Whereas, if you choose to get the treatment from a non-network hospital, all the expenses will be borne by you at that moment, and later you will get reimbursed for the same," he said.

### **How network hospitals work?**

The network hospital and the insurance company are informed about the hospitalization in advance in case of a planned hospitalization. Following that, the policyholder or his/her dependents have to file a pre-authorization form available at every hospital's insurance desk to address insurance and cashless claim related queries. You can also download and get the printout of the document from the third-party administrator's (TPA's) website. After filling the form, the insured person is admitted.

After submitting the form, the hospital will verify the details and notify your insurance company regarding the claim. Once your insurance company approves the claim request, it will send an authorization letter to the hospital stating the amount for the medical procedure. After that, the claim amount is paid directly to the hospital by your insurer. This process takes approximately 30 minutes to 2 hours, depending on the insurer.

### **Effect on health claims**

Now, let's suppose the hospitalization is unplanned, and you are admitted to a hospital.

**Case 1:** When patient 'A' is admitted to a network hospital, the insurance company will take care of all the expenses, and the patient can avail of the cashless claim facility with the help of a third-party administrator. 'A' will pay some expenses for the components needed for the treatment, which are not mentioned in the policy. After that, the documents are collected for other records.

Chhabra said, "The insured need not pay a penny to the hospital in case of hospitalization during medical emergencies when they get admitted to these network hospitals (there could be exceptions for specific treatments as per your policy). The medical expenses are usually reasonable for such services as the hospitals get an increased number of patients owing to the insurer."

**Case 2:** When patient 'A' is admitted to a non-network hospital, it is difficult for him/her to avail the full benefits of the health insurance policy.

Aatur Thakkar, co-founder and director, Alliance Insurance Brokers, said, "The policyholder can file a claim for reimbursement after the entire medical treatment and after bearing medical expenditure out of the pocket. However, it is necessary to submit all the original supporting documents like treatment-related reports, medical invoices, etc. After that, the documents are checked. And, according to the underwritten policy, the policyholder gets the reimbursement amount." Rakesh Goyal, director, Probus Insurance, added, "The process of reimbursement usually comes with a waiting period of 10 to 15 days wherein the insurer verifies the submitted documents and then approves the claim; if everything looks good."

### **What you should do**

In the case of non-network hospitals, there are chances that the insurance company may not cover certain expenses that are reasonable and justified enough to be approved under the terms of the policy. Thus, to get a speedy claim settlement process, especially if it is an unplanned treatment, you must always check the list of network hospitals that are accessible to you and get the treatment done there itself.

Ajay Shah, director and head - retail business, Care Health Insurance, said, "In case of network hospitals, the insured has an advantage of cashless hospitalization. This, in turn, means they do not need to go through a lengthy process of compiling and filing paperwork to file a claim." Besides, there is no waiting period linked to such cashless claims and saves one from the tiring submission process of documents, bills, etc., which otherwise would be mandated during the reimbursement process. Goyal further said, "It's highly suggested to look for network hospitals while buying a health insurance plan as it saves you from the hassle of the reimbursement process (which could be the case if you go for non-network hospitals). One should only opt for non-network hospitals if the necessary treatment is not available in any of the network hospitals."

*(The writer is Navneet Dubey.)*

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## ***Gaping holes in mental health insurance adding to distress of patients and kin - The Economic Times - 10th October 2021***



What is common between a teenager struggling with bed-wetting issues, a woman suffering from premenstrual syndrome or an individual undergoing gender reassignment surgery? Their hospitalisation is unlikely to be fully or partially covered by most health insurance policies. A schizophrenic person hospitalised for treatment of Covid can face rejection of coverage under health insurance.

As World Mental Health Day dawns on October 10, mental health professionals are still rueing the inadequate health insurance coverage for those suffering from mental ailments. It has been over a year since the regulator, Insurance Regulatory and Development Authority (IRDA), pursuant to directions from the Supreme Court in June 2020, made it mandatory for health insurers to include mental health treatment under scope of coverage.

"No psychiatric illness is covered under health insurance policies," said Indore-based psychiatrist Manish Jain. "The poor patients have to be directed to ill-equipped government hospitals," he added. The Centre's health insurance scheme, Ayushman Bharat, too does not cover mental health treatment at private hospitals. According to psychiatrists, 50-75% of hospitalisation claims filed for insurance coverage are found to be rejected.

"Lack of awareness among patients, their family members and insurance agents lead to claims not being filed on the belief that they shall be rejected," said psychiatrist Ashutosh Singh of Apollo Hospital. "Alcohol-related medical problems are not included in the order that makes insurance coverage compulsory for mental illnesses," he said.

"The chronicity of mental health ailments warrants a insurance coverage," said psychiatrist Samir Parikh, director, department of mental health and behavioural sciences, Fortis Healthcare.

"Around 30% of the insurers in India, including ICICI Lombard, Digit and Care Health, have baked in these covers in their health insurance policies," said Abhishek Poddar, cofounder at Plum Health Insurance, a Bengaluru-based health insurance start up.

### **Limited Cover for Mental Health Issues**

"That said, the challenge still exists that these covers come with their own sub-limits. A ₹5 lakh cover, for instance, will only cover up to ₹50,000 for mental illness," said Poddar of Plum Health Insurance. Besides, there are a host of ailments that end up being excluded from coverage due to their association with mental health. "An insurance claim is rejected in a medical treatment if a psychiatrist visits the patient in corporate hospitals," said Amar Shinde, a Pune-based psychiatrist. "So, many patients are not given psychiatrist references."

"While insurers cannot anymore decline hospitalisation reimbursements arising out of mental health-related treatments, as specified by IRDA, they can introduce limits or have forced waiting periods, where policy clauses specify that a customer cannot claim for mental health hospitalisation for, say, the first four years of coverage period," an executive working with an insurance brokerage said.

Insurance companies ET contacted didn't want to comment on record. An insurance executive pointed out that currently, no insurance company offers standalone health insurance covers. All comprehensive covers must cover mental health ailments as well by design.

However, insurers in India seldom offer policies that cover non-hospitalisation treatments or OPD reimbursements. This means that unless mentally ailing patients get hospitalised, they won't be eligible for coverage. Insurance covers, thus, naturally exclude therapy and psychiatric counselling coverages.

## Work in Progress

"Mental health insurance is at a very nascent stage in India. Till a couple of years ago, none of the insurers were offering any support, as everyone was trying to understand the ground realities," said a senior executive at a private sector health insurer. "This is a challenging business for insurance companies as definitions and treatment protocols are yet not fully standardised in India, but it is heartening to see that we are slowly starting conversations around this."

Experts also said that in line with strict IRDA rules, health insurers have tightened their underwriting rules for anyone declaring pre-existing mental health ailments. For instance, those with conditions such as depression, anxiety, or even a condition like epilepsy, are less likely to have their health insurance applications approved.

According to an industry expert, the reason for such discrimination is also because insurers take the view that patients of mental ailments are also more susceptible to hospitalisation. "For instance, insurers have models that suggest that those predisposed to epilepsy are more prone to road accidents, and those with depression or hyper anxiety are more likely to incur self-inflicted harm," the expert said.

According to Mahavir Chopra, founder of Beshak.org, a community platform for insurance awareness in India, insurers are also mandated by IRDA to publish on their website their board-approved underwriting philosophy for offering insurance coverage to people with disabilities and those affected with mental illness and HIV/AIDS.

"Customers find the language and communication used by some insurers to be ambiguous," he pointed out. "Insurers are complying with rules, but transparency remains an issue. At the end of the day, insurance companies are making certain choices to protect themselves from known unknown risks, ensuring they can effectively deliver sustainable returns to shareholders."

*(The writers are Kiran Kabtta Somvanshi & Ashwin Manikandan.)*

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## **Why maternity insurance is important before planning to start a family - Live Mint - 9th October 2021**



When Alpana welcomed her firstborn in August this year, a major private hospital in Kolkata handed her family a bill of ₹3.5 lakh that included the costs of surgery and pre-post parturition care. The couple was entirely distraught as her journey to motherhood was not a smooth one. The couple had already spent around a lakh in OPD to overcome complications with her pregnancy. However, Alpana is not alone, the cost of healthcare is skyrocketing with each passing day and in the elaborate scheme of things, couples tend to overlook the exorbitant costs of medical support during pregnancy.

The sensitivity to own a personal health cover has increased in the Covid era. However, very few insurances cover the various expenses of childbirth. Motherhood is a life-changing and incredible journey for many, but to make it smoother, maternity insurance can go a long way. The maternity cover will take care of medical expenses traceable to childbirth, including complicated deliveries and caesarean sections incurred during hospitalisation and post-birth complications will ease the financial burden of new parents to a great extent.

In India, maternity insurance is not a standalone insurance product but covered within the Base Health Insurance policy, primarily constituted by family floater policies. "Stand-alone maternity insurance covers are not currently available in the market due to the risk of anti-selection (with customers who are planning a family would always buy the maternity policy and thereby a sure shot claim)," Sanjay Datta,

Chief-Underwriting, Claims, and Reinsurance, ICICI Lombard General Insurance told Mint. So, if a couple is planning a child then they should check if the health insurance provides maternity cover or not.

Amit Chhabra, Head-Health Insurance, Policybazaar.com told Mint that, "The maternity cover saves you from the trouble of having to pay out of your pocket and assures that the expecting mother and her new-born are taken well care of both medically and financially".

According to Policy bazaar's website, Bajaj Allianz has a family floater plan that covers maternity and new-born baby expenses in the Health-Guard Gold Plan. For this, the sum insured ranges between ₹3 lakh and ₹50 lakh. In the Bharti Axa health insurance plan, the new-born baby cover is provided only for 90 days. Also, there is a 9-month waiting period to avail of the benefit.

Dr S Prakash, Managing Director, Star Health and Allied Insurance Co. Ltd told Mint that their company offers a range of benefits to a pregnant woman or a couple, such as, "Natural delivery, normal vaginal delivery, and caesarean section," Prakash said adding that, "We also have ancillary feature in which a new-born is covered from Day-1 despite being born with congenital defects. The child is covered until the completion of the policy period. After the policy's completion, the child can be added into the parents' plan".

### **Minimum coverage for maternity insurance**

While choosing the coverage amount, one should be aware of the normal delivery charges and C-section charges levied by the city's hospital, Datta said.

Gurdeep Singh Batra, Head – Retail Underwriting, Bajaj Allianz General Insurance said that a normal delivery in a fairly good hospital may be in the range of about ₹50,000. The cost for a C-section delivery may go up to about ₹75,000 or higher depending on the complexity of the delivery. He said if someone is planning two children then the delivery cost may go up to ₹1.5 lakh, excluding the medical expenses of the new-born child. In contrast, the maternity expenses in government-run hospitals are free of cost.

### **Does maternity coverage include assisted reproductive technology?**

Since maternity coverage is part of health insurance in India, therefore a responsible policyholder should know all the terms and conditions, including coverage limit, sub-limits for normal and C-section delivery. Chhabra, Head-Health Insurance, Policybazaar.com said treatments arising or traceable to any infertility, sterilisation, birth control, etc are some of the common exclusions of the maternity cover under a health insurance policy.

"Infertility treatments, stem cell harvesting, and storage, surrogacy expenses," are other exclusions under maternity cover in India, Batra from Bajaj Allianz told.

However, Star Health Insurance Dr Prakash said that their policy has a feature wherein a couple who have difficulty in conceiving a baby the treatment for assisted reproduction technology is also covered.

### **Can you get insured under maternity health insurance while you are pregnant?**

While one can get regular health insurance when you are pregnant, one will not be able to get maternity coverage. There's a waiting period to avail of maternity coverage that may vary from one insurance plan to another. For example, as per the Policybazaar.com website, SBI Arogya Premier Plan covers maternity expenses after nine months of the waiting period. ManipalCigna's ProHealth Plus Plan maternity coverage is available only after 48 months of the waiting period. Star Health covers maternity expenses after 24 months. In case, if someone is planning a second child then the couple will have to wait for another 24 months, Dr Prakash from Star Health said. "Within 24 months if someone is planning a second child then it would not be good for the health of the mother," he added.

### **Central government schemes for pregnant women**

In India, a large section of women goes to labour in government-run hospitals for cost-effective delivery to date. The Central government provides a maternity benefit programme, known as Pradhan Mantri Matru Vandana Yojana (PMMVY). Under this centrally-sponsored scheme, a cash incentive of ₹5,000 is provided directly to the bank or post office account of pregnant women and lactating mothers (in three

instalments) for the first living child of the family. As per the Ministry of Women & Child Development, the Last Menstrual Period (LMP) date is mandatory to claim the 1st and 2nd instalment. The beneficiary has to register her pregnancy at the approved health facility within 150 days from the date of LMP which needs to be entered in the Mother-Child protection (MCP) card.

### **PMMVY scheme eligibility**

The PMMVY scheme is for those women who were employed before pregnancy and have experienced wage loss due to pregnancy. Pregnant women who are in regular employment with the Central Government or the State Governments or PSUs, or are on paid maternity leaves are exempted from PMMVY's benefits.

### **State government schemes for pregnant women**

Apart from the Centre's PMMVY, several state governments also provide monetary aid to pregnant women. For instance, Tamil Nadu's Dr Muthulakshmi Maternity Benefit Scheme (DMMBS) grants benefits to pregnant women for two live births. Women receive a cash incentive of ₹18,000 in five installments, including a nutrition kit worth ₹2,000 for each live birth. The Odisha government has launched the Mamata Scheme that provides financial aid of ₹5,000 to pregnant women and lactating mothers across the state. Almost every Indian state has a scheme directed to motherhood, but people are not much aware of it as a result, they end up spending a lot anyway.

### **Key features of maternity insurance:**

As per the IRDAI guidelines, the pre-hospitalisation cost up to 30 days before the date of admission is covered in a maternity cover.

Besides, expenses such as room charges, doctor consultation, anaesthetist consultations, surgeon fees, and nursing are also covered. Some of the insurance plans also provide cover for emergency ambulance charges.

Some maternity insurance also covers pre and post-natal expenses, infants diagnosed with critical illness, and vaccination of the new-born. Some policies might include the cost of termination due to complications. However, it is imperative to do a thorough investigation of the policy before you purchase one.

*(The writer is Mansi Jaswal.)*

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## **MOTOR INSURANCE**

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### ***Motor insurance showing signs of recovery post-Covid: CARE Ratings - The Economic Times - 14th October 2021***



Motor insurance is set to rise this fiscal year helped by increase in mobility as post pandemic economic recovery gathers momentum, rating agency Care said in a report.

The agency expects motor insurance premiums to grow at around 6% to 8% driven by any increase in third party insurance rates and higher auto sales, the ratings agency said.

"Furthermore, given that 57% of the vehicles on road are not insured (Insurance Information Bureau of India (Motor ARFY19)), bringing a portion of these vehicles under coverage would add heft to the industry growth," Care said.

Motor insurance premium has grown from Rs.15,343 crore in FY10 to Rs.67,764.7 crore in FY21 at a compound annual growth rate (CAGR) of 14.5% as motor vehicles on road have doubled in the last six years and third party insurance (TPI) has been made mandatory in India. TPI protects vehicle owners from any financial liabilities caused by injury or damage to third party life or property due to use of vehicles.

Though business has grown in the last 11 years gross premiums declined 1.67% in the fiscal ended March 2021 due to a slowdown in the auto sector which was hit by restricted mobility due to a national lockdown in the first half of the year. To be sure though though motor insurance premiums have increased over the last year, they are yet to reach the pre-pandemic levels as auto sales are yet to reach similar levels.

But signs are that things are picking up this fiscal for example in August 2021 the gross premium collected increased to Rs 23,500 crore up 5.9% from Rs 22,200 crore in August 2020. Growth in fiscal 2021 also suffered as there was no revision for the prevailing TPI rates. The annual growth rate for FY10-FY20 was 16.2%, while the growth rate for FY10-FY19 was 17.3%, highlighting the slowing growth momentum in the last couple of years in this segment.

Digital issuance and online channels are also expected to contribute to faster growth in this segment, together with a large number of uninsured vehicles in India. Care analysis shows that the 57% of vehicles, mostly two wheelers are uninsured as of March 2020 down from 60% as of March 2018, indicating a higher number of vehicles which are getting into the insurance bucket.

“However, given that no increase in the motor TPI premium has been announced, the sector is expected to witness pressure on near-term profitability. Furthermore, lower auto sales, high lapse-ratio (especially in the two-wheeler segment), unfavourable changes in macro-economic factors, and uncertainties in the regulatory landscape could be characterised as key challenges to the industry growth,” CARE said.

*(The Writer is Joel Rebello.)*

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## INSURANCE CASES

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### ***Motor Vehicle Act a welfare measure, needs liberal approach: HC – The Times of India – Chandigarh – 14th October 2021***



The Punjab and Haryana high court has held that the Motor Vehicles Act is a piece of welfare legislation and a liberal approach is required while dealing with matters under this statute.

The court also held that a delay in registration of an FIR in such cases is insignificant — while this factor may be relevant during a criminal trial, it cannot be given much weightage in proceedings for determining compensation under the Act. “An FIR is often lodged in a hurry and it may not contain the minute and precise details of the incident. The FIR can be registered by a person who may not be an eye-witness. It is only during

investigation of the case that the police can come to know about the culprit/criminal, who had committed the crime. Merely for the reason that the accused had not been named in the FIR does not result in causing any dent to the prosecution story,” the HC observed.

Justice HS Madaan of the HC has passed these orders while disposing of a petition filed by Royal Sundaram Alliance Insurance Company Ltd against the compensation awarded by a Palwal-based court for the death of a resident of Palwal district in a vehicle accident. In this case, one Bansi Lal, 26, a resident

of Bhiduki village in Haryana had died on October 10, 2015 due to rash and negligent driving by one Gajraj Singh. The family of the deceased filed a claim petition against the driver of the vehicle. Hearing their plea, a claim tribunal in its order of September 4, 2017 ordered the insurance company to pay a compensation of Rs 30,88,172.

Aggrieved by this, the insurance company had approached the HC. A separate petition was also filed by the deceased's family seeking enhancement of compensation.

"It has to be kept in mind that the Motor Vehicles Act is a piece of welfare legislation and its purpose is to provide prompt compensation to the persons suffering injuries in a motor vehicular accident or to family members of such persons unfortunately dying in such road mishaps," Justice HS Madaan said.

*(The writer is Ajay Sura.)*

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### ***SC raps UP Bar Council for not taking action against lawyers for submitting fake insurance claims - The Indian Express - 13th October 2021***



The Supreme Court has rapped the Bar Council of Uttar Pradesh for not taking action against advocates who allegedly submitted fake claims under Motor Accident Claims Tribunal and Workmen Compensation Act causing loss in crores of rupees to the insurance companies.

It is very unfortunate that in such a serious matter, where the allegations are of filing of fake claim petitions involving advocates, the Bar Council of UP is not giving instructions to them for making submissions, the apex court said.

A bench of Justices M R Shah and A S Bopanna said it shows the callousness and insensitiveness on the part of the UP Bar Council and asked Chairman of Bar Council and senior advocate Manan Kumar Mishra to look into the same. "As such it is the duty of the Bar Council of the State to take action against the advocates who are found to have been indulged in such unethical manner by filing the fake claims under the Motor Accident Claims Tribunal and Workmen Compensation Act.

"As observed herein above, it appears that Bar Council of State is not interested in taking action and, therefore, now the Bar Council of India has to step in and take appropriate action against the erring advocates, who are found to have indulged into filing of such fake claims," the bench said. The top court also directed a Special Investigation Team (SIT), constituted in compliance of the order dated October 7, 2015 passed by the Allahabad High Court, to submit report with regard to the probe in a sealed cover before it on or before November 15.

The apex court took note of a supplementary affidavit filed on behalf of UP government stating that a Special Investigation Team (SIT) was constituted in compliance of the order dated October 7, 2015 passed by the Allahabad High Court.

The bench noted that the ICICI Lombard General Insurance Company Limited forwarded cases of suspicious claims related to various insurance companies forwarded by the District Judge Raebareli, cases referred to the SIT by various courts and the High Court, cases of suspicious claims of Motor Accident Claims Tribunal and Workmen Compensation Act referred to by various Insurance Companies.

"The SIT has received total 1,376 complaints/cases of suspicious claims. It is stated that out of total 1,376 cases of suspicious claims received by SIT, enquiry of 246 cases of suspicious claims has been completed till date and after having found prima facie offence of cognizable offence in nature against total 166 accused persons which includes petitioners/applicants, advocates, police personnel, doctors, insurance

employees, vehicle owners, drivers etc. and total 83 criminal complaints have been registered in various districts,” the bench noted. The affidavit further stated that the enquiry of remaining cases of suspicious claims is underway.

The apex court, in its October 5 order, also took note of the submission that out of total criminal complaints registered so far, investigation of 33 criminal cases has been completed and legal process of submitting charge sheet against the accused persons is underway.

The top court said that SIT was constituted pursuant to the order passed by the Allahabad HC for conducting enquiry and investigation of the cases related to causing loss in crores of rupees to the insurance companies as back from 2015 and despite the same, the investigation/enquiry has not been completed till date. The bench said that it is very unfortunate that even the SIT has not taken the prompt action and has not completed investigation/enquiry.

“The manner and the speed in which the enquiry is going on and is underway is deprecated. The State of UP/ SIT is hereby directed to file a better affidavit in a sealed cover with respect to complaints filed/enquiry completed, the names of the accused, where the criminal complaints are filed and in which criminal cases the charge sheets have been filed. “On a separate sheet, the names of the advocates against whom the prima face cases of cognizable offences have been found to be disclosed in a sealed cover so that the list can be sent to the Bar Council of India for further action,” the bench said.

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### ***Firm told to pay claim even if vehicle sold to 3rd party - The Times of India - Bengaluru - 11th October 2021***



The state consumer court has upheld a district consumer forum direction to an insurer to clear a Bengaluru woman's Rs 1.4 lakh insurance claim towards her stolen motorcycle. The insurer had turned down her claim, saying the vehicle's insurance policy was still in the name of the first owner and hadn't been transferred to her.

Liberty Videocon General Insurance Ltd had appealed against a Bengaluru district consumer forum's June 30, 2020 verdict ordering that the insured value of the vehicle — Rs 1,37,824 — be paid with interest to Sheela Shantharaj, 57, of Kuvempunagar, apart from Rs 10,000 towards damages and Rs 5,000 towards litigation cost.

Sheela purchased a Bajaj KTM Duke 200 motorcycle on April 27, 2017 from its original owner Mahesh P by paying Rs 1.5 lakh. On June 2, 2017, the motorcycle was stolen from her residence and she lodged a complaint with Chandra Layout police.

With the vehicle carrying an active insurance policy in the name of the original owner till September 26, 2017, Sheela approached the insurer, Liberty Videocon General Insurance Ltd, for a claim for the stolen bike. But despite an active policy in place, the insurance firm turned down her claim, stating that the vehicle was yet to be transferred in her name and she had failed to apply for an insurance transfer till the time of theft.

Next, the woman approached a local consumer court, which ruled in her favour. It ordered the firm to pay Rs 15,000 compensation for the delay, apart from granting her the insurance claim of Rs 1,37,824. Claiming that the local court erred in its judgment, Liberty Videocon General Insurance appealed to Karnataka State Consumer Disputes Redressal Commission on October 22, 2020.

The judges, however, noted that on the date of theft, the vehicle was under insurance cover and the complainant intimated the firm for settlement of the claim and also lodged a police complaint. Further, she had requested the RTO for transfer of vehicle ownership and the stand taken by the insurer

that there is no privity of contract between her and them cannot be accepted and they cannot repudiate the claim of the transferee, as there was still an active insurance coverage. The judges further observed that though the woman hadn't given any application to the opposite party, she had indeed applied to the RTO for transfer.

Hence, there was no negligence on her part as long as a valid insurance cover was present, either in the name of the original owner, or in the name of the transferee. In the circumstances, denial of claim money is illegal and the order passed by the district commission is upheld, the judges stated in their ruling on September 7, 2021.

*(The writer is Petlee Peter.)*

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## PENSION

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***NPS scheme: ₹12,000 monthly saving can fetch ₹1.78 lakh pension per month – Live Mint – 9th October 2021***



**NPS scheme:** National Pension System or NPS is a retirement benefit Scheme introduced by the Government of India to facilitate a regular income post-retirement to all NPS account holders. Due to its post-retirement income feature, NPS is also known as government-backed pension scheme. However, if we go by tax and investment experts' views, one who has low risk appetite can get up to ₹1.78 lakh monthly income investing ₹12,000 per month in their NPS account. They advised NPS subscribers to use SWP (Systematic Withdrawal Plan) and enhance their monthly income post-retirement.

Speaking on NPS scheme, SEBI registered tax and investment expert Jitendra Solanki said, "An NPS account holder can choose up to 75 per cent equity exposure in one's NPS account. However, best practice is to keep the equity exposure at 60 per cent and debt exposure at 40 per cent. It suits to those NPs subscribers too, who have low risk appetite. Keeping 60:40 equity and debt exposure will help NPS account holder to reap around 10 per cent NPS interest rate in long-term."

Solanki said that if an investor invests ₹12,000 per month in one's NPS account for 30 years keeping equity-debt exposure in 60:40 ratio and buys annuity worth 40 per cent of the net NPS maturity amount, one would get ₹1,64,11,142 lump sum amount and ₹54,704 monthly pension as annuity would give at least 6 per cent return annual return.

However, there may be some people who would like to buy annuity worth 50 per cent of the net NPS maturity amount. In that case, the NPS calculator suggests that the monthly pension would go up to ₹68,330 while lump sum withdrawal amount will come down to ₹1,36,75,952.

Advising NPS account holders to use the lump sum amount in SWP to enhance one's monthly income; Amit Gupta, MD at SAG Infotech said, "For a total investment of 1.36 crore for a period of 25 years at an expected rate of 8 per cent per annum, the investor would be able to make monthly withdrawals of ₹1,02,464.455, every month for 25 years."

Likewise, if the NPS account holder has kept is annuity exposure at 40 per cent, in that case its lump sum withdrawal will be ₹1.64 crore.

On how much one would get after investing ₹1.64 crore in SWP; Pankaj Mathpal, MD & CEO at Optima Money Managers said, "Investing ₹1.64 crore in SWP for 25 years would help an investor withdraw ₹1,23,560 or ₹1.23 lakh per month for above said years if the SWP return is 8 per cent per annum."

That means, if a person invests ₹12,000 per month in one's NPS account for 30 years keeping equity debt exposure in 50:50 ratio, then one would get around ₹1.70 lakh per month — ₹68,330 from annuity return and ₹1.02 lakh from SWP.

However, if an NPS account holder invests ₹12,000 per month in NPS account keeping annuity exposure at 40 per cent, in that case one would be able to generate around ₹1.78 lakh per month — ₹54,704 from annuity and ₹1.23 lakh from SWP.

*(The Writer is Asit Manohar.)*

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## GLOBAL NEWS

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### ***Life insurance industry at risk of sharply rising rates: IMF – The Economic Times – 13th October 2021***



The life insurance industry is at risk if there is a sharp rise in bond yields, with an extreme situation potentially causing insurers to liquidate investments reaching \$1 trillion in the United States and Europe, the International Monetary Fund warned on Tuesday.

Vulnerabilities have increased for life insurers, the IMF said in its Global Financial Stability Report, noting the industry is at the "center of fixed income markets" owning about 20% of global bonds and 30% of credit investments. Life insurers have long-dated liabilities and are a critical source of demand for bonds with long maturities, wrote the IMF's Fabio Cortes and Deepali Gautam in the report.

"A stress scenario of a large and sudden increase in bond yields and corporate spreads could induce mark-to-market losses of 30 percent for insurers in some jurisdictions," the report said, pointing to US and UK insurers particularly sensitive.

"This could lead to the emergence of policy surrenders, forcing life insurers to liquidate investments, which, in the extreme, could reach \$1 trillion in the United States and Europe." Tobias Adrian, the IMF's Director of Monetary and Capital Markets Department said that rising rates could cause problems for a range of financial institutions as well as life insurers.

"Rising rates could generate mark-to-market losses (for insurers) but that's also true for other investors," Adrian said. Bond yields have been rising as inflationary concerns have increased. The benchmark 10-year Treasury is close to a 4-month high.

The report said that life insurers with "longer durations and a greater share of riskier corporate bonds in their portfolios would be hit the hardest by a sudden increase in yields."

A severe scenario of a sudden spike in yields could lead to policy surrenders, the report said. "A scenario of bond yields increasing 200 basis points or more-similar to the worst-case yield increase and wider corporate stress scenario-could be associated with a significant increase in lapse rates," the report said.

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## ***Indonesia: Insurance industry braces for impact of VAT under new tax law – Asia Insurance Review***



Indonesian lawmakers last week passed the Harmonised Tax Law, (HPP) that among other things, imposes a minimum VAT of 5% on insurance services. The Indonesian General Insurance Association (AAUI) says that general insurance companies will experience difficulty operating under the new tax law that is set to take effect from 1 April 2022, according to a report in Kontan.

This is because the level of insurance penetration is still low and it is difficult to push several government programmes such as insurance protection for farmers, fishermen, breeders, said Mr Jenry Cardo Manurung, AAUI's deputy chairman for finance.

He said that AAUI's next step is to work with the relevant regulators to oversee the implementing regulations of the HPP so as to reduce the negative impact of the new law on the general insurance industry. As for the life insurance sector, the Indonesian Life Insurance Association (AAJI) says that apart from income tax, insurance agents will be subject to agency service tax because of the new law. "Regarding laws and regulations that have an impact on the life insurance industry, we always coordinate with regulators and actively provide input from the point of view of industry players. For this law, we will wait for the regulations to be ratified and enforced," said Mr Togar Pasaribu, AAJI executive director.

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## ***Japan: Life insurers accelerate moves to adopt non-face-to-face sales channels - Asia Insurance Review***



The number of new life insurance policies in Japan has been recovering after falling when the COVID-19 pandemic erupted last year, says the Life Planning Department of The Toa Reinsurance Company.

In an article entitled Trends in Japan's Life Insurance Industry, carried in the "Japan's Insurance Market 2021", released last month by Toa Re, the Department says that although life insurance sales channels in Japan are becoming more diverse, insurance company sales personnel remain the largest channel. However, life insurance companies have had to refrain from face-to-face marketing by sales personnel to prevent the spread

of COVID-19. As a result, the number of new policies decreased significantly at the beginning of the COVID-19 pandemic last year, and the impact was pronounced.

This has led to broad recognition that diversification of sales channels is more essential than ever, and companies are now accelerating initiatives to add sales channels that are not face-to-face.

### **Progress in digital transformation**

Digital transformation (DX) initiatives are moving forward in Japan. The Ministry of Economy, Trade and Industry (METI) has issued guidelines for the promotion of DX, and under the guidelines DX is defined as innovations and creations in which "companies address major changes in the business environment using data and digital technology to innovate their products, services, and business models based on the needs of customers and society. They also create a competitive advantage by transforming their business, organisation, processes, and corporate culture."

The government also established the Digital Agency on 1 September 2021 to promote DX. These initiatives are progressing throughout society, and several life insurance companies have formulated DX strategies. For example, Aflac Life Insurance Japan formulated a DX strategy in September 2020. With the ongoing digitalisation of society, diversification of values, and rapid lifestyle changes, Aflac Life plans to generate sustainable growth by collaborating with fintech companies to use digital technology such as open innovation. Another initiative involves applying data analysis and predictive models that use artificial intelligence (AI).

In addition, Meiji Yasuda Life Insurance Company launched a DX strategy in April 2021 to address the impact on the life insurance business from the acceleration of society's digital shift and changes in values brought about by the increased severity of the COVID-19 situation. The strategy involves structuring sales and service models that integrate face-to-face and non-face-to-face, and automating and improving the efficiency of operations.

An operational efficiency improvement service using AI and optical character recognition (OCR) that Nippon Life Insurance and Nissay Information Technology offer is a specific example of DX. This service is designed to raise administrative efficiency by using AI-OCR to automatically digitalise each hospital's non-standard documents such as receipts and medical statements, which had been technologically challenging to read accurately. The system was patented in Japan in August 2020. Until now, digitalisation was mainly for simple and repetitive operations, but now DX is rapidly being adopted for a wider range of uses. Future trends such as how the ongoing implementation of DX will change insurance companies and their use of big data is now of great interest.

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### ***Thailand: Regulator eases rules to help insurers deal with onslaught of COVID claims - Asia Insurance Review***



The insurance regulator, the Office of Insurance Commission (OIC), has announced several measures to support non-life insurance companies which are overwhelmed by COVID-19-related insurance claims.

The liquidity of some insurers, such as Asia Insurance, has been affected in the wake of the flood of COVID-19-related claims. Due to the severity of the current pandemic, there are many infected patients, a situation that results in a number of insurers having to pay more than anticipated for claims in a short period of time.

To prevent policyholders from being affected by liquidity problems that may occur, the OIC announced supporting measures via the Royal Gazette to grant insurance companies a period of time to manage claims and to return their financial position to normal, reported *Prachachat.net*.

#### **Some of the OIC's relief measures include:**

Exemption from calculating capital for insurance risk from COVID-19 insurance related to COVID-19 Subordinated loans, under certain conditions, can be counted as Tier 2 capital

From 30 September 2021 until 30 March 2022, exemption from maintaining the Tier 1 capital ratio and the Common Equity Tier 1 ratio. But from 30 March to 30 June 2022, the Tier 1 capital ratio shall be more than 40% of the total capital for all risks, and the Common Equity Tier 1 ratio is to be more than 30% of total capital for all risks. Waivers are allowed for insurers to use accrued premiums with an overdue period not exceeding 30 days as backup assets.

Insurers must have paid COVID-19-related compensation of more than THB500m (\$15m) before applying for a waiver and have a capital adequacy ratio lower than regulatory requirements from 30

September 2021 to 30 June 2022. Mr Anon Vangvasu, president of the Thai General Insurance Association, said that more COVID-related insurance claims than expected had been filed during August-September 2021 due to a shortage of hospital beds in public hospitals that resulted in a large number of deaths. The volume of claims was 10 times higher than normal, straining the operating capacity of insurers.

OIC secretary-general Suthiphon Thaveechaiyagarn said that while there might be some delay in compensation payment due to the large number of claims, there is no systemic risk in the insurance sector. From the start of the pandemic in early 2020 through to August 2021, the total number of COVID-related insurance policies written stood at 39.9m, with premiums received totalling THB11.3bn. Total claims for COVID insurance ballooned to THB9.43bn at the end of August. Claims are expected to continue rising as the daily COVID infection rate remains high, says the OIC.

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### ***Thailand: Insurers offer innovative vaccine allergy products - Asia Insurance Review***

Vaccine allergy insurance products launched by Thailand insurers address an important financial protection need in the Southeast Asian country, and presents a good opportunity for business growth. However, AM Best notes the importance of prudent risk management that accompany any new product development. In its Best's Commentary, "Thailand Insurers Offer Innovative Vaccine Allergy Product, But Underwriting Risks Remain," AM Best states that with new variants having emerged, coupled with pockets of vaccine hesitancy, the recent introduction of vaccine allergy insurance cover provides a growth opportunity for Thailand's life and non-life insurance segments, which were supported by robust health insurance demand in 2020.

While domestic insurers in Thailand have been swift to capitalise on market opportunities amid the pandemic, AM Best notes the importance of insurers remaining on top of their risk exposure, given the uncertainty surrounding loss exposure. Effective risk mitigation will need to be supported by prudent underwriting risk management, including appropriate use of reinsurance; effective pricing strategies; clearly defined policy coverages; and prudent limits that are aligned to the companies' risk appetites. Insurers will need to stay abreast of vaccine-related developments related to frequency and severity trends of side effects domestically and globally in order to proactively manage and limit their risk exposure should adverse trends develop. COVID-19 vaccine profiles vary among manufacturers, and the World Health Organization has noted a lack of comprehensive quality data regarding the serious adverse effects of particular vaccines. Positive or negative developments in these areas could bear material implications for Thailand insurers offering vaccine allergy insurance cover.

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