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QUOTE OF THE WEEK

"Order and simplification are the first steps toward the mastery of a subject."

Thomas Mann

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Non admitted reinsurance

Reinsurance purchased from a company not licensed or authorized to transact business in a particular jurisdiction. Nonadmitted reinsurance may not be treated as an asset against reinsured losses or unearned premium reserves for insurance company accounting and statement purposes.

Source

INSURANCE INDUSTRY

Insurance 2020 and beyond: what's next? - Times Now - 10th December 2020

An insurance company boss had once remarked that Indians are the world's bravest people. The underlying indication in his sarcasm was the abysmally low insurance penetration in the country and the pace of its growth. Insurance penetration — calculated as the rate of insurance premiums to GDP — stood at around 3.7 per cent in 2019, according to a report by the Insurance Regulatory and Development Authority of India (IRDAI). The comparable global average is almost double that of India's. So, why are Indians under-insured? Lack of awareness, trust and transparency in varying degrees, agreed the panellists at The Economic Times-IBM Reshape Tomorrow Insurance Industry CEO Roundtable.

As Anamika Roy Rashtrawar of IFFCO-Tokio explained, there are three age groups: 23-30, 30-60 and those above 60 years, and all the three groups postpone insurance buying, first due to lack of product understanding, then due to lack of motivation and, finally, because of doubt. "So, my advice to youngsters is: do not hesitate or wait to secure yourself. I keep telling young people that the cost of a personal accident cover is the cost of two big pizzas that you buy. And the health cover is the money you spend on a party," she added. "But before that, insurance companies need to start co-creating and co-innovating with customers to create a differentiated service experience and integrated offerings," said Sandip Patel of IBM. "Trust has always been a concern in this industry but we now have an opportunity to change the perception and strengthen the foundation of trust with digitisation," said Patel.

The insurers need to simplify insurance products to increase penetration in India. "Technology and simplification go hand-in-hand because you can't sell complicated products online. So, that is what the regulator has mandated now, that there will be a simple and templated product guideline. Once that is there, technology will play a very big role and it will be a game of volumes. Imagine if there is even a 2 per cent higher penetration of insurance into a population of 1.3 billion," said Anuj Mathur of Canara-HSBC Oriental Bank of Commerce Life Insurance.

While Covid-19 ravaged businesses across the globe, it has presented a once-in-a-lifetime opportunity for the insurance sector. A pandemic-hit world has seen a rush amongst people to 'insure' themselves against health risks. The economic gloom has pushed people to secure themselves against uncertainties. While health insurance has seen the highest traction and is poised to see 20 per cent annual growth, other sectors have also shown resilience.

"Life insurance is growing and doing better. It is because in times like these, people look at life insurance as if they are facing a life-threatening pandemic," said Prashant Tripathy of Max Life Insurance. The other business accelerator is data. Traditionally, the insurance sector has been data-rich but now there is access to data-sets that are different and new such as sensor data, weather data, many of which tend to lose relevance in nano-seconds but these are shaping how insurance companies can think and manage risk.

Patel cited the example of living homes for seniors in Germany where sensors are used for behavioural alerts for the residents. And how that data has been successfully used by insurance companies for better risk management of these senior citizens. Panellists hoped that effective data harnessing will give rise to business models where the Indian insurer's gain in market share with customised products will be backed by increased profits. "From a hard push product, insurance is now becoming a soft-nudge product. Add data to this and it will be the deciding factor for the future of this industry," said Tarun Chugh of Bajaj Allianz Life Insurance. While technology will increase simplicity and comparability to empower customers, data will help the insurer towards predictive underwriting and dynamic pricing. "As far as data goes, the mantra is, Jago Insurers Jago. Like the credit bureau and credit score helping banks to lend, we should come up with an insurance score to weed out repeat offenders amongst agents, customers, hospitals, etc.," said Mahesh Balasubramanian of Kotak Mahindra General Insurance.

Along with trust and simplification of products, the time has come for insurance companies to become more transparent and educate the customer about the risks that they are insuring against. "Transparency is the bedrock for success of the insurance industry. It will help the insurers sell higher premium levels and enable customers to make informed decisions," said Patel of IBM. Therein lies the hope that the insurance sector will demystify itself and people will be better insured for the future.

(The writer is Suchetana Ray.)

Source

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Digital disintermediation drives online insurance sales in India - Global Finance - 10th December 2020

While 2020 will be remembered as the year of successful tech initial public offerings (IPOs) after a disappointing 2019, the immense success of US online insurance distributor Lemonade's IPO—more than doubling in value on day one—made online insurance start-ups a focal point in the fintech world. Lemonade's value lies in its popularity with millennials searching for home and rental insurance online. Similarly, in India, a younger, digitally savvy generation is now powering online insurance sales in an unprecedented manner.

Digital disintermediation in the Indian insurance industry is proceeding quickly. Well-financed online insurance startups have emerged, with Policy bazaar now the dominant player. Backed by SoftBank and Singapore's Temasek, each of which own a 15% stake, Policy bazaar has a 50% market share in online insurance sales and is readying a 2021 IPO, likely to be in the $500 million range (a $3.5 billion valuation range), with listings in the US and India. As of August 2020, the company reported over one million transactions a month across life, auto, home and investment-linked insurance products. The huge success of the SoftBank-backed Lemonade IPO is prompting a speedier IPO from Policy bazaar, which is widely expected to be the first of India's 21 startups with valuation in excess of $1 billion to IPO.

The insurance sector hasn't fully participated in the digital banking, payments and financial disintermediation boom in India until now. With the improving regulatory environment, global giants such as Amazon and Ant Financial have also started to invest in the distribution of home, medical and auto insurance in India. Google has been reportedly looking to invest $150 million in Policy bazaar. With insurance penetration at just 3.7% of GDP versus a 6.3% global average, insurance sales are now one of the fastest growing financial sectors in India, growing at 15% per year.

(The writer is Aaron Chaze.)

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Source

Intangible, like insurance itself – The Hindu – 6th December 2020

Moving to a more sophisticated financial transaction, the concept of dematerialised securities was pushed through successfully in India and had been well-accepted. A useful recent development has been that you need not carry your original vehicle insurance policy but an electronic copy will do if it is in the eParivahan app. Another insurance-specific recent move is that now you can digitally sign your life insurance policy proposal form.

This was introduced in a limited way for pure risk life insurance policies, term policies, sold by agents and intermediaries until the end of December and has now been extended to the end of this financial year and to all types of life insurance policies. It comes with checks and balances and the regulator is yet testing the ground on this move. Dematerialisation of insurance itself dates back to 2013, when the concept of demat accounts for insurance policies, called e-insurance accounts (EIA), was introduced.

This would be a good time to push for large-scale adoption of the system. There are four service providers with whom you can open an EIA, namely NSDL Database Management Limited, Central Insurance Repository Limited, Karvy Insurance Repository Limited and CAMS Repository Services Limited; and, your insurance company can facilitate in submitting the application that you can download from repositories' websites and fill in.

(The writer is K. Nitya Kalyani.)

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Source

INSURANCE REGULATION

IRDAI proposes standard personal accident product from April 1 – Live Mint – 9th December 2020

Insurance regulator IRDAI on Wednesday proposed a standard personal accident product with common coverage and policy wordings across the industry, a move aimed at increasing penetration of the product.

"Every general and standalone health insurer, who has been issued a certificate of registration to transact general and/or health insurance business, shall mandatorily offer this product," said the draft guidelines issued by the Insurance Regulatory and Development Authority of India (IRDAI).

General and health insurers should offer the product from April 1, 2021 onwards.

The insurance market is having a wide variety of personal accident insurance products, the draft said adding that each product has unique features and the insuring public may find it a challenge to choose an appropriate product. "Therefore, with the objective of having a standard product with common coverage and policy wordings across the industry, the Authority has decided to mandate all general and health insurers to offer the standard personal accident insurance product," said the draft.

The cover would offer protection against death, permanent disablement, or partial disablement due to accidents. The standard product would be offered with a policy term of one year. It would also cover expenses towards hospitalisation. The draft, on which comments from stakeholders have been invited by December 18, said the standard product should have the basic mandatory covers. The covers should be uniform across the market.

The insurer may determine the price keeping in view the covers proposed to be offered subject to complying with the norms, it said. "Minimum sum insured shall be ₹2.5 lakh and a maximum sum insured shall be ₹1 crore," the draft said. Beyond that, insurers can offer on their own and can use the same name for the product if all terms and conditions remain the same, it added.

On base covers, it proposed that benefit equal to 100 per cent of sum insured shall be payable on death of the insured person, due to an injury sustained in an accident during the policy period, provided that the insured person's death occurs within 12 months from the date of the accident. Benefit equal to 100 per cent of sum insured has also been proposed in the case of 'permanent total disablement' subject to conditions.

It further said following an admissible claim of the insured person under the policy towards death or permanent total disability of the insured person, "a one-time educational grant of 10 per cent of the base sum insured, each, shall be payable, for a maximum of two dependent children of the insured" subject to certain conditions.

Also, sum insured should be increased by five per cent in respect of each claim free policy year, provided that the policy is renewed without a break subject to maximum of 50 per cent of the sum insured. If a claim is made in any particular year, the cumulative bonus accrued may be reduced at the same rate at which it has accrued, IRDAI has proposed.

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Insurance industry acted as shock absorber during Covid-19: IRDAI's TL Alamelu - Financial Express – 8th December 2020

TL Alamelu, a whole time member (non-life) at the Insurance Regulatory and Development Authority of India (Irdai), said the insurance industry in India and across the globe has shown resilience during this pandemic. Unlike the 2008 financial crisis, the industry has acted more as a shock absorber, and not as an amplifier of the shock.

Covid has exposed existing vulnerabilities and the risks hitherto lurking in the background have shown up and these could no longer be ignored, she said. The pandemic has acted as a catalyst for the insurance industry and prompted it to spur it into action on many fronts to maintain operational resilience, she said.

"We still don't know what the long-term consequences of what we are going through right today," Alamelu said. Policyholders, too, had not thought of the potential risk they would face, she added.

Alemelu was speaking at the annual insurance summit, organised by the National Insurance Academy, Pune, on changing dimension of insurance risks and strategies to combat emerging challenges. The pandemic has exposed weakness in the health system and there is not only a huge protection gap, but also there is no protection for a large section of the population, she said.

The Irdai has come out with three standardised health plans to address the issue of trust deficit in health insurance and make it simpler for policy holders and purchase health insurance without hassles, she said. “We are coming out with some more standard products which will be useful to the policy holders and the insurers.”

Speaking on the major risks the insurance industry faces, G Srinivasan, director, NIA, said risk was evolving and changing dramatically from climate risk, cyber risk to the pandemic.

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IRDAI clarifies on revision in health insurance premium: Check details - Financial Express – 5th December 2020

The Insurance Regulatory and Development Authority of India (IRDAI) has come out with a clarification on the way the revision in health insurance premium happens. As per the regulator, there are some reports in the media about hike in health insurance premium rates by general and health insurance companies. Some of the news items attributed the increase in health insurance premiums to certain recent regulatory initiatives taken by IRDAI.

In this regard, IRDAI clarifies that insurers were permitted to change the base premium up to +/- 5 per cent of originally approved premium rates. This is done in order to comply with the guidelines on standardization of exclusions as a onetime measure for seamless transition of existing products to ensure viability and sustainability.

According to IRDAI, as on 30th September 2020, out of 388 products, premiums were increased by general and health insurers up to 5% of the then prevailing rates only in case of 55 products.

Further, the Authority has cleared revision in premium beyond 5%in respect of only 5 health insurance products of general / health insurers during the year up to 30th November 2020 as part of the periodical modification of their respective products, based on the incurred claims experience.

In February 2020, amendments in respect of provisions of Guidelines on Standardization of Exclusions in Health Insurance Contracts and Modification Guidelines on Standardization in Health Insurance were carried out by the IRDAI.

(The writer is Sunil Dhawan.)

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Source

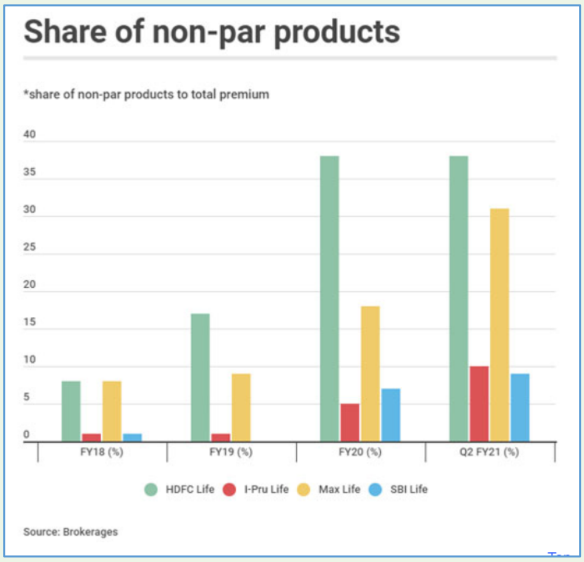
LIFE INSURANCE

Life insurers play tax-free interest arbitrage game to rev up business - Business Standard – 11th December 2020

November's life insurance premium flow data came as a shocker after four consecutive months of promising growth. But here's the interesting thing. While the overall private life insurers' premium inflows contracted by 7 percent year-on-year, those of HDFC Life rose by 20.4 percent and ICICI Prudential Life (I-Pru Life) and SBI Life witnessed 30.8 percent and 5.7 percent year-on-year decline in November.

To understand the outperformance, one needs to deconstruct the composition of growth. After the initial months (April and May) of protection plans-led recovery, the trend has since steadily tapered and the focus has shifted to fixed return or assured sum yielding plans. These traditionally are non-participating products. While most insurance schemes aren't tax-free anymore, assured return products are among the few exceptions. The bank fixed deposit (FD) rate plummeting to a new low has also helped the sales of fixed-return products. These are easy to sell for insurers and also attractive for investors - a win-win for both. Importantly, they have very little protection component vis-à-vis a term plan.

"Capturing on this tax-free low interest rate arbitrage, high net worth individuals are lapping up these products," explains Sridhar Sivaram, investment director, Enam Holdings. Hence, he argues that the growth that life insurers are posting is highly skeptical. "A saving product is being disguised as protection". Unlike other plans, profit streams of non-par products are slightly different – the spreads between the investments and pay-outs, mortality profit and lapsation gains. Mortality profit is the excess of the expected death strain over the actual death strain for a year.



Lapsation means termination of a policy for a fault of the insured or customer, which absolves the insurer for any accruing liabilities. Non-par savings products yield 30 – 40 percent margin, covering for the upfront high agent commission. But though very attractive, analysts at Phillip Capital note that these consume high initial reserves and result in higher capital strains. "Balance sheet risk tends to increase," says Sivaram, because investing in risk-free government instruments won't be adequate to deliver the assured returns. A likely reversal in interest rate cycle is also an inherent risk.

Among the top private life insurers, HDFC Life and Max Life had eight percent contribution from non-par savings products in FY18 which climbed to 38 percent and 18 percent respectively in FY20. In the context of life insurance stocks lately turning attractive within the financials space, and valuations having doubled in six months, it's perhaps time that the Street must evaluate growth qualitatively and not just quantitatively, before rushing in.

(The writer is Hamsini Karthik.)

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Life Insurance Sector: Momentum takes a breather; Outlook continues to be strong - Zee Business - 10th December 2020

Despite a rebound in equity markets' performance, Share khan expects customer preference likely to be tepid for equity market linked products (ULIPs) in the near future. Going forward, Sharekhan expects protection and annuity products to continue to see higher growth; however, volatile capital markets/tepid growth in bancassurance channels are likely to keep sentiments and inflows soft, especially in ULIPs for the near term. Sharekhan sees life insurance as an attractive long-term bet with a long runway for growth supported by India's demographics and underpenetrated / underinsured Indian insurance market. Sharekhan believes players with a strong balance sheet and business metrics would be able to tide over the challenges.

Strong private players are expected to continue to gain. Sharekhan believes most bank-backed insurance companies are showing resilience, along with players such as Bajaj Allianz Life Insurance Company and Max Life Insurance who also have strong and stable bancassurance partners. Among major players, HDFC Life outperformed peers, aided by its higher protection share, improving prices, and resumption of bancassurance channels business. Sharekhan believes the private insurance sector has generally been agile and were quick to deploy digital tools and operational tweaks to ensure business growth and continuity.

Customer demand for protection policies has increased of late, as indicated by management commentary post COVID-19. Insurers' ability to manage product delivery (for sales and costs) will be important where Sharekhan believes strong private players can steal a march over other peers in the long run. Sharekhan expects that the industry is likely to see improved consolidation in market share, going forward, favouring strong private players at the expense of smaller/weaker players. The industry's return to growth is an encouraging sign, aided and facilitated by the rising share of digital channels. Going forward, with normalisation of operating conditions, Sharekhan expects that the agency and bancassurance channels will improve, which will be positive for the savings business.

Structural growth drivers in place, Sharekhan stays Positive:
YTD performance indicates that the insurance industry is bouncing back successfully from the shadows of the pandemic. Sharekhan's view on the insurance sector remains positive, particularly for the protection and retiral product segments. The need for insurance across mortality, morbidity, and longevity coverage remains high. The protection gap in India is wide, with insurance premium as a percentage to GDP low as compared to that of developed countries. Therefore, the opportunity and scope for growth in life insurance remains immense. Life insurance is a long-term oriented industry and we believe it would stay attractive in the years to come.

Investment picks:
Bajaj Finserv (holding company of Bajaj Allianz Life), HDFC Life, ICICI Prudential and Max Financial are some key picks in the Insurance Sector. Sharekhan believes these companies have a strong balance sheet, are well capitalised (for the long term), have healthy operating metrics, and would be able to ride over medium-term challenges.

Key Risks:
Delayed recovery in economic growth and rating downgrades may impact premium growth as well as investment income for insurance companies.

(The writer is Rahul Kamdar.)

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New business premiums for life insurers fall 27% in November - Financial Express – 10th December 2020

New business premiums for the life insurance industry declined in November, after witnessing a positive growth between July and October. Data from the Insurance Regulatory and Development Authority of India (Irdai) show that new business premiums for life insurance fell 26.93% year-on-year to Rs 19,159.30 crore in November.

Life Insurance Corporation of India (LIC) fared badly compared to private insurers during the month. Irdai data showed that new business premium for LIC fell 35.58% to Rs 12,092.62 crore in November compared to last year. Private insurers saw a decline of 5.15% in new business premium, which stood at Rs 7,066.64 crore.

According to industry experts, the sharp fall in premiums of LIC dragged the performance of the overall industry. Since July, new business premiums were in positive, with October witnessing a growth of 31.87%. According to Kotak Institutional Equities, individual annualised premium equivalent (APE) for the private sector declined 7% (YoY) in November, while group APE was down 12% YoY, translating to a 7% YoY decline in the overall APE.

APE is the sum of annualised first-year premiums on regular premium policies and 10% of single premiums, written by insurance companies during any period from both retail and group policyholders. “Notably, individual APE growth turned positive in September 2020 (up 4% YoY) as the lockdown eased, and was up 14% YoY in October 2020, but declined YoY in November. This may be due to a high base effect; November 2019 was a strong month for the private industry with 27% growth as compared to 3-4% growth in September and October 2019,” said the report from Kotak Institutional Equities.

All the categories in new business premiums saw negative growth in November, show data from Irdai. Categories like individual single premium and individual non-single premium saw negative new business premium at 11.04% and 33.73%, respectively. Even all the categories in the group insurance segment witnessed a fall in its new business premium in November.

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Saral Jeevan Bima – Keeping it simple for first-time buyers - The Indian Express – 9th December 2020

After coming up with a standard regular health insurance plan – Arogya Sanjeevani, customers will soon get to buy a regulator-mandated standard term life insurance policy from January 1st, 2021. In an attempt to make the term life insurance affordable and available to all, on the directions of the Insurance Regulatory and Development Authority of India (IRDAI), the life insurers have come up with a standard term life insurance policy named – Saral Jeevan Bima – a plan that rightly caters to have life insurance needs of an individual.

For first-time buyers of term life insurance, this product is a boon since the plan is the same across all insurers. It is a one-stop-solution for first-time term life insurance buyers. Also, people with limited understanding of term life insurance, often are not able to choose which plan to invest for the financial security of their dependents.

Having an insurance product with limited knowledge often leads to rejection of claim which does not solve the prime objective of buying any insurance product i.e. financial protection.

The introduction of Saral Jeevan Bima is being seen as a revolutionary move in the life insurance industry as it will bring the maximum of people under the insurance umbrella and mostly those falling under the lower-income group. The insurance regulator has always worked towards making insurance products customer-centric and available at affordable prices.

The entire process of standardisation of term life insurance product will make the buying process much simpler and will help in developing strong faith and trust between the customers and the life insurance ecosystem.

Decoding what all is covered
Saral Jeevan Bima – a non-linked non-participating individual pure risk term life insurance plan – pays out to the dependent the entire sum assured, in case of the demise of the insured person within the policy term.

While buying the policy, the customers must know that insurers will not be liable for a payout if the policyholder dies within 45 days of taking the policy except for death in case of an accident. Under Saral Jeevan Bima, customers will not receive any maturity benefit and surrender value under this policy. The plan can be bought by any individual without any restrictions on gender, place of residence, academic qualification and occupation.

The minimum and maximum entry ages for the Saral Jeevan Bima plan will be 18 years and 65 years respectively with the policy term ranging between 5 – 40 years. The maximum maturity age up to which the policy can be bought is 70 years.

Coming to the sum assured, the minimum sum assured that customers can opt for under the Saral Jeevan Bima policy will be Rs 5 lakh while the maximum will be Rs 25 lakh. The insurers may offer the plan under higher sum insured if the plan adheres to the given terms and conditions.

Best pick for first-time buyers
For first-time buyers, the Saral Jeevan Bima plan will help them make a stress-free decision as the features and offerings will be same across all life insurers. Moreover, uniform terms and conditions will leave very little-to-no scope for disputes while making a claim. However, while choosing a plan, it is important for the customers to compare the pricing of the plan offered by different insurers along with the claim settlement ratio.

Rider options
Along with the Saral Jeevan Bima plan, the customer can buy IRDAI approved Accident Benefit and Permanent Disability Benefit riders. A rider is an add-on benefit that the proposer will have to purchase separately in addition to basic benefits as specified under this policy document.

The rider premium will be in addition to the premium paid under the base policy towards the additional cover/benefit opted under the rider. The rider sum assured will only be paid out if a specified event for which the add-on is bought takes place.

(The writer is Santosh Agarwal.)

Source

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Here's why insurance cover makes for the perfect gift in 2021 – Live Mint - 9th December 2020

New Year is just around the corner. While some of us have just had a festive season, new year makes for a reason to celebrate for virtually everyone, making it the perfect time to spend time with family and celebrate all festivities. Special occasions call for special gifts too! Buying gifts for your loved ones is not as easy when you start shortlisting potential gift ideas. While buying a gift, the intention is to buy something that is valuable, memorable which we often link to something expensive. Turns out, our very perception is flawed while associating meaning with buying something that essentially makes a hole in your pocket.

A gift doesn't necessarily have to be expensive to be thoughtful. It can be as simple as promise to be there to fulfil someone's dreams or something that will give them complete peace of mind about their future. A good option, which is relevant and meaningful to gift a loved one today, could be an insurance policy for the following reasons:

Fulfilling financial goals: This gift comes with life-long benefits. Unconventional in nature, an insurance policy enables one to accomplish dreams with a planned financial arrangement. There are certain life insurance policies that can build cash value over time, which can be used as a form of income during retirement or at a later stage in life. For example, gifting your spouse a life insurance policy, such as IndiaFirst Life Guaranteed Protection Plan, will make her financially independent while eliminating the need to compromise on important things. A Child plan on the other hand makes you ready to fund your child's education or special events in life.

Tax benefits: Knowing that life insurance industry helps policyholders with their long-term financial needs, various tax benefits have been rolled out by successive Governments. The premium paid for health policy for instance is eligible for deduction under section 80D of the Income Tax Act. With right level of protection cover component (10 times the annual premium), proceeds of life insurance policy would be fully exempt under section 10 (10D) of Income Tax Act.

Creating a security blanket: An insurance policy can be a safety net that can not only protect your near and dear ones in case of eventuality but also help them fulfil their dreams through tax efficient investment instruments. It is thus prudent to purchase relevant insurance plans at appropriate stages of life. The key is to start early and assess your require requirements at each stage.

In a nutshell, there is no doubt that an insurance policy that suit requirement at your life stage makes for the perfect thoughtful gift, guaranteeing lifelong happiness.

(The writer is Kedar Patki.)

Source

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The importance of life insurance in your life - Financial Express – 9th December 2020

We spend all our time trying to strike a balance between our personal and professional lives. Amidst this race against time, acknowledging several little moments of happiness and joy gives us the strength to beat all odds. We love to cherish and celebrate every possible milestone starting from festivals, birthdays, anniversaries, achievements, etc. to upgrading our lifestyle and pampering our loved ones. While these moments give us immense pleasure, they also highlight the need to have an additional income so that the moments continue forever.

Keeping in mind several unanticipated risks in life, it is vital to be prepared to ensure you can keep celebrating your life's milestones without interruption. Here are some prudent steps that can ensure that your finances do not come in the way of your celebrations:

Start Planning: It is vital to evaluate your financial condition by creating a comprehensive picture of your current finances, your goals, savings, debts, investments, etc. Once, you have mapped out all your finances, customize your plan according to your requirements at various stages of life. Do identify the various moments you would like to capture always and add them to your financial plan.

Make Savings A Habit: Evaluate your earnings and compare it with your expenses. Curtail the unnecessary spending and save the money to celebrate bigger and more important milestones. Such habits go a long way.

Grow Your Savings in An Assured Manner: It is essential to take prudent investment decisions and allow your savings to grow. You can opt for financial instruments that offer guaranteed returns. This will assure that you have the required sum, the moment you need it.

Can Your Savings Turn into An Additional Income? The requirement of having an additional income combined with financial stability is the need of the hour. Check for financial solutions that can offer you assured recurring income for the long-term. If you invest early, this can also act as an additional source of income.

Manage Risks Well: Plan in a manner so that nothing can derail your moments of happiness. Understanding the importance of risk- management tools thus becomes necessary.

Did you know that you can 'insure' your life's precious moments? Life insurance plans can cater to these altering demands and protect these beautiful moments forever.

Ensure Happiness with Life Insurance: Life insurance plans can cater to our long and short-term needs like lifestyle upgrades, pursuing hobbies, pampering our loved ones, and relishing every milestone. These policies are specifically designed in a way to reap long term benefits with short-term investment. These plans offer the additional benefits of protection coupled with financial assistance and safety.

To sum it all, planning well and in advance can help you celebrate life's valuable moments without making any compromises ever. Keeping the unpredictability of life, opting for a life insurance plan that provides a safety net along with an assurance of the well-being of your loved ones, is a wise financial decision. Investing in such 'life solutions' is a must for the long run. So, it is vital to plan today, to do more of what you love to do, forever!

(The writer is Anil Kumar Singh.)

TOP

Source

Unique advantages of buying term insurance plan online – Know them before purchasing - Financial Express - 7th December 2020

From purchasing smartphones to booking international holidays, the online medium has emerged as the first choice for many of us. What's more, online platforms are also helping one to keep one's financial life sorted. There are investment platforms to access capital market products such as direct equity and mutual funds, thus helping one to save for long-term needs. Similarly, one can buy insurance products online, thus taking care of the financial risks in life.

Term insurance plans, the purest form of life insurance, can be purchased online either directly from the insurer's website or by accessing the website of an Insurance Aggregator. While buying a term insurance plan online directly from the insurer's website, nothing changes as far as the policy contract is concerned. However, the only thing that goes missing is the role of the insurance agent or the intermediary. You and your family members as nominees will have to directly connect with the insurer for policy changes or for claims.

Here are certain distinct advantages of buying a term insurance plan online:

Simple buying process
Buying a term insurance plan is simple and easy and can be completed from the comfort of your home or office. One just needs to furnish details such as age, gender, sum assured (amount of life cover) and the period for which one wants the coverage. Based on these, the online term insurance calculator lets you know the amount of premium which could be payable annually, quarterly, half-yearly or even monthly with some insurers.

As a buyer, you may change or modify the term and the sum assured that fits your needs. Once you zero-in to the right term insurance plan, the payment process is entirely digital. The submission of documents is also online and only medical underwriting may have to be completed offline, in case it is required.

End-up paying lower premium
The biggest advantage of buying term insurance plans online is the cost. On the same parameters such as age, sum assured and term, the premium that you have to pay while purchasing online from an insurer's website is lesser by nearly 25 per cent or even more compared to the premium when bought offline. Since online purchase doesn't involve any intermediary, the insurer ends up saving the cost which it passes on to the online buyer.

Click here to know your term insurance premiums.

Explore more options
Once online, you can also explore various other types of term insurance plans such as increasing or decreasing life insurance plans etc. One can even add optional benefits called Riders such as accidental rider, medical rider to enhance coverage in one's plan. On the platform of an Insurance Aggregator, one can explore plans and features of various insurance companies in one place.

In Control
As an online buyer, you have full control of what you are buying. From disclosing your medical and family history to furnishing the details of your existing insurance policies, online filling up of the application form by the life insured keeps the transparency in place. It has been observed that the life insurance plans bought online have a higher persistency ratio than purchased offline. A high persistence number indicates that policyholders keep paying premium till the original term and not exit from them mid-way, which in a way shows an informed buying decision by the buyer.

Contact points
Although purchased online, there's always a point of contact for the buyer of a term plan. If you are buying it on an Insurance Aggregator's platform, help is just a phone call away and even the same if you buy it directly from the insurer. Importantly, it's always better to speak to the insurer or to the executive of an Insurance Aggregator website before starting to buy. Get a fix on the document submission and on undergoing medical tests before finalizing. Once the payment is made, you get the policy document through email and a physical copy as well.

Finally, make sure your nominees are aware of the policy and the whereabouts of the policy document. To keep things simpler and to avoid forgetting the renewal date, give standing instructions to your banker to debit the bank account on the due date.

Buying a term insurance plan for an adequate sum assured is the right step forward to ensure your family members' dreams, aspirations and goals are not derailed. A term insurance plan works as an income replacement tool. No wonder, most financial planners suggest buying it even before saving a single penny for your long-term goals.

(The writer is Sunil Dhawan.)

Source

TOP

Investing in ULIPs? Here is how you can get good returns - Financial Express - 5th December 2020

Investors looking to invest for the long term and get the benefit of markets usually choose ULIPs to invest and accumulate wealth. However, "the volatility of the last six months in the Indian equity markets has led to many investors staying away from unit-linked insurance plans (ULIPs). Investors are instead choosing to invest in guaranteed plans and term plans in the time of despair," says Rakesh Goyal, Director, Probus Insurance.

While term plans offer pure insurance and guaranteed plans offer guaranteed lump-sum payments at maturity, ULIPs offer both insurance and market returns. Industry experts say, with multiple charges being extremely low now—ULIPs have become one of the best bets for long-term wealth creation.

Goyal says, "This is the time to go and invest in ULIPs. However, if someone is already in ULIPs, he/she could go for multiple changes in the plans to get better returns." One of the major benefits of ULIPs is that they allow policyholders to switch between one plan to another (equity to debt or vice-versa).

So, experts say, if investors think that equity markets have run up and might correct going forward, they could switch to debt—until equity markets reach fair value again.

Another important point while getting better returns in ULIPs is the optimization of asset allocation, suggests experts. For instance, if a 30-year individual has all the investments in traditional products like bank FDs or traditional insurance plans— it is advised that he/she should invest the full amount in the equity of ULIPs and not go for balanced funds.

However, if one is near their goal and the policy matures in the next 3-5 years, it is better to slide towards debt funds. Goyal of Probus Insurance says, "In the current scenario if someone wants to invest in debt—they should go move at the short term to medium term funds. It's no point staying invested in very short tenure (liquid plans) or long tenures (G-Sec plans)." He further adds, "This is because portfolios with a duration of 2-4 years, look attractive. Yields in the 4-5 year space continue to remain over 4.5-5 per cent compared with 1 year which is under 4 per cent. If the interest rates are reduced going forward this segment is likely to outperform the longer end."

Categories like short duration funds and medium duration funds usually have a duration in the range of 1-4 years. Since February 2019, the RBI has reduced the key policy rates by 250 basis points (100 basis points = 1 per cent). The prices of fixed income securities are governed by interest rates prevailing in the markets. Interest rates and the price of fixed income securities are inversely proportional. When interest rates decline, the prices of fixed income securities increase.

Industry experts say one should not stop the premium payments and let the policy lapse. When a policyholder buys ULIPs, the insurance companies levy a charge for insurance protection upon his death and to cover other expenses, known as mortality charge. It is usually deducted along with other charges, before investing the policyholder's money. Typically, the mortality charge of ULIPs increases as the policyholder ages. Nowadays the charges on the Ulips are very low and as the investments continue to go for a longer duration—the charges come down.

Goyal of Probus Insurance says, "Over the period of time mortality charges have come down and many insurers are giving back the mortality charges at the maturity of the policy to attract a greater number of investors. Many insurers have started giving mortality charges back to the policyholders—which is important for more wealth generation."

Experts always suggest, one should invest in equities with a long term view and have a proper asset allocation, as equity is the only product that is likely to give inflation-beating returns in the long term.

(The writer is Priyadarshini Maji.)

Source

TOP

₹1-crore health plan is a sensible idea - The Hindu Business Line – 5th December 2020

Until a few years ago there were no options to get a sum insured (SI) of over ₹5 lakh in health insurance in India. Today, there are a handful of insurers offering ₹1-crore health cover for self and family. However, is there a need for ₹1-crore health insurance? Also, will one get benefits such as treatment outside India and a deluxe room while in hospital? Before we delve deeper into this topic, note that health insurance plans are indemnity covers that pay for the medical bill on hospitalisation up to the sum insured.

They are not like the critical illness insurance plans that pay the full amount of SI at the first instance of hospitalisation irrespective of the hospital bill. There are still reasons for you to go for health insurances plans and not critical illness plans if you want to cover hospitalisation expenses and ₹1-crore health cover makes more sense. In regular health insurance plans, you can make claims on the policy as long as there is SI left in the plan; the cover is renewable life-long. In contrast, the critical illness (CI) plans are one-time covers; once claimed, the policy pays the full value of cover and terminates; you can't renew the policy again the next year. But most critical illnesses recur after a few years and by that time if you had exhausted all the money form the first claim, you will be without any back-up to pay for hospitalisation. So, it is recommended that you buy a health insurance policy that by regulation is renewable life-long and can take care of the recurring medical expenses throughout your life time.

The next question is how much cover? Treatment cost of chronic ailments, including cancer, run into lakhs of rupees. Rather than guessing how much cover you would need, you can take a ₹1 crore cover at the age of 35-40 years for your peace of mind. As you age, if you find the premium expensive, you can reduce the SI by a few lakhs, but you would still continue to enjoy a large cover without fresh underwriting. On the other hand, if you had say ₹5-10 lakh cover and in your mid-40s want to increase the SI to say ₹25-30 lakh, there will be fresh underwriting and waiting period, and it can't be easily done. Currently, the ₹1-crore health plans are not expensive at all. Check this: For a 35-year-old male, in case of Max Bupa, the annual premium for ₹25 lakh SI plan is ₹14,626 and the cost of ₹1 crore plan is a lower at

₹10,992. Similarly, in case of Aditya Birla Capital, while the annual premium for ₹25 lakh SI is ₹11,245, the premium for ₹1 crore cover is ₹9,557.

Insurers price the ₹1-crore plans cheaper, assuming there are rare chances of claims over ₹25 lakh. One thing to note that both the above ₹1-crore plans are combo plans – of base policy of ₹5 lakh and a super top-up of ₹95 lakh. The super top-up will get triggered the moment the base policy SI is exhausted. Since both the base and super top-up covers will be with the same insurer, there will be hassle-free claims process. For a single plan of ₹1 crore, you can go for Care Health Insurance's Care Advantage, but it is more expensive than both plans mentioned above. If you think that the ₹1-crore health plans will come with benefits of international coverage and high-end deluxe rooms in hospitals, sorry. There are no added frills in the ₹1-crore plans. These plans have the bare minimum necessities for someone looking for a hospitalisation cover. That said, they cover single private room accommodation, come with NCB, and cover all-day care procedures as regular plans and pre/post-hospitalisation for 30 and 60 days respectively, as usual. In Care Health's Care Advantage plan for ₹1 crore, however, all category rooms, including suites are covered.

(The writer is Rajalakshmi Nirmal.)

TOP

Source

Should you buy into the recovery in life insurance companies? - The Hindu Business Line – 5th December 2020

Life insurance companies that witnessed a sharp decline in premiums in the June quarter owing to the pandemic saw a notable improvement in the September quarter. Strong focus on high margin protection business, diversified product mix and strong technological and digital thrust aided the performance of leading life insurance companies in the September quarter. The pandemic crisis has opened up huge opportunities for life insurers in the long term, with the rise in awareness and demand for protection and annuity products (offering income certainty). While uncertainty over pandemic-related claim losses (underwriting losses) and low investment returns can impact profitability in the near term, steady focus on high margin segments, strong digital and product innovation capabilities and well-diversified distribution network should bode well for the three listed private players-- HDFC Life, ICICI Prudential Life and SBI Life.

HDFC Life

After a sharp decline of 30 percent in the June quarter, HDFC Life's total APE (annualised premium equivalent) grew 21 percent y-o-y in the September quarter. HDFC Life's strong growth of 22 percent in renewal premium in the first half of the current fiscal also lends comfort. Value of new business (VNB) for a life insurer is a key measure that values future profit streams of the new business written during the year. For HDFC Life, while VNB declined by 12 percent in the first half and resultantly the VNB margins fell by 240 bps to 25.1 percent, it was mainly due to lower share of non-par products. This was due to a higher base of non-par mix last year (thanks to strong response for its Sanchay Plus product). However, an increase in share of par products and continued focus on protection business offer support to margins. While tepid lending environment impacted its credit life business, there was a gradual pick up in Q2. The management expects the credit protect business to normalise to previous year levels by Q4 of this fiscal. At the current price, HDFC Life trades at about 5.6 times its embedded value as of September. The company's strong financials, ability to drive product innovation and digital thrust should help it retain its premium valuations. Given the steep valuations, investors can accumulate the stock in dips for the long term.

ICICI Pru Life

ICICI Prudential Life's relatively higher share of ULIPs has been a dampener in the past. But steady focus on growing protection and non-linked savings business has helped drive its VNB. In the September quarter, the life insurer's VNB margins improved sharply to 27.4 percent from 24.4 percent in the June quarter, thanks to strong growth of 45 percent in non-linked savings segment (APE) and improving share of high margin protection business (passing on reinsurance price hike aiding margins). While the share of ULIPs (in total APE) fell to 46 percent in the first half, from 64 percent in FY20, it remains a sizeable portion of the company's portfolio and can inch up with stability in equity markets. Both protection and the non-linked savings business are the more profitable segments, driving VNB margins. Going ahead, while product diversification remains the key focus for the company to drive VNB margins, whether it is able to maintain the momentum in high margin segments needs to be seen. ICICI Pru Life trades at about 2.6 times its embedded value as on September, a discount to its peers. Sustainable improvement in VNB margins will be key to the stock re-rating significantly. Investors can buy the stock at current levels.

SBI Life

Much like its peers, SBI Life too witnessed strong recovery in the September quarter. The company's overall new business premium grew by 15 percent y-o-y in the first half of the fiscal, led by non-par and group savings products. Renewal premiums posted a strong 29 percent y-o-y growth in the April-September period. ULIPs that constitute a relatively notable share for SBI Life had dragged the overall APE in the June quarter. According to the management, the momentum in ULIPs has picked up in the September quarter. On a relatively low base, non-par APE has grown notably in the first half, taking the share of non-par APE to 12 percent from 8 percent last year. This along with the increase in protection mix has aided the 70 bps expansion in VNB margins to 18.8 percent in the April-September period. Rising share of protection business and strong traction in non-par should aid margins going ahead. At the current price, SBI Life trades at about 2.9 times its embedded value as on September. SBI Life's focus on increasing non-par business, multi-channel distribution, gradual increase in share of protection business, consistent improvement in VNB margins and cost efficiencies are key positives. The stock presents a good buying opportunity now.

(The writer is Radhika Merwin.)

Source

TOP

Importance of persistency in life insurance - DQ India - 4th December 2020

Life Insurance is a long-term product that results in companies having a long-term association with customers. Persistency in Life Insurance, simplistically explained, is a measure of how long the customers renew their policies. This is one of the most important metrics in a Life Insurance Company and determines its long-term profitability and solvency.

The metric that is usually adopted by the Life Insurance industry for tracking renewal collection is the 13th-month Persistency of business i.e. what percentage of policies have been renewed after a year or what percentage of policies are in "active" status and not "lapsed" after a year of sourcing. Similarly, there are metrics and tracking on 25th, 37th, 49th and 61st-month Persistency to monitor renewal collection. Companies have dedicated teams and they allocate significant resources to enhance Persistency and improve renewal collection. Globally, one would observe that the benchmark for 13th-month Persistency is90% whereas for 61st month the benchmark is 65%. In India, there has been an increasing focus on improving Persistency amongst all Life Insurance players and that has led to an overall improvement. However, the average 13th-month Persistency of private life insurance companies has been in the range of 75 to 80% in the last couple of years though there are few with Persistency in the range of 85% to 90%.

Retaining a customer is one of the most significant as well as challenging aspects of a business today. A Company with a customer-first philosophy that focuses on policy renewals, ensures that not just the customer benefits from it, but the business also generates continual revenue. The profitability of a Life Insurance company is directly correlated with Persistency. So a higher persistent business means higher profitability for an insurance company. This happens as a result of the reduced effect of the expenses through the term of the policy. A persistent business helps recover the higher expenses in initial years, mostly associated with acquisition costs, over the policy tenure and hence ensures that the business that is written is generating profits in the longer run. The impact of Persistency on a life insurance product's profitability varies i.e. Persistency of unit-linked products usually have a higher impact on profitability than that of traditional products.

The other most important aspect of the insurance business is maintaining solvency. The insurance business is mandated by the regulatory authority to maintain defined levels of solvency. Persistency and solvency are deeply intertwined. Higherpersistency implies higher renewal inflow, which in the long run, provides for higher resources for investments and earnings. An enhanced persistency also brings down the Sum at risk and reduces the burden of pay-out for death claims. The embedded value of a Life Insurance company is the present value of the future stream of profits that accrues only with the renewal premium. Hence, the importance of Persistency in a Life Insurance company and its linkage to profitability and solvency.

Customers are at the core of ensuring continuity of renewal premium. For a persistent business, the Company must ensure that the customer realises the financial need, assesses the product, consumes it and stays with it for the entire tenure to get the optimum benefit out of it. It is imperative for companies to ensure that the right product based on the customer's needs is sold to improve renewals. A lot of time and effort is spent by companies in customer needs analysis, the suitability of the product and providing a benefit illustration so that the product benefits are understood by the customer before sales. This is critical for higher persistency. From a customer standpoint, higher persistency ultimately leads to improved customer benefits and claims pay-out and hence, higher customer satisfaction scores. In fact, higher persistency is certainly an indicator of customer satisfaction and loyalty for an insurance company.

Insurance companies have been investing heavily in technology and re-engineered processes to improve customer experience and hence improved Persistency. Starting from enhanced versions of the interactive services to launching voice recognition bots that serve you 24×7, servicing customers has come a long way. Most of the companies today are available on WhatsApp / other social media and are working towards real-time response and query resolutions. These initiatives are ensuring not just reduction in service TATs but "ease of operations" for customers and hence improved Persistency. The journey to success and sustainable profitable growth of life insurance companies would hinge around their ability to provide seamless service across touchpoints and the management team's focus on customer experience.

Companies are also investing in initiatives that are improving the use of customer and "unstructured" data. Data Analytics is playing a key role in improving customer experience and persistency and the industry is seeing the increasing number of data scientists being employed. Machine learning, Artificial Intelligence, Data warehouses and data lakes have seen significant investment in the recent past in insurance companies implying the importance of data science and data analytics. Companies have built propensity models that predict Persistency at different stages of the customer lifecycle and by doing that it is able to allocate resources to where the propensity to renew is low. Data analytics is focused on providing insights to the companies on how to improve Persistency.

Across the globe, Life Insurance companies will continue to focus on improving the Persistency of their business by understanding customer needs, selling the right product through seamless online channels or trained distribution team, developing servicing infrastructure that provides great customer experience, creating "listening posts" to channelise customer feedback, developing operating models that support personalization and build capabilities to get customer insights by investing in data science.

(The writer is Atri Chakraborty.)

Source

TOP

GENERAL INSURANCE

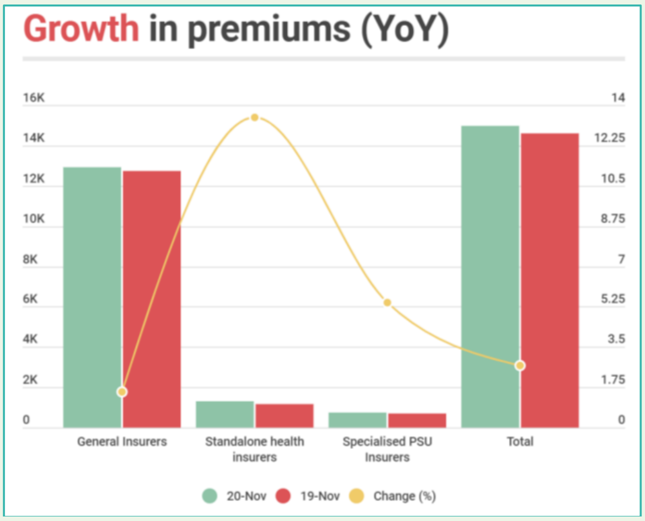
Non-life insurers see 2.7% growth in premiums in November at Rs 14,981 cr - Business Standard - 11th December 2020

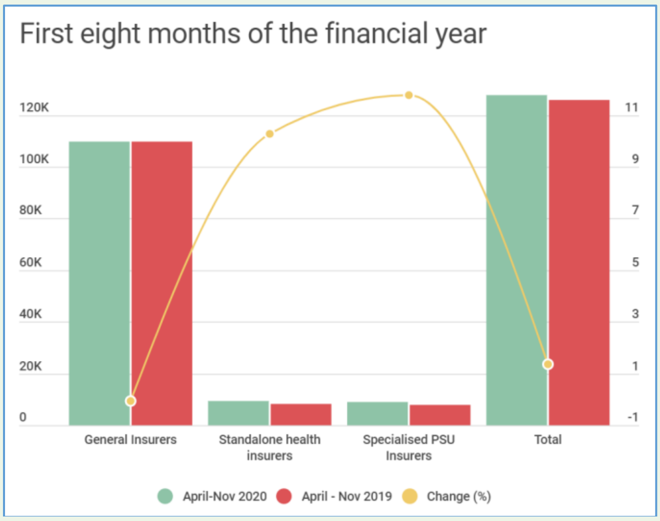
Non-life insurers have reported a 2.7 per cent year on year (yoy) growth in gross direct premium underwritten in November after witnessing a marginal decline in premium collection in October.

Non-life insurers were in the red in September also, with premium collection slipping 4.41 per cent. And, in October premiums for non-life insurers contracted by 0.41 per cent.

In November, non-life insurers, which include general insurers, standalone health insurers, and specialised PSU insurers, reported gross direct premium underwritten to the tune of Rs 14,981 crore, compared to 14,585.91 crore in the same period last financial year.

While the general insurers, 25 in total, have collected Rs 12,923 crore in premium in November, up 1.57 per cent yoy, the standalone health insurers saw their premium collection go up by 13.45 per cent yoy to Rs 1,324.78 core. In October, standalone health insurers witnessed excellent growth in premium collection, with premiums in October this year rising 32 per cent to Rs 1,403 crore.





Source: IRDAI

In the first eight months of the financial year (April – November), general insurers saw their premium collection drop 0.07 per cent to Rs 1.09 trillion, while standalone health insurer's premiums rose 10.26 per cent to Rs 9,181.35 crore. The non-life industry, on other hand, reported a marginal growth of 1.35 per cent in premiums in April – November period of FY21 at Rs 1.27 trillion.

"The general insurance industry has recovered in a very a significant way from Q1.

The critical components that drive the general insurance industry are segments such as the auto sector and we are well aware how much that business got impacted in Q1. Q2 has seen some recovery and Q3 is looking better than Q3. Health has grown at more than 30 per cent rate. In fact, the momentum is very high in the health segment", said Sanjeev Mantri, Executive Director, ICICI Lombard General Insurance.

(The writer is Subrata Panda.)

Source

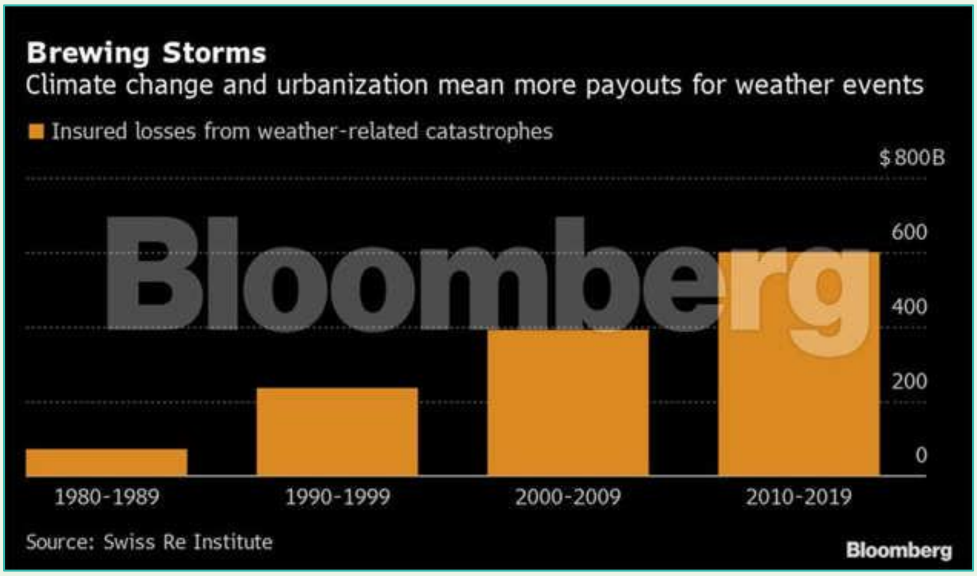
TOP

When non-life insurance industry's $2 trillion falls short, next crisis may be uninsurable - The Economic Times – 10th December 2020

There aren't many contexts where $2 trillion seems like a paltry sum. Then a pandemic comes along.

The economic fallout from Covid-19 has left insurers issuing existential warnings and businesses discovering they weren't covered. It's resulted in courts packed with lawsuits and governments scrambling to head off more pain.

At the core is the reality that the global non-life insurance industry's $2 trillion in capital won't last in a "black swan" event, such as a cyber attack or another pandemic, that hobbles the global economy. Lawmakers in the U.K., the European Union and the U.S. are grappling with ways for taxpayers to help in a more predictable way than hastily assembled bailouts. Insurance giants including Chubb Ltd., Axa SA and Lloyd's of London are pushing for action before the lessons of 2020 fade.



"Pandemic is not a risk you can cover," Swiss Re AG Chief Executive Officer Christian Mumenthaler said earlier this year on an earnings call. "Balance sheets of insurers are a tiny fraction" of what might be needed during a calamity.

Anything as large as pandemic risk, the industry argues, will need government support. The coronavirus has shut down global economies in a way that very few prepared for, with revenue for millions of businesses cut or totally lost as they were forced to shut their doors. But it's far from the only possible threat.

"The world is headed toward more systemic risk in cyber attack, supply-chain interruption, long-term disability, health care, et cetera, et cetera," said Julian Enoizi, CEO of Pool Re, a U.K. firm that offers coverage for property damage and business interruption from terrorist attacks in partnership with government. "If we walk away from risks that are too difficult to insure, if we don't look instead to use our expertise to find innovative and creative solutions, such as public-private partnerships and working with academia, we risk becoming irrelevant," he said in an interview.

To be sure, governments have borne the brunt of pandemic-related relief costs in 2020, with the International Monetary Fund estimating that taxpayer-funded rescue measures have already reached $12 trillion. Insurers in the U.S. have found that courts generally side with them in disputes over coverage of pandemic-related business losses, while others in the U.K. and Europe have lost some high-profile legal battles.

Insurance markets for events, travel and business interruption have all been roiled by the virus. For those looking to protect against the possibility of pandemics, most will find that firms are offering few safeguards going forward. Allianz SE, Europe's biggest insurer, said it will focus on tightening up contracts to exclude pandemics. Munich Re has stopped selling business policies that cover pandemics.

"In all our lines of business, we've tightened up terms and conditions where it needed to be tightened up, provided additional clarity," Christopher Swift, CEO of Hartford Financial Services Group Inc., said Tuesday at a Goldman Sachs Group Inc. conference. "As we get into a second wave here, we don't think we'll have any increased exposure."

Conversations on government backstops are at early stages as proposals of different shapes and sizes are presented by insurers and scrutinized by lawmakers. The response from governments has varied by country, with France and the U.S. furthest along in their efforts to settle on a plan.

U.S. lawmakers have been discussing a federal reinsurance program based on an existing backstop for terrorism risk created in the aftermath of the 9/11 attacks. In France, Finance Minister Bruno Le Maire, who himself contracted coronavirus, plans to announce a plan before the year is out.

Other countries need to follow the U.S. and French lead and push for an agreement while the current crisis is still foremost on lawmakers' minds, according to Lloyd's of London Chairman Bruce Carnegie-Brown.

"People get forgetful pretty quickly," he said. "As the pandemic begins to unwind, I can easily see this falling down the agenda."

One of the chief stumbling blocks for any agreement is how much of a burden the industry will be expected to take. In France, insurers agreed to freeze premiums for hospitality and other worst-hit sectors in 2021, after Le Maire threatened them with an exceptional levy if they don't provide aid to hotels and restaurants hurt by the crisis.

Representative Carolyn Maloney, a Democratic lawmaker from New York, has proposed a bill called the Pandemic Risk Insurance Act, modelled after the 9/11 terrorism backstop. That effort has drawn support from the Risk and Insurance Management Society, a group of risk managers at different companies.

"We need a framework to provide relief in the long-term when a pandemic like Covid-19 hits," Maloney said in a statement that also called for more short-term relief measures. "PRIA will provide a framework for small businesses to get the relief they need, without having to wait for Congress to pass another emergency bill."

Chubb, the global insurer led by Evan Greenberg, has drawn up plans for a public-private partnership in which the federal government would assume a "substantial percentage of the risk," and with insurers bearing some costs as well. Others in the industry, such as the American Property Casualty Insurance Association, are opposed to insurers putting up any cash at all.

"Trying to find a way to balance all of this is going to be very important," Mark Humphreys, a vice president of litigation and risk management at Watt Cos., said of a U.S. pandemic-relief proposal under discussion. "The hope would be that there will be some federal tax money spent as a backstop, but that the dollars charged to the taxpayer overall, especially if there's another really big pandemic, will be lower than if there was no insurance available."

U.S. lawmakers have stepped in before to cover insurance gaps for various threats. Flood risk is covered by the National Flood Insurance Program. Californians can find protection from earthquake costs through a state program that is privately funded and publicly managed.

Both the U.S. Terrorism Risk Insurance Act and the U.K.'s Pool Re were set up in response to major attacks, and similar efforts to deal with pandemic risk are being discussed in both countries. The measures helped insurers to provide coverage while consumers could access terrorism insurance at a price they could afford.

The aim of the pandemic proposals is to ensure that small businesses, if told to close their doors again to halt the spread of another virus, will be compensated directly for loss of revenue. Some proposals, like the one in France, are targeted specifically at smaller firms.

Proposals like Lloyd's of London's "Black Swan Re," which would cover systemic risks such as accelerated climate change and global cyber-attacks in addition to public health emergencies, have been discussed in the past, but never taken seriously, according to Paula Jarzabkowski, a professor of strategic management at the Business School, City University of London. Given the economic devastation caused by the coronavirus, this time could be different.

"It's always been seen as too hard -- it hasn't happened yet," Jarzabkowski said. "Well, we have got a really good disaster now."

TOP

Source

Planning to buy home insurance? Check these things before going for it – Live Mint - 9th December 2020

If health and term top the insurance priority list, securing your home is equally important.

"Home is one of the most significant financial and emotional investment in our lives. And any kind of damages, like a natural calamity to theft, can lead to huge losses and burn a big hole in the pocket," said Amar Joshi, Chief Business Officer, SBI General Insurance.

Hence, it's wise to buy comprehensive home insurance that can insure the home building structure as well as belongings and valuables.

Today, most insurance companies offer comprehensive home insurance, but what do such plans include?

Covering home with a comprehensive home insurance policy can safeguard us from a number of perils including fire, lightening, earthquake, storm, riot, landslide, flood and inundation. Coverage for terrorism, breakdown of domestic appliance and portable equipment, theft and burglary, safe deposits in bank, accidental coverage for family, compensation for domestic help, coverage for pet dog are some of the covers that can be opted from a wide list of add-on covers, informed Dr. Shreeraj Deshpande, Chief Operating Officer, Future Generali India Insurance.

He added, even cover for loss of rent or cost of alternative accommodation incurred because of loss are available. This will enable you to be independent and recover without stressing about the expenses."

Echoing similar thoughts, Rakesh Jain, CEO, Reliance General Insurance Company Limited, "A comprehensive home insurance policy can mitigate the risks that individuals face with such disasters and cover costs related to such increasingly common shocks. It also gives you peace of mind."

Now, as much as buying home insurance is extremely essential, there are a few things that you need to be mindful of before making a purchase.

Renu Maheshwari, CEO and principal adviser, Finscholarz Wealth Managers said, in its simplest version, the householder's policy covers the building along with its contents against the act of nature, fire, burglary, etc. But, in most cases, there are exclusions such as war or nuclear explosion. The house owners should be careful about exclusions and inclusions in the policy.

Moreover, Maheshwari points out, for a household insurance policy in India, the options differ from one insurance provider to another. You should choose the options that are relevant to you and can also add more.

Although the policy protects against burglary, few insurance providers exclude cash. Also, jewelry claims need proof of purchase or any other proof. Care should be taken to take a cover for replacement value rather than the market value of the asset.

For example, the value of an apartment will include the value of UDS (undivided share of land) and the construction cost. Insurance is needed for construction alone. "The insured value should be the replacement cost rather than the market value because that is the money that will be needed to rebuild the property. Also, look for appropriate optional covers such as temporary living expenses," Maheswari said.

Make sure that you do not suppress any material facts and understand all the clauses well.

(The writer is Sanchari Ghosh.)

TOP

Source

Have Rs 1,500-crore exposure to four stressed firms,, says GIC Re - Business Standard - 8th December 2020

General Insurance Corporation of India (GIC Re) said it has exposure totalling Rs 1,453.74 crore in IL&FS group, DHFL, Reliance Capital and Reliance Home Finance as of March 2020 and it has made provisions over and above the regulatory norms. The company's exposure stood at Rs 788.80 crore as of March 31, 2020 by way of investments in debentures of IL&FS group, GIC Re said in its annual report for 2019-20.

GIC Re has made total 100 per cent provision on both secured and unsecured portion of these investments, it said. Exposure in bonds of Dewan Housing Finance Ltd (DHFL) was to the tune of Rs 204.80 crore, for which the provisions are 100 per cent on both secured and unsecured portion, the state-owned firm said.

In Reliance Capital and Reliance Home Finance, GIC Re had exposure of Rs 365.26 crore and Rs 94.90 crore, respectively, by the end of March 2020. GIC Re said it has made provisions to the tune of 15 per cent on secured portion of investments in Reliance Capital and Reliance Home Finance, while that for unsecured portion is 100 per cent in each case.

The total provisioning against the exposure in bonds of Reliance Capital stood at Rs 135.29 crore by the end of fiscal ended March 2020, while that for Reliance Home Finance was Rs 73.70 crore. "The provisions, in the opinion of the management are considered appropriate and are higher than the provision required to be made as per prudential norms for income recognition, asset classification and provisioning issued by RBI and IRDAI applicable to insurance companies," GIC Re said in the report.

It said Reliance Capital (RCap) defaulted on interest payment due in October 2019 and became NPA with effect from Janaury 22, 2020. The company has made a provision of Rs 135.29 crore (Rs 40.59 crore being 15 per cent on secured debentures and Rs 94.70 crore being 100 per cent on unsecured debentures of RCap) towards diminution in value of investments during the year 2019-20.

"Review of adequacy by audit revealed that the company should have created 100 per cent provision on the secured portion also in view that RCap has incurred heavy losses of Rs 5,465 crore during 2019-20 and the statutory auditors of RCap have expressed material uncertainty regarding the ability of RCap to continue as a going concern," GIC Re said.

Among others, the debenture trustee has initiated proceedings against the company before the Debt Recovery Tribunal (Mumbai) and the credit rating has been downgraded, it added. Likewise, Reliance Home Finance defaulted on interest payment due in February this year and the investment became NPA in the books of GIC Re as on March 31, 2020.

While, the provision against investments in Reliance Home Finance (RHFL) stood at Rs 73.70 crore (Rs 3.75 crore being 15 per cent on secured debentures and Rs 69.95 crore being 100 per cent on unsecured debentures) towards diminution in the value of investments in FY20, the insurer said it should have created 100 per cent provision in this case as well.

Notably, IL&FS group and DHFL have also defaulted on their debt obligations in the recent past. While the former was to be bailed out through a government intervention, the latter has become the first financial services entity to be admitted for debt resolution under the Insolvency and Bankruptcy Code (IBC). IC Re posted net loss of Rs 359.09 crore in 2019-20. There was a net profit of Rs 2,224.31 crore in 2018-19.

"It was the third year in succession where the globe was faced with major natural catastrophes. This has resulted in your company showing an overall loss, the second time in its 48 years history. "Furthermore, with the current pandemic situation which started in March and has plagued the globe in a never before manner, the economy and consequently the insurance and reinsurance sector is under stress," GIC Re Chairman and Managing Director Devesh Srivastava said in his message to shareholders.

However, company's overall investment performance during 2019-20 has been very strong with investment income having grown by 10.71 per cent to Rs 6,787 crore providing a mean yield of 12.16 per cent, Srivastava said. The net non-performing assets percentage reduced from 1.12 per cent to 0.63 per cent.

"The world is today in the grip of a pandemic which has been unprecedented. This has led to the global economy witnessing a downturn. However, for us in the reinsurance space, where a large part of our book is domestic, the property rates have shown a good trend commensurate with the burn cost," he said.

Source

TOP

Tourism ministry urges Covid-19 insurance cover for foreign tourists - Business Standard - 8th December 2020

Foreign tourists visiting India may be offered attractively priced Covid-19 insurance covers as a part of the tourism ministry's plans to revive the sector. Over 10.9 million foreign tourists visited India in 2019. Inbound tourism, however, came to a standstill in March when the government suspended tourist visas as part of its lockdown measures. While these visa curbs are expected to continue for some time, the tourism ministry is working on measures that will assure foreign tourists of safety and generate confidence about India in source markets when its doors open again.

The tourism ministry's additional director general, Rupinder Brar, said on Saturday the department is studying insurance polices introduced by Singapore and other countries. She added discussions are on with insurance companies and finance ministry on modalities of providing Covid-19 insurance cover while addressing an industry webinar.

Also on the cards is a promotional campaign that will highlight infrastructure progress alongside various places of interest within the country.

To be sure, insurance companies are already offering policies to cover Covid-19 related hospitalisation and travel disruption. Indian and global airlines such as SpiceJet, Emirates, Virgin Atlantic among others too are marketing Covid-19 insurance products to attract passengers.

In October, Indian government removed curbs on business visas and travel bodies are pitching for relaxation for tourist visas too. The Indian Association of Tour Operators has asked the government to atleast declare a date when leisure tourists will be able to visit India. Such an announcement would enable overseas tour operators to include India in their marketing plans for next year, it said. Secretary General of Federation of Associations in Indian Tourism and Hospitality Subhash Goyal said the government should start by offering e-visas to citizens of countries with which India has an air travel bubble agreement.

The government however is in favour of calibrated steps regarding inbound travel and the current focus is on boosting domestic tourism. The tourism ministry also plans to release traveller videos which highlight safety measures undertaken by airlines and airports to generate more confidence.

(The writer is Aneesh Phadnis.)

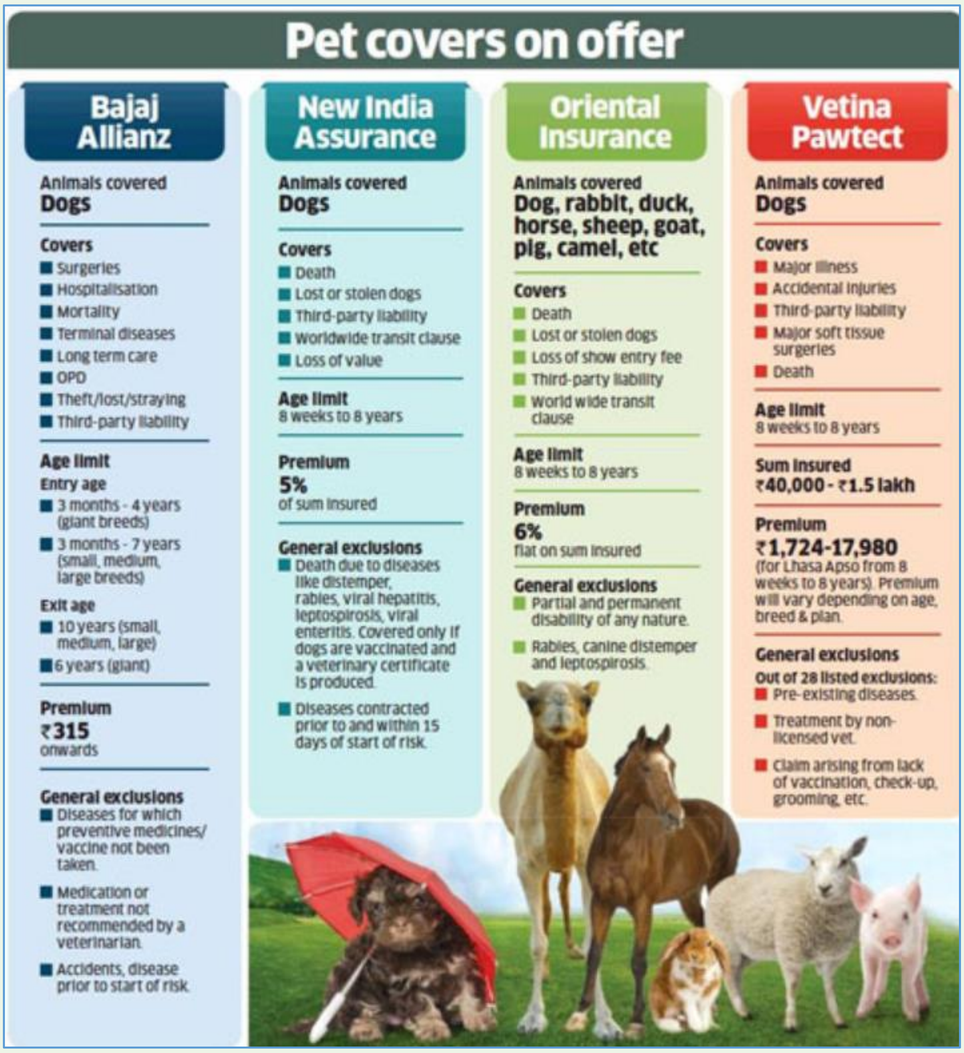
Source

TOP

What pet insurance covers, how much it costs and the products on offer - The Economic Times – 7th December 2020

Last year, Bengaluru-based Meenakshi Kohli spent nearly ₹30,000 on the surgery of her Labrador, who had ingested a plastic bottle, resulting in gastro-intestinal blockage. It was then that she decided to buy a ₹60,000 cover from Vetina Pawtect at ₹3,924 a year. This care and concern for pets, especially dogs, marks the successful transition of Indians from pet owners 10 years ago, to pet parents now. With higher disposable incomes, more and more people are keeping and spending on pets: dogs as pets numbered 214 lakh in 2019, while there were 18 lakh pet cats, as per Statista. Little wonder then that India is the fastest growing pet care market in the world, according to Petext India '21. It is expected to grow at 14 percent a year to reach $490 million (₹3,618 crore) by 2022. This may also be the reason that pet insurance, a thriving industry abroad, is beginning to take off in India. “There has always been insurance for cattle and livestock, but with people spending ₹70,000-80,000 a year on dogs, insurance for these pets is now picking up,” says Tarun Mathur, CBO, General Insurance and Cofounder, Policy bazaar.

While insurers like New India Assurance, United India Insurance and Oriental Insurance have been selling cattle insurance for years, new players have joined the race. Vetina Healthcare, in collaboration with Digit Insurance, launched Pawtect medical cover in 2018, while Bajaj Allianz General Insurance started offering insurance for dogs in August 2020. Though the public sector insurers offer only protection against death, the private players are covering both death and disease. “Since 85 percent of Indian pet market is dominated by dogs, we decided to start with covers for dogs,” says T.A.Ramalingam, Chief Technical Officer, Bajaj Allianz. “We offer two primary covers for surgeries and hospitalisation, while there are six optional covers or riders, including OPD, terminal diseases care, lost or stolen dogs, and third-party liability,” he adds. Pawtect does not cover stolen or lost dogs and has no OPD cover. Oriental, besides death due to accident or disease, also covers entry fees for show dogs, and worldwide transit, and its coverage is similar to that of New India Assurance.



Bajaj Allianz has capped the cover size for surgery at ₹50,000, for hospitalisation at ₹10,000, while its third-party liability cover has two option: ₹5 lakh and ₹10 lakh. Pawtect, on the other hand, has fixed covers of ₹40,000, ₹60,000, ₹1 lakh and ₹1.5 lakh and one can choose from Red, Yellow and Blue Ribbon plans. The premium is determined by the breed, age, size and even gender (higher for females) of the dog. For New India, it is fixed at 5 percent of the sum insured, and for Oriental at 6 percent of the cover. You can get quotes from these insurers at www.bajajallianz.com/pet-dog-insurance.html and www.pawtectindia.com/, and can download application form for New India Assurance at www.newindia.co.in/portal/product/knowMore/RURAL/DG.

All insurers typically require some form of identification at the time of applying for the cover and can vary from colour photo and nose print to photo of microchip or RFID tag. Insurers typically have a waiting period of 15-30 days before the cover starts, and the age limit for the pet is 8 weeks to 8 years, other than Bajaj Allianz, whose entry and exit ages vary from 3 months to 10 years. There is also a co-pay or deductible imposed by all insurers: 10 percent for surgery and hospitalisation in case of Bajaj Allianz; 20 percent of the dog's market value or sum insured, for Oriental and New India Assurance. In case of Pawtect, if the pet is less than eight years old, ₹1,000 or 5 percent of payable amount (whichever is higher) will be deducted. If it is over eight years old, 75 percent of admissible amount will be paid and 50 percent if the pet is over 10 years. Pre-existing diseases are also not covered by insurers, as are specific illnesses like distemper and rabies, which result in death of the pet. So, should you buy a cover for your pet? "It is definitely advisable as people are spending more and more on pets these days. They not only cost more, but the medical costs are also rising, with an average surgery easily costing ₹20-30,000," says Mathur.

(The writer is Riju Mehta.)

Source

TOP

2020: A year of coronavirus, consolidation and claims for non-life insurers - Business Standard - 5th December 2020

The year 2020 will go down for the Indian non-life insurance sector as a year of coronavirus that resulted in large scale digital embracement and increased health insurance spread, reduced overall business, industry consolidation, large losses, said senior industry officials.

At a time when the private sector is witnessing mergers and acquisitions, the central government scrapped its earlier plan to merge National Insurance Company Ltd, Oriental Insurance Company Ltd and United India Insurance Company Ltd into one.

"Some things that were building up at the start of the year have been blunted by the pandemic: the growth in the 5th largest economy in the world; the '$5 Trillion GDP (gross domestic product) by 2025' forecast; a 14-15 per cent growth forecast for the general insurance sector as a consequence and as a subset of the economy; an important position for India in the Asia-Pacific as the main," Sharad Mathur, Managing Director & CEO, Universal Sompo General Insurance Company Ltd told IANS.

The company is a joint venture of Indian Bank, Indian Overseas Bank, Karnataka Bank, Dabur Investments Corporation and Sompo Japan Insurance Inc. "Some trends have been accentuated and fast-tracked were technology and digitalisation," Mathur added.

Giving a different take on that Asthana said: "Much has been spoken about the accelerated adoption of digital and the continued use of digital means for transacting financial services including insurance in the future as well." "However, continued adoption of digital in insurance is hampered by a general lack of trust in insurance companies when it comes to paying claims and the general apathy of consumers towards buying insurance," he added.

He said this has been the reason that digital has not been able to penetrate the insurance process as much as it has done in other financial services like banking, mutual funds or participation in equity markets. Policyholders believe that they need hand holding when it comes to managing claims.

"However, the need for lesser than earlier face to face interaction and social distancing will remain with us. This leads us to the hypothesis that insurance companies will have to work on this problem in a two-step process. First to guide and make insurance intermediaries adept at using digital means to transact and second to rebuild the trust in insurance companies claims capabilities. Insurance companies will have to reorient their operation model in a new "phydigital" world of insurance," Asthana said.

According to Mathur, the low points for the sector in 2020 are: a flat growth of 1.11 per cent till October, 2020 - out from the horrors of negative growth till Q1. Multi-line general insurers still at a negative growth of 1.68 per cent till Oct/2020; the marginal growth of 1.68% for the overall industry due to GWP (gross written premium) growth rates of the specialised insurers [Agriculture, Health, Exports]; change in the business mix; motor for the first time in history ceasing to be the highest contributor to the pie because of sluggish growth of the auto sector; high growth in health insurance claims outgo largely due to the pandemic.

"Apart from Covid-19 increasing the number of health insurance claims and the ticket size, there has also been natural catastrophes in different parts of the country with unseasonal hail and rain in Delhi during the lockdown, Amphan cyclone in West Bengal, Nisarga cyclone in Maharashtra, Hyderabad floods and now the cyclone hitting Tamil Nadu. All these will lead to higher claims in motor and property insurance," Shanai Ghosh, Executive Director & CEO, Edelweiss General Insurance told IANS.

"The gas leak at the LG Polymers plant in Andhra Pradesh, boiler explosion at Yashashvi Raasayan Private Limited at Dahej, Gujarat and the oiler explosions at Neyveli Lignite Corporation's thermal power plant in Tamil Nadu," added Mathur. On coronavirus impact on the general insurers Mathur said motor insurance, the major premium contributor witnessed a significant decline during this period as not many vehicles were sold in Q1 and the GWP was generally from the renewal of premium from existing policies.

"The entire automobile sector was already subdued in 2019-2020 and the lockdown and virtual stoppage of business had aggravated the situation. Several challenges like lack of purchase of new vehicles and claim surveying haunted the sector," he said. Further, the customary increase in premium rates for motor third party cover not happening this year also has contributed to the fall of motor insurance premiums.

"Commercial premiums overall, particularly fire, have not been impacted much and registered a growth in FY 21. The major segments impacted are travel and marine (cargo) business for Universal Sompo and for the industry," Mathur said. Industry officials are of the view that with the Covid-19 pandemic still evolving, it is difficult to predict the extent of impact on the sector.

While the business lost cannot be recovered, coming back to the pre-Corona growth rates should happen by Q3 of FY22.

"In general, the level of uncertainty has been elevated substantially and this is going to make consumers very careful about what they spend. Frugality and spending for prioritised needs will be the new norm. For insurers this implies the need to repackage products to reduce premiums and create more contextual products - which will create a pull and move the ecosystem away from a push model of selling," Roopam Asthana, CEO and the Whole Time Director, Liberty General Insurance Ltd told IANS.

On the regulatory measures Asthana said: "The regulator, IRDAI (Insurance Regulatory and Development Authority of India), has taken several efforts to ease customers' misery and provide a seamless experience during such a tough time."

Asthana said the IRDAI has taken series of regulatory steps as regards health insurance like: extension of dates for policy renewal; asking all hospitals to provide cashless payment; insurers to collect premium in instalments; standardisation of all exclusions in health insurance; directing health and general insurers to include telemedicine as part of claim settlement of policy.

"IRDAI's measures have helped the insurance industry evolve faster and stronger with customer centricity and servicing at the core of all its measures," Asthana added. "The Sandbox initiative by IRDAI is also a welcome and progressive move. It is a great opportunity to provide innovative, relevant and meaningful solutions to address evolving customer needs, especially in the current situation," Edelweiss General Ghosh said.

The three officials were unanimous in saying that consolidation would happen in the sector.

Acquisitions are becoming a strategic business route. Increased fundraising activity in the sector is an indicator of growth and scale of business. Some recent developments on this front include Paytm acquiring Raheja QBE, HDFC Ergo acquiring Apollo Munich, Sachin Bansal buying DHFL General Insurance and the merger of ICICI Lombard and Bharti Axa General," Ghosh said.

According to Mathur, world over post opening up of the insurance sector, there is mush-rooming proliferation of players.

"The next phase is characterised by merger and acquisition, by consolidation. The process usually starts in 6-8 years after opening up. It has not happened in India in the sense that it is already two decades of liberalization and M & As in a big way have not taken place. It only means that the trends have been slow in cooking and are building up. Hence, the pace of M & As should pick up," Mathur said.

(The writer is Venkatachari Jagannathan.)

TOP

Source

HEALTH INSURANCE

How to choose the best health insurance that can protect you from high cancer treatment costs - Financial Express - 10th December 2020

When we hear the word Cancer, all of us freeze. That’s because, for the longest time, cancer was a fatal disease. Once diagnosed with it, people invariably succumbed to it. But over the last few decades, massive leaps have been made in the treatment of Cancer. Today, many Cancers are fully treatable, if diagnosed early. Advances in treatment have meant that people can recover and resume normal lives even after Cancer treatments.

According to a recent report by ICMR, cancer cases in India are expected to touch 15 lakhs by 2025. Hence, it is important to be prepared to tackle it. With medical costs increasing rapidly and treatments for illnesses like cancer demanding surgery, radiation and chemotherapy, or a combination of all, the treatment expenses can be very high.

Staying prepared – Prevention and Protection
Make healthier choices – a healthy diet, sound sleep and regular exercise form the basis for a stress-free and healthy mind. A few lifestyle choices like tobacco and alcohol consumption have also been correlated with increasing the risk of cancer.

Tests and screenings – early diagnosis of cancer makes the treatment easy and leads to full recovery. Hence, regular health check-ups and screenings can help detect the early stages of cancer, if any. An annual screening after the age of 40 in women (like mammography, pap smear, ultrasound) and the age of 55 in men (PSA ultrasound for men, apart from some tumour markers) can be helpful.

Choosing your health insurance wisely
Higher sum insured: It is always better to be prepared with adequate cover for any medical expenses. There are multiple covers available with different combinations in the market that provide the most suitable coverage for your needs. For instance, If you are living in a metro city, the cost of treatment will be higher as compared to the treatment cost in smaller towns.

So, it is important to choose a sum insured that can cover at least 1.25 times the average cancer treatment. The cost of treatment will vary with the type of cancer detected. But coverage of INR 5-7 lakhs is the minimum one must have. In case you are planning to buy a family floater policy, then increase the above-expected coverage by 50 per cent as it is shared between members of the family.

Co-payments: Co-payments are a feature of many health insurances wherein you are required to pay part of your claim based on the percentage of your co-payment. It is used by many people to reduce their health insurance premiums. However, if you're looking for coverage against big expenses, a co-payment may not be the best option.

Critical illness add-on: A critical illness add-on covers beyond cancer. Benign brain tumor, coma of specified severity, open heart surgery, organ/ bone marrow transplant, different types of cancer, heart conditions, etc. are few of the medical treatments that are generally covered under critical illness cover. Some people choose health insurance without critical illness cover. In such cases, they can look at a separate cancer benefit add-on.

Waiting periods: There will be a waiting period in case of any health insurance. And it is not different for critical illness covers. Different insurers have different waiting period options available with the product, hence it is important to understand the waiting period of the product that you have chosen.

Pre-existing medical conditions: It is very important to inform your insurer about your complete medical history. In some cases, if there is an existing cancer condition or history, then getting a new policy becomes difficult. However, on evaluating the needs, insurers can provide the most convenient financial protection, although at a higher premium.

Insurance providers now have policies that can cover your cancer treatment costs from diagnosis to cancer-related treatment, such as chemotherapy, surgery, hospitalisation, radiation therapy, immunotherapy and other incurred expenses.

With a cancer benefit policy, along with regular hospitalization and treatment expenses are covered by your health insurance plan, a lumpsum can be claimed under the cancer benefit plan, which will help in the other expenses. Cancer insurance can be a pillar of financial support for those affected and their families. It can relieve them from the financial stress that one undergoes at the time of treatment.

(The writer is Dr Sudha Reddy.)

Source

TOP

Here's why your health insurance premiums have increased in 2020 – CNBC - 10th December 2020

There has been an increase in the premiums of health insurance products recently owing to the implementation of standardisation guidelines issued by the Insurance Regulatory Development Authority of India (IRDAI), say insurance experts.

These guidelines standardise all the exclusions with an intent to make the policies easy to comprehend for the customers.

"However, as of September 30, out of the total 388 products, premiums of only 55 products have been increased by both general and health players, that too up to 5 percent," clarified Bhabatosh Mishra, Director – Products, Underwriting & Claims, Max Bupa Health Insurance.

The insurance regulator recently came out with a clarification that insurers were permitted to change the base premium up to +/- 5 percent of originally approved premium rates, in order to comply with the guidelines on standardisation of exclusions as a one-time measure.

"This has been done for seamless transition of existing products to ensure viability and sustainability," the insurance regulator said.

Further, IRDAI has cleared revision in premiums beyond 5 percent in respect of only five health insurance products of general and health insurers during the year up to November 30, 2020 as part of the periodical modification of their respective products.

Meanwhile, the other factor contributing to the spike in premiums in 2020 has been medical inflation which has gone up by 19.5 percent owing to the current pandemic, opined Mishra of Max Bupa Health Insurance.

Further, as Mishra said, overcharging by hospitals for COVID-19 treatment is another reason for a premium increase.

"There is no standard cost for the treatment and many have been charged up to 20-25 lakhs. In such a scenario, insurers were automatically forced to increase the premium to sustain in the market," he added.

On the other hand, several significant changes took place in 2020 in the health insurance industry such as the launch of new products, the introduction of telemedicine facilities, among others.

The IRDAI also announced several relaxations for customers in 2020 in view of the unprecedented situation prevailing in the country due to the coronavirus pandemic.

IRDAI allowed general and standalone health insurers to give policyholders the option to pay health insurance premiums in installments. Policyholders can now pay their annual health insurance premiums on a monthly, quarterly, or half-yearly basis.

IRDAI also permitted all general and specialised health insurers to validate health insurance policy proposal forms through digital means in place of physical signatures. The regulator has also given an option to the policyholders to give their agreement to the insurer via a one-time-password, without using a wet signature on the hard copy of the proposal form.

(The writer is Anshul.)

TOP

Source

Covid-19 patients with medical insurance eligible for discounts - The Telegraph - 10th December 2020

A Covid-19 patient with medical insurance will be eligible for discounts on medicines and consumables if the treatment cost turns out to be more than what the insurance firm has paid, the state clinical establishment regulatory commission said on Wednesday.

The commission had in August asked private hospitals to offer at least 10 per cent discount on the maximum retail price of medicines and at least 20 per cent discount on that of consumables to Covid19 patients.

Retired judge Ashim Banerjee, the chairperson of the commission, made the observations while asking Medica Super specialty Hospital to offer a discount of Rs 1.5 lakh to the family of a patient who died at the hospital on September 3.

Banerjee said the hospital had submitted that the patient was not eligible for the discount because she had medical insurance. “But we said that you have to offer the discount since the patient party had to pay the excess amount, which was not paid by the insurance company,” Banerjee told a news conference on Wednesday.

The family of a 61-year-old woman who was admitted to the hospital with Covid19 and other ailments complained to the commission that the hospital had overcharged them. The patient was in the hospital for a month, of which 25 days were in the ICU, till she passed away on September 3.

The family was billed Rs 25.87 lakh. “When we examined the bill we found that the hospital did not offer any discount on medicines and consumables,” Banerjee said.

“The hospital said the patient had medical insurance, so they did not offer any discount. But we said the medical insurers paid only Rs 5 lakh of the total bill. The patient party had to pay the rest. In such a situation, when the patient party has to bear the amount not paid by the insurance company, hospitals have to give a discount on medicines and consumables, according to the commission’s advisory,” he said.

After calculating the discount that should have been offered, the commission asked the hospital to offer a discount of Rs 1.5 lakh to the patient’s family. The commission on Wednesday also asked Belle Vue Clinic to return Rs 90,000 to a patient, of which Rs 54,000 pertained to the price of Meropenem, an antibiotic that is being used to treat Covid-19 patients.

Banerjee said the hospital had violated the commission’s advisory to private hospitals to supply cheaper antibiotics to patients from its pharmacy unless the doctor prescribed a drug of a particular brand.

“The price of Meropenem ranges between Rs 650 and Rs 3,500. The hospital gave the patient Meropenem 31 times at the cost of Rs 3,000 and three times at the cost of Rs 1,250. We told the hospital they have to charge Rs 1,250 for all the times the patient was given Meropenem. The discount on Meropenem alone came to Rs 54,000,” said Banerjee. “The commission asked the hospital to refund Rs 24,000 on other heads and the hospital had deducted another Rs 12,000 because there was some error in their billing system,” he saNid.

(The writer is Subhajoy Roy.)

Source

TOP

Know the limitations of health insurance for Ayush treatment – Live Mint – 10th December 2020

The government has been pushing for alternative treatments and so have regulatory initiatives such as the Insurance Regulatory and Development Authority of India (Irdai) mandating that Ayush (ayurveda, yoga and naturopathy, Unani, siddha and homeopathy) treatments be covered by health insurance products.

It told all insurers to mandatorily offer, from 1 April 2020, Arogya Sanjeevani, a standard health insurance product that will cover Ayush treatments up to the sum insured. Some health insurance policies covered Ayush treatments earlier too, but with a sub-limit on the sum insured. Irdai first asked insurers to provide alternative treatment coverage in 2013, but the uptake of these treatments has picked up in recent years. “In the last three years, we have seen a huge increase in the demand for alternative treatments and medicines," said Adarsh Agarwal, appointed actuary at Digit General Insurance Ltd.

The Ayush system is based on natural ingredients, but it can also include drug therapies to cure specific diseases. We tell you how Ayush benefits work under a health insurance policy, the key inclusions and exclusions, and what to keep in mind when taking a cover for Ayush treatments.

What do you get?

Arogya Sanjeevani as well as some other health insurance policies cover Ayush treatment. “If your policy has in-patient benefits for Ayush, then any treatment, which is an alternate procedure, is also covered under that plan. So, if you get admitted to, let’s say, an ayurveda hospital that may also be covered in the exact same way that normal treatments are covered," said Amit Chhabra, business head, health, Policybazaar.com, an online marketplace for insurance.

Coverage: Arogya Sanjeevani covers Ayush treatments up to the sum insured, which has to be a minimum of ₹50,000; there’s no upper limit.

“This is the first step towards recognition of Ayush treatment. In Arogya Sanjeevani, the product features are uniform across the industry and the companies are mandated that they should cover Ayush," said Dr S. Prakash, managing director, Star Health and Allied Insurance Co. Ltd. Further, pre-hospitalization (30 days prior to admission) and post-hospitalization expenses (60 days from discharge) are also included in this plan.

Other health insurance policies usually cover Ayush treatment up to a maximum limit of ₹50,000. “Different policies have different limits. Some policies cover it till the sum insured. In some cases, there are caps on coverage. For example, Ayush coverage may be around 10% of the sum insured," said Chhabra.

Cost: Overall, such treatments for certain ailments are said to be a lot more cost-effective than modern medicine. “There are some neurological, psychosomatic and chronic dermatological diseases where Ayush has been able to address issues at a lesser cost, particularity in semi-urban and rural areas," said Prakash, who has a master’s in surgery.

Where can you get it? According to recent guidelines, Irdai classifies Ayush hospital as a healthcare facility wherein medical or surgical treatment procedures are carried out by Ayush medical practitioners having at least five in-patient beds and a qualified medical practitioner in charge. Citing National Health Portal data, Agarwal said that there are around 98 Ayush hospitals till July 2020 that have been set up in the country.

Further, hospitals in Ayush sectors do not necessarily need the National Accreditation Board for Hospitals and Healthcare (NABH) certification to be able to tie up with health insurers.

The limitations

The Ayush benefits come with certain limitations currently, both for the insurers as well as the policyholders.

For insurers: Distinguishing the right practitioner is a challenge insurers are facing. “Ayush has its benefits, gives a remedy for some of the medical challenges in allopathy, but the biggest limitation is how to distinguish the right Ayush practitioner," Prakash said.

The fear of misuse and abuse in terms of alternative treatments has also driven insurers to offer Ayush cover with some limited benefits. “We respect the system and acknowledge the benefits in select areas out of Ayush, but the biggest challenge is to identify the right connect and the right place where an evidence-based treatment is given," he said.

Lack of clarity and quality control is another issue for insurers. “Ayush treatment is acceptable in certain cases, but overall there is a big question mark on the studies to determine the efficacy and the quality control of its medicines. Unless these issues are addressed, there is a big risk of having such treatments covered under insurance. People will tend to misuse it, as there are no indicators that can be monitored and there is lack of a standard line of treatment," said Dr Bharat Gadhavi, president of Ahmedabad Hospitals and Nursing Homes Association (AHNA).

For policyholders: Alternative treatments such as homeopathy, Unani or ayurveda in most scenarios are out-patient, and health insurance mostly covers in-patient treatment. This means that consultation or evaluation expenses for Ayush treatment may not get covered. “To claim for the expenses, one needs to be hospitalized for at least for 24 hours. Also, any preventive and rejuvenation treatments that are not medically necessary won’t be covered under Ayush benefits," said Agarwal.

Further, treatment at a health care facility that is not approved and not a hospital is excluded, so choose the practitioner carefully.

While general health insurance offering Ayush benefits caps the claim amount, the Arogya Sanjeevani has a 5% co-pay (fixed out-of-pocket amount paid by the insured) and 2% sub-limit on room rent (the insurer will pay only up to 2% of the sum insured as room rent). The cost of other procedures are usually calculated based on the room rent.

To get the Ayush benefit, you might have to pay extra premium in case of a general health insurance plan. Further, only a few insurance companies offer cashless treatment, and the majority of the claims are reimbursed later on the basis of bills. Consider all aspect before opting for this plan.

(The writer is Abhinav Kaul.)

TOP

Source

Should you buy standard Covid-19 policy in addition to a health insurance plan? - Financial Express - 9th December 2020

Most financial planners consider health insurance policy as a must-have risk cover. Still, not many people have a health cover and even those who have it are inadequately insured. Going by the rising medical cost, it is imperative for all to have an adequate cover for self and family members. To some extent, the importance of an adequate health cover in terms of the sum insured got its due after the outbreak of the COVID-19 pandemic. Coronavirus-led hospitalisation saw hospital bills run into lakhs, thus jeopardizing finances of those who were unprepared.

For those who wish to buy a cover against coronavirus, there are specific health insurance plans to cover them while the regular health insurance plans already cover them. So, how should one decide, which one to buy and how do they differ? In an exclusive interview with FE Online, **Indraneel Chatterjee, co-founder and principal officer, Renewbuy.com,** an online insurance aggregator, shares his views on the same. Excerpts:

There are regular health insurance plans that allow coverage of COVID19 hospitalization. Further, there are specific Covid health covers. How should one decide?
In order to offer Covid-19-specific health insurance product, the Insurance Regulatory and Development Authority of India (IRDAI) asked all general and health insurance companies to offer standard Covid 19

policy. It is a welcome step, especially for people who do not have health insurance. One has to pay the premium for Corona Kavach policy only once at the time of purchase, with a waiting period for 15 days. This makes the procedure seamless, even for a first-time policyholder. The covid policy also provides the costs of consumables like PPEs and there is no capping on room rent, these become substantial parameters.

On the hindsight, most of the existing health policies now allow claims against hospitalization costs against Covid 19. These are subject to the terms and conditions like exclusions, waiting periods, and pre-existing conditions. Health insurance allows a claim if the person is hospitalized for more than 24 hours, claims might not be allowed without hospitalization.

One needs to check how much of Covid related expenses are covered in their health policies. Mostly, health insurance policies cover hospitalization and costs of testing and consultations. Quarantine benefit is the added advantage in Corona Kavach policy, but that can also be added to a regular health policy.

What is most important for a consumer is to have a clear idea about what he or she is looking for in a policy cover. Insurance is meant to mitigate risk and Covid-19 is a small part of that risk. One has to take note of the wider spectrum that can be covered under health policy. Along with Covid 19, a person might also suffer from a sudden accident or uninvited acute illness. A comprehensive health insurance policy usually protects an individual from all illnesses including Covid.

The understanding of individual requirement is of prime importance before choosing any health policy. One should do a thorough comparison before investing in a policy.

For those who already have health insurance plans, should they opt for Covid health insurance plans?
If one is inadequately covered in the comprehensive health plan, it is suggested to opt for a Covid cover. This is because the Covid treatment alone can lead to a substantial bill, which could eat up the entire sum insured of the policyholder for the year. The Covid cover also allows a claim for treatment in temporary hospital facilities, which are dedicated to Covid treatment and home quarantine. As mentioned, it is very important to understand the advantages of Covid 19 policy over existing health policy and then make an informed decision.

What things to watch out for while buying health insurance plans keeping coronavirus in mind?
Keeping the pandemic in view, people have realized the importance of buying a health insurance policy and the demand has increased in this segment. There are several policies available in the market which work differently.

The first mantra is to know the plan one is investing in. Plans can range from an indemnity plan to benefit based plans, individual health plans to critical Illness plans. It is also important to understand the sub-limits of a plan, where one might have to pay a portion of the hospital expenses.

Policyholders should also know if there is a co-payment feature in the health policy. Usually, co-payment comprises of 20% of the bill amount. One of the most important things for a policyholder is to know the amount of coverage which could be based on various factors like the city of residence, hospital costs in the city, family members, senior citizens.

All of the factors might appear a bit overwhelming for a layman. Hence, it is always advisable to reach out to an advisor who can guide a policyholder and make him understand all the benefits as per his family requirements.

(The writer is Sunil Dhawan.)

Source

TOP

No referral needed for OPD services in empanelled hospitals: ESIC – The Hindu – 9th December 2020

Workers covered under the Employees' State Insurance (ESI) scheme would not require a referral from an ESI dispensary or hospital to access out-patient care in empanelled hospitals if there is no ESI facility within a 10 km radius, the ESI Corporation (ESIC) said on Tuesday. The ESIC in its meeting chaired by Labour and Employment Minister Santosh Kumar Gangwar on Monday took decisions to improve the healthcare provided to workers, an ESIC statement said.

The ESIC had decided on January 7 that it would operate on its own all of its newly-constructed hospitals and those to be completed in future, unless State governments want to run them. "Keeping in view the increase in ESI coverage over the recent years and the absence of the ESI's own medical infrastructure in several areas, the ESI Corporation has now decided that in areas where ESI infrastructure is not available within a radius of 10 km, the beneficiary can avail medical consultation for OPD services directly from a hospital empanelled with ESIC or with Ayushman Bharat without the need for referral from an ESI dispensary or hospital," the statement said.

TOP

Source

Got both personal and employer health policy? Find out which one should you use first - Financial Express - 8th December 2020

Health insurance has now become a necessity, especially with Covid and with the rise in medical costs. With the spread of the pandemic, more and more people started opting for a health insurance policy. Industry experts say people started opting for individual health policies as they were facing rising healthcare costs as well as the inadequacy of coverage provided by a single policy. This usually happens when someone has only an employer health policy.

With an employer's health insurance policy, usually, the cover provided is not adequate for an entire family and there is always a need for additional coverage. This also happens when additional coverage or policies are needed because of other reasons. Moreover, a personal health policy also helps in cases of job loss or change of job.

Having said that, having multiple health policies is more beneficial only if used effectively, such as the policyholder should know which policy to use first, while making a claim. For instance, the necessary basic coverage is provided by both group insurance plans and individual health plans, but the group guarantees are cost-effective, whereas personal insurance provides better coverage.

While choosing to make a claim and choosing between a group plan or individual plan, there is no hard rule to it – it should be based on your scenario. However, a group plan is usually suggested for the first claim settlement as there will not be any increase in the premium amount after making a claim for the policyholder. On the other hand, with an individual policy, the renewal premium often gets hiked after a claim is made. Note that, most times the process of settlement in group insurance is faster.

When compared to the terms of an individual plan, the terms of a group policy are more flexible. For instance, some plans even accommodate existing diseases. In the case of a personal policy, the policyholder has to serve a waiting period, depending on the insurer before getting coverage on an existing disease. There are also insurance policies that reject policyholders due to existing diseases that are not covered.

However, while making claim experts suggest one should keep in view one's current needs as well as future requirements, and consider the risk factor involved.

(The writer is Priyadarshini Maji.)

Source

[***TOP***]

Here's why your health insurance premiums have risen sharply in 2020 – Moneycontrol - 8th December 2020

Pune resident Satish Nadkarni did not make any health insurance claims in 2019 so he presumed that his medical policy premium would remain unchanged in 2020. However, Nadkarni was shocked when the premium for his critical illness product rose by close to 30 percent in June.

Nadkarni made a few calls to friends to check if they too had seen any such increase. Co-incidentally, all his friends and relatives had noticed a similar trend. "Everyone around me has seen a big jump in medical premiums this year. It has gone up by 15-30 percent in my friends/family circle alone," said Nadkarni.

In Kolkata, Suparna Bhoumick saw a 36 percent year-on-year increase in her medical insurance policy premium when she renewed it in April. Bhoumick says she made a claim for a cataract operation that cost Rs 18,000 and was well within her Rs 10 lakh policy limit.

"I thought that I should port to a different insurer to save costs. But then I realised that I would have lost the wellness benefits accumulated under my policy," she said. However, on December 3, regulator Insurance Regulatory and Development Authority of India (IRDAI) clarified that it has given permission to change health insurance premiums only by 5 percent. Several customers have complained about a surge of about 30-35 percent in their health insurance premiums in FY21. The rise in premiums was also attributed to a change in standardisation of health policy guidelines.

What is the regulator's view?
IRDAI clarified that it had permitted non-life and standalone insurers to change the base premium up to +/- 5 percent from the originally approved premium rates. This was so that existing products could comply with standardisation guidelines for exclusions as a one-time measure to ensure the products' viability and sustainability.

The regulatory body also stated that as on September 30, out of 388 products, premiums had been increased by general and health insurers by up to 5 percent of the then prevailing rates only for 55 products. Insurers are permitted to hike rates to conform with the guidelines set out by IRDAI. The regulatory rules state that there should be a rationale of bad claims experience for an insurer to hike rates.

So, if a customer files a complaint against a price hike, the insurer could present their loss ratio to justify the price increase. IRDAI has also stated that it has cleared a premium revision beyond 5 percent for only five health insurance products during the year to November 30.

Why are premiums being increased?
Insurance executives told Moneycontrol that while the regulator clears premium changes at the overall product level, individual companies are allowed to make tweaks based on their claims experience and underwriting formula.

The underwriting formula refers to the pricing strategy adopted by an individual insurance company, depending on the number of claims and the quantum of claims received in the previous year in that segment. An increase in reinsurance premiums, which is the risk cover taken by insurers, also plays a role in deciding premiums.

"This has been a tough year for us. Claims due to Coronavirus treatment at hospitals are steadily increasing. Covid-19 has also led to medical inflation reaching 19.5 percent. We have no other option but to increase prices for customers," said the head of underwriting at a mid-sized general insurer.

Medical inflation, which was estimated to be 18 percent in 2019 saw a sudden spike due to the infection-control measures being adopted at hospitals in the wake of the Covid pandemic. Hospitals were also impacted since non-Covid patients were advised to postpone elective surgeries. Insurers are also of the view that hospitals not adhering to the standardised-rate norms is leading to exaggerated medical claims.

"Customers have to bear the higher costs because medical establishments refuse to accept standard rates for treatment, be it for Covid-19 or other procedures. The higher costs we incur from such claims is passed on to customers in the form of a premium increase. This year it is higher because of the influx of Covid-19 claims," added the head of health insurance at a state-owned general insurer.

In fact, even IRDAI member (non-life) TL Alamelu expressed concerns about the high rates being charged. She added that insurers and service providers must work towards a solution to have fixed rates for each surgery.

Apart from the Covid-related costs, customers above 45 years are charged higher premiums due to the potential health risks for older age groups. This year, since older people with comorbidities are at higher risks, insurers are also hiking prices based on the customer's age and lifestyle. The premium rate increases for those with diabetes and blood pressure/hypertension is close to 30-35 percent on an average this year.

Over and above these factors, the claims experience in each product segment can also lead to a premium hike. This year, products with long hospitalisation and critical illness features are seeing a rise in claims due to Covid-19 and allied infections. This is another reason for the spike in premium rates for policyholders.

Will there be relief in 2021?

The health insurance premium increase trend is expected to continue in 2021 as well. Medical inflation coupled with Covid-19 costs will force non-life/health insurers to make another round of price increases for health policies.

However, with wellness-related benefits and discounts for staying fit being offered with a few health policies, individuals who opt for such products may have some cause for cheer.

(The writer is M Saraswathy.)

Source

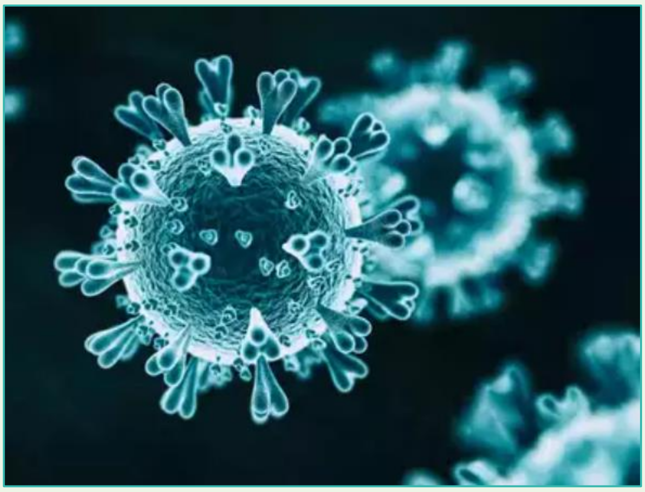
TOP

West Bengal: Health scheme to come closer home to address Covid fears - The Times of India - 8th December 2020

The Bengal government's Duare Sarkar programme — including Swasthya Sathi, the state's universal health coverage scheme — is set to literally go door-to-door, in order to avoid overcrowding at camps set up for the purpose.

Acting on concerns that citizens' response to the programme has led to serpentine queues at neighbourhood camps, which could lead to a spike in Covid cases, the government announced on Monday alternative methods of reaching out to people, including delivery of forms at home and even downloading them from the government's Egiye Bangla portal.

Since the Duare Sarkar programme was launched last week, over 31 lakh people have queued up at the ward-level camps to avail themselves of the bouquet of 11 government benefit schemes. In urban areas, particularly Kolkata, Swasthya Sathi — which offers a family floater policy with annual coverage up to Rs 5 lakh — has proved to be especially popular.



Though ward coordinators and civic officials have been trying to maintain Covid norms, it has been virtually impossible to do so because of the number of people turning up.

Sources in the government said a plan was in the works to dispatch forms from local ward offices to homes in the ward so that people didn't have to physically queue up. The government was also looking at setting up drop boxes for submitting filled-in forms, and even an online option.

Piyali Paul, a homemaker at Parnashree who queued up for four hours on Sunday, felt home delivery of forms would be a huge help. "It's not just Covid. I feel excruciating pain if I stand for long. If the form is delivered home, we could fill it in and submit it," she said.

In some wards, the outreach to citizens' homes started on Thursday. According to Tapan Dasgupta, the borough X ward coordinator, given the rise in expectation of residents in large areas of Baghajatin, Pallisree, Golf Garden, Bijoygarh, Azadgargh and other neighbourhoods in Tollygunge, he had to deliver Swasthya Sathi forms door-to-door so that applicants could be handed over health insurance cards at KMC-organized camps held between Friday and Sunday.

"People, particularly senior citizens, were getting impatient in the queue. We recognized the problem and decided to spare them the trouble by delivering the forms home," Dasgupta said.

Firhad Hakim, the chairperson of Board of Administrators that governs KMC, toured large areas of Chetla on Thursday distributing Swasthya Sathi forms to households. Ward coordinators have been also asked to accompany civic volunteers to deliver Swasthya Sathi cards to households.

The health card is being issued in the name of the senior most woman member of the family. Names of other members of the family are added as beneficiaries. If the woman head of family is a senior citizen, another family member can attend the camp with copies of Aadhaar card, voter card and photo identity card.

Demand for Khadya Sathi (ration card) and other vital civic services, including mutation of properties, was also rising, said a KMC official.

(The writers are Debasish Konar & Saikat Ray.)

[TOP]

Source

Labour ministry's ESIC will run all its hospitals as state medical services lag – Live Mint - 8th December 2020

The union Labour ministry run Employees State Insurance Corporation (ESIC) Tuesday said it will directly run all the newly constructed hospitals without giving them to states due to deficient medical service being provided there to industrial workers. "Several representatives have been received about deficient services in ESI hospitals run by State Governments due to poor availability of equipment and doctors. In view of demand from both workers and employees and with the objective to provide better medical services to beneficiaries, ESI Corporation...has decided to directly run by itself all newly constructed hospitals and those that are approved in future unless the State Government insists to run the hospital," ESIC said Tuesday.

ESIC is the healthcare wing of the labour ministry and provides medical services to millions of industrial workers from primary care to tertiary care. The corporation run around 1520 ESI dispensaries and 159 hospitals across India. Out of these 45 dispensaries and 49 hospitals are directly run by ESIC and remaining ones are managed by respective state governments but funded by the corporation.

Industrial workers with a monthly earning up to Rs.21,000 fall under the ambit of the ESIC, and every month a portion of their salary is deducted and deposited with the ESIC to avail medical benefits. These workers are called IPs. Currently, an IP pays 0.75% of his or her basic salary and 3.25% is given by the employer to the ESIC kitty.

ESIC has around 26 under-construction hospitals and 16 at the conceptual stage. However, existing medical facilities with states will continue to be with them. The corporation has also decided to extend the timeline for availing unemployment benefit under the Atal Bimit Vyakti Kalyan Yojana till June 30, 2021 instead of 31 Dec, 2020.

(The writer is Prashant K. Nanda.)

Source

TOP

Govt to roll out National Digital Health Mission in January - The Economic Times - 8th December 2020

The National Digital Health Mission, which would provide unique health identifiers, access to individual digital health records, connect health institutions and verify and register medical practitioners, would be rolled out across India in January. The National Health Authority (NHA), the nodal agency for the mission, has given final shape to National Health Data Management Policy after extensive stakeholder consultations. After a nod from health minister Harsh Vardhan, the policy would be notified and the mission rolled out.

The mission was announced by Prime Minister Narendra Modi in his Independence Day speech this year. So far, NHA has been testing its technological platforms through pilot projects in Union Territories. A senior official involved with the project said, “The systems are in place and we are ready for the roll out.” The policy will provide a framework for the secure processing of personal and sensitive personal data of individuals who are part of the digital health ecosystem.

(The writer is Nidhi Sharma.)

Source

TOP

Hike in health insurance premium a double whammy for elderly - The Times of India – 8th December 2020

At a time when the country is battling the Covid-19 pandemic, the hike in health insurance premiums has hit the elderly, seen as one of the most vulnerable segments, the hardest. While the premium hike has affected all customers across the board, it’s policy buyers in their 60’s that are feeling the biggest pinch as many of them have been paying premiums for nearly 10-15 years without making a single claim and now when they really need health cover, premiums have shot through the roof, said insurance brokers.

"There must be some rationalisation in premium for long-standing customers," said CV Ramana Reddy, MD of Hyderabad-based Helios Insurance Broking Services. He pointed out that in the last one-year-and-a-half, many insurance companies have hiked health insurance premiums for elderly multiple times and there was also a hike of around 5 percent across the board in the last two months, which was approved by the regulator.

In India, young people tend to avoid opting for insurance and it is only in their middle-age that a majority of people start buying health cover. It is this kind of a situation that forces insurance companies to hike premiums substantially for the elderly, Reddy explained.

(The writer is Swati Rathor.)

TOP

Source

Five insurance terms you should know – Live Mint - 7th December 2020

The rising cost of healthcare treatment and the covid-19 pandemic this year has driven home the point of the importance of insurance. However, in case the long list of jargon has deterred you from buying a health cover, we decode common terminologies to make your purchase easier and help pick the right policy.

Pre-existing disease

Pre-existing disease (PEDs) means a condition, ailment, injury or disease that is diagnosed within two years before buying a policy. The insurance company may agree to cover your PED at the usual premium but only after a waiting period, which cannot be more than two years. However, instant coverage for your PED can come at a higher premium. Some PEDs include health issues related to high blood pressure, thyroid, diabetes and asthma, among others. However, certain diseases such as HIV and cancer can be permanently excluded. Individuals must avoid hiding any medical condition from the insurance company at the time of buying policy as it may lead to rejection of the claim.

Co-payment

Co-payment or co-pay means a cost-sharing requirement that provides that the policyholder will bear a specified percentage of the amount of the admissible claims. Co-pay is generally 10% of the sum insured, but it may vary from company to company. For example, under a co-pay of 10%, you have to pay ₹10,000 from your own pocket, if the claim raised is of ₹1 lakh. A co-pay discourages people from making unnecessary claims. Higher co-pay means lower premium outgo, but it may lead to higher out-of-pocket expenses. Remember that co-payment does not reduce the sum insured.

Deductible

A deductible is a fixed amount that the insured has to pay before their insurance policy starts contributing to their medical treatment. It can be for a year or per treatment. For example, if you go for a deductible of ₹10,000, then you have to pay for your treatment costs up to ₹10,000, after which your policy will kick in. Deductible helps in reducing premiums, but it also raise the total cost of medical treatment. Remember, that while co-pay is for specific healthcare services, a deductible is implemented before the insurance policy starts contributing in a year.

Cumulative bonus
A cumulative bonus means any increase or addition in the sum insured granted by the insurer without an increase in premium, which means it is a reward for staying fit and not raising any claim. The type of benefit you receive may vary from company to company. While some may reward you with a discount in your premium on renewal, others may offer an additional sum insured.

Grace period
According to Irdai, grace period is the time following the premium due date during which a payment can be made to renew or continue a policy in force without loss of continuity benefits such as waiting periods and coverage of PEDs. The coverage is not available for the period for which no premium is received. Duration of the grace period changes with the type of payment options. While it is a month for yearly payment, it is seven to 15 days in monthly payment modes.

A complete understanding of the products available and in-depth research based on your needs is important when buying insurance. Go for a best-rated health insurance plan to save yourself from financial trouble arising due to health issues or emergencies.

(The writer is Abhinav Kaul.

Source

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Will the COVID-19 vaccine be covered under health insurance policies? Find out – Financial Express - 7th December 2020

The COVID-19 pandemic has infected millions of people across the globe, with a 2 per cent fatality rate and an increase in numbers every hour. To fight the disease, most people have started opting for insurance policies. According to industry experts, insurers have also been flooded with queries regarding insurance policies from anxious customers, such as trying to know the coverage offered, the waiting period, if any, the cost implications, the claim process, etc. To help customers during such a time, the insurance regulator has also introduced various rules and regulations.

Mayank Bathwal, CEO, Aditya Birla Health Insurance, says, "The regulator has enabled the launch of standard short-term Covid covers that can provide indemnity or fixed benefit covers for Covid infection and hospitalization including home and alternate forms of treatment." In an exclusive interview with Priyadarshini Maji, he addresses various insurance-related queries faced by policyholders.

1. Will a Regular Health Insurance Policy offer Coverage against COVID-19?
As per the guidelines of the regulator, Insurance Regulatory and Development Authority of India (IRDAI), all health and general health insurance companies are required to cover COVID-19 associated hospitalization claims under regular health insurance indemnity plans. For instance, an individual who has an active health insurance policy can file a claim for coronavirus hospitalization, under his/her policy.

The regulator has also enabled the launch of standard short-term Covid covers that can provide indemnity or fixed benefit covers for Covid infection and hospitalization including Home and Alternate forms of treatment under AYUSH.

2. Could you purchase a new policy now to cover COVID-19, if you don't have a health insurance policy?

Yes, you can certainly purchase a new health insurance policy to cover yourself not only against COVID-19 but all other infirmities as well. However, before purchasing a policy you must be well aware of two important aspects. First, you or your immediate family members won't be issued a policy if you are already suffering from the COVID-19 infection. It is important to ensure that before purchasing a policy, you are not suffering from any such illness. Second, after purchasing the policy, you need to serve the waiting period before filing a claim for coronavirus infection.

3. Will the test for COVID get covered in the policy?

Insurers will cover COVID-related tests as part of pre-hospitalization expenses under regular, indemnity-based health policies if you get hospitalized for the treatment of COVID-19 after being tested positive. This will be subject to certain conditions.

4. Will the COVID-19 vaccine be covered under the health insurance policy?

Vaccines are generally preventive in nature, and these are not covered in regular policies as they do not qualify as treatment procedures. However, should your plan have an OPD cover, then the vaccine cost would be covered under the same.

5. What is the average cost of the treatment of COVID-19?

The total cost of treatment of coronavirus infection is dependent on several factors such as the severity of the infection, choice of hospital, and also the age of the patient. For an average adult aged between 30 and 45 years taking treatment at a normal private hospital, the cost of treatment is approximately Rs 1 to Rs 2 lakh.

However, if the patient is a senior citizen i.e. above 55 years of age and the infection is severe (as senior citizens are more vulnerable), the cost of treatment escalates up to Rs 3 to Rs 4 lakh as the person might require ventilator support and Intensive Care Unit where the daily charges are comparatively higher.

(The writer is Priyadarshini Maji.)

Source

TOP

ESIC relaxes norms for availing health services in private hospitals in emergency cases – The Times of India – 7th December 2020

The Employees' State Insurance Corporation (ESIC) on Monday allowed its beneficiaries to avail health services directly in any nearby private hospital in case of emergency.

As per the existing practice, the insured persons and beneficiaries (family members) are required to go to an ESIC dispensary or hospital to obtain referral for hospitalisation in empanelled as well as non-empanelled private hospitals.

"The pre-condition of getting referral for hospitalisation from the ESIC dispensary or hospital has been done away in emergency cases in the board meeting held on Monday," S P Tiwari, general secretary, Trade Union Coordination Committee (TUCC), said. Tiwari, who is also on the board of ESIC, said the decision was taken as emergencies like heart attack or cardiac arrest require immediate hospitalisation. ESIC subscribers would be able to visit empanelled as well as non-empanelled private hospitals for emergency treatment.

The only difference is that treatment will be cash-less in the empanelled private hospitals. There would be reimbursement as percentral Government Health Services (CGHS) rates in non-empanelled private hospitals. Subscribers are allowed to get health services in non-empanelled private hospitals in case there is no ESIC or empanelled private hospital within 10 km range.

Tiwari added it was also decided that ESIC would run its upcoming hospitals itself in order to maintain the quality of health services for its subscribers and beneficiaries and it would not hand over the facilities to states to run them. ESIC has around 26 under-construction hospitals and 16 at the conceptual stage. The states run 110 hospitals for which the ESIC pays service charges. They would continue services as per the existing arrangement. Tiwari further said the board on Monday also approved a proposal to extend till June 30, 2021 the timeline for availing unemployment benefit under the Atal Bimit Vyakti Kalyan Yojana run by ESIC. The existing deadline was December 31, 2020.

Source

TOP

Covid-19 impact: Rise in demand for higher sum assured under health insurance - The Hindu Business Line - 7th December 2020

The Covid-19 pandemic and the rising costs of medical treatments seem to be pushing people to opt for a higher sum assured under health insurance. Insurance companies have been witnessing a surge in the number of people opting for higher sum assured or going in for top-up policies over their existing cover.

The average sum assured under the indemnity policy, which was usually in the range of ₹2-3 lakh, has now increased to ₹5-7 lakh, with a fair share of people also opting for sum assured of ₹10 lakh and above.

According to S Prakash, Managing Director, Star Health and Allied Insurance, there has been a general trend towards a rise in average sum assured, and the insurance industry has also been trying to push policies with a higher sum assured to meet the rising medical expenses.

“Modern advancements in treatment and corporatisation of hospitals have pushed up costs. So we are seeing a greater percentage of people upgrading to or buying policies with a higher sum assured,” Prakash told Business Line.

Star Health has seen the sale of higher sum insured policies (above ₹5 lakh) almost double this year over last year.

Cost effective

Insurance marketplace Policybazaar.com, has seen nearly 66 per cent of its total business moving towards higher sum insured of ₹25 lakh and above. There has been a greater demand for health insurance policies of ₹25 lakh, ₹30 lakh, ₹50 lakh as well as ₹1 crore, said Amit Chhabra, Head, Health Insurance, Policybazaar.com.

“Higher sum assured is very cost effective for a customer. Say for instance for a ₹1-crore policy, a customer has to pay a monthly premium of around ₹1,500 (₹18,000 a year),” he said.

Bajaj Allianz General Insurance has seen close to 10-15 per cent of its indemnity customers opting for higher sum insured. This apart, it has also witnessed a spike in sale of super top-ups which is bought on top of a normal mediclaim, said TA Ramalingam, Chief Technical Officer.

Sustainable trend

Treatments for cardiac trouble, cancer and certain transplantation can entail a very high cost. As awareness about modern medical techniques and its convenience and safety increases, the need for a higher sum insured will also go up, Prakash pointed out.

"This is a very highly sustainable and scalable trend. The modern medical approach brings with it safety, comfort and a better outcome; however, the cost of treatment could be huge. This is likely to encourage both customers and insurance companies to push higher sum insured," he said.

(The writer is Shobha Roy.)

TOP

Source

All about colour coding of health insurance plans - Deccan Herald – 7th December 2020

In a move that will help hundreds of thousands of individuals across the country, IRDA (Insurance Regulatory Development Authority) has issued draft guidelines during the first week of October, which would hopefully simplify the process of buying health insurance by policyholders. These guidelines when implemented will introduce a colour coding system for all individual health plans or mediclaim policies.

The regulator feels that the colour codes will help buyers in understanding the complexity of the health insurance plans and take informed decisions. The colour codes will indicate the level and extent of the complexity of the product. The covid pandemic has caused so much fear and panic among people that it has resulted in a huge increase in enquiries about the mediclaim products.

As per the draft guidelines, colour code green will signify that the product offered is a simple product, easy to understand and comprehend. Orange colour will signify that the product offered is moderately complex. While the colour code red will signify that the product offered is complex when compared with the other codes. Incidentally, the guidelines are applicable only to individual health products and not to group mediclaim policies as the regulator feels that institutions are normally better informed than individuals.

As per the draft, every insurance advertisement which promotes a health insurance product shall also mention the color code of that particular product. IRDA has stipulated seven parameters, based on which the products will be allocated a score between 0 and 6.

So a product with a score of less than two will be assigned green and code while an orange product will have a score between 2 and 4 and red will have a score between 4 and 6. The regulator has listed seven parameters all of which will have equal weightage based on which the various products offered by the general and health insurance companies would be scored.

The parameters are: the number of optional covers offered, percentage of co-pay, number of months of waiting period, number of treatment procedures/ diseases under sub-limits, deductibles, number of permanent exclusions, and simplicity of terms and conditions. The weighted average score of each of the parameters will be calculated by multiplying each of the parameter score with its weightage of

14.28%. The scoring system is not new to India as SEBI had introduced Blue, Yellow and Brown colour codes in Mutual fund schemes a few years back. It was felt that displaying the colour code in the schemes would indicate the level of risk that an investor was exposed to while investing in Mutual funds. However, the colour codes have been scrapped and replaced by riskometer. This is also similar to the pictorial warning on cigarette packs meant to warn and create awareness among smokers about the dangers of smoking.

The insurance market is a market with asymmetric information. Insurance policies are bought (or rather sold) by policyholders to cover various risks or perils. The insurance company while scrutinising the proposal form has no information about the risk that the prospective policyholder carries but relies solely on the information given by him in “utmost good faith” in the proposal form.

Joseph Stiglitz, the renowned economist who got the Nobel Prize in Economics in 2001 along with George Akerlof and Michael Spence demonstrated how information problems could be dealt with on insurance markets where companies do not have information on the risk situation of individual clients. Stiglitz along with Rothschild showed that the insurance company (the uninformed party) gave its clients (the informed party) effective incentives to “reveal” information on their risk situation through screening.

The insurance companies would distinguish between different risk classes among the policyholders by offering options like co-payment, deductibles, waiting period and exclusions. Because they were on a sticky wicket as regards asymmetric information, the insurance companies had introduced many features and conditions making health plans extremely complex to understand.

Since the claim ratios are generally high in health plans, the companies would find excuses or loopholes to either reduce the claim amount or reject the entire claim outright. The draft guidelines may be the first step to demystify health plans to the common man.

(The writer is Vasant G Hegde.)

Source

TOP

Health insurance is a viable financial risk mitigation tool - The Telegraph – 7th December 2020

Health insurance as an annual investment tool is gaining prominence among Indians. The ones with health cover benefitted from its coverage during the Covid-19 phase. For the others, the risk of incurring out-of-pocket expenses drove them to the realisation that health insurance is a viable financial risk mitigation tool.

As people realise that against a nominal premium, they can save themselves financial liabilities running up to a few lakhs, insurance companies are witnessing a surge in health insurance related inquiries. With changing market dynamics, health insurers are coming up with several coverage options that one must consider before getting themselves a health insurance. Here are the top five options.

Super cumulative bonus

Health insurance is usually an annual policy. In case one does not make a claim during the policy period, the insurance company offers a reward at the time of renewal by increasing the policy coverage limit by a certain percentage, called the cumulative bonus. Earlier, it used to be 10-15 per cent every policy year but given the medical inflation, these days insurance companies are offering much higher percentages.

Let’s understand this with an example. Mr X had opted for a coverage limit of 5 lakh for his health insurance policy and started at an early age. He incurred no claims in the first year, and so earned a super cumulative bonus of 50 per cent on the base amount, thus increasing his coverage up to Rs 7.5 lakh. He did not face any claims in the second year also and so he again received a 50 per cent super cumulative bonus on the original coverage limit, thus increasing it to Rs 10 lakh. This is double of what he had opted for while buying the policy.

In the event of claim, his cumulative bonus may get reduced by 10 per cent of the basic sum insured at the subsequent renewal.

Recharge option

This is a benefit that will help one if they have exhausted the coverage limit of their health insurance policy in the event of a claim.

For example, Mr X had opted for a sum insured limit of Rs 5 lakh at the time of buying a policy. He then faced a health emergency and the bill amount from the hospital exceeded the sum insured and amounted to Rs 6 lakh. Here, since his policy offered a recharge benefit, the same got triggered. This benefit is expressed as a percentage.

Let’s say for this particular policy, the recharge benefit was 20 per cent. So, once the Rs 5-lakh benefit was exhausted, Mr X got an additional recharge of 20 per cent of Rs 5 lakh, that is Rs 1 lakh without any additional premium. This facility cushioned him when his hospital expenses exceeded his coverage limits. Thus, the client’s claim for Rs 6 lakh gets covered here at no extra cost at point of claim.

Reinstatement benefit

This is like opting for a back-up insurance within one’s existing insurance plan. This benefit comes at an added cost, but is immensely helpful in case one exhausts all his or her opted coverage amount.

For example, Mr X opts for a coverage of Rs 5 lakh and exhausts the policy limit while treating a serious injury from an accident. Later in the year, he gets hospitalised for Dengue, but since he had exhausted his limit, he would have to incur the expenses from his pocket for any further medical treatments. Here, the reinstatement benefit, if already opted/covered at the time of policy inception, is a great boon.

With this facility, even after one exhausts the entire sum insured limit, the policy coverage gets restored back to Rs 5 lakh. However, one should check if the same illness is covered and is there’s any waiting period on the reinstatement.

Infinite sum insured

Sum insured is the health insurance coverage limit that one opts for in his or her health insurance policy.

As Mr X chose Rs 5 lakh as his coverage for health insurance, this is his sum insured. Now there are policies in the market where one gets an option to choose an infinite sum insured. For this, one has to first choose a coverage limit according to the per day room rent option which may range from Rs 3,000-Rs 50,000. The policy then offers 100 times of the chosen per day room rent limit as the coverage limit. So, if Mr X chose Rs 10,000 as the per day room rent, the coverage will be up to 100 times, that is up to Rs 10 lakh. However, in this policy the coverage and the claim amount doesn’t end there. If Mr X’s claim amount exceeds beyond the limit of 100 times, then he has to share a certain percentage for the remaining claim amount with his insurance company. This sharing of claim amount is call “co-pay” and it is usually a percentage. A co-payment of 15 per cent, 20 per cent, or 25 per cent may be opted for an infinite sum insured policy, and this co-payment percentage has to be chosen by the insured at the time of policy purchase.

Wellness benefits

Insurers reward their customers in various ways such as discounted outpatient consultations or treatments, health check-ups and also membership in fitness centres. This additional feature not only encourages customers to lead a healthy lifestyle, but also enables them to monetise the reward points earned by following the wellness regime. This helps one to achieve the twin objectives of good health and an affordable insurance.

(The writer is Tapan Singhel.)

Source

TOP

Now, a policy for robotic surgery – The Hindu – 6th December 2020

At a time when the world is facing its biggest medical challenge due to the ongoing COVID-19 pandemic, health insurance policies in India are poised for a revamp that will make health insurance cover more customer friendly. Inclusions in the policy, specifically for robotic and bariatric surgeries in India, were very limited and that was the reason why many policyholders were not able to avail of the best and most-advanced treatment on offer in the country. Thankfully, the Insurance Regulatory and Development Authority of India (IRDAI) has now taken cognisance and all health policies are being standardised across health insurers. Besides an array of other inclusions like coverage for diseases such as mental illness, obesity, Alzheimer's and Parkinson's, your health insurance policy will now cover you even for robotic and bariatric surgeries. Insurance companies have already started the process of revamping and advanced products are now available for customers. Robotic surgery holds significant promise in the field of healthcare.

The introduction of such surgeries has made the performance of complicated procedures much easier. They allow doctors to perform different types of complex procedures with more precision, flexibility, and control than possible with conventional techniques. The benefits of such procedures in India come at a lower cost than in developed nations, making it easily accessible to a larger section of the population. Robotic surgeries reduce the trauma caused to the patient by allowing surgery to be performed through small ports or 'keyholes' rather than via large incisions. The instruments can access hard-to-reach areas of a patient's body more easily through smaller incisions compared with traditional open and laparoscopic surgeries. This helps in shorter recovery times, with fewer complications and a shorter hospital stay. They are minimally invasive, painless and have a bigger cosmetic advantage.

(The writer is Amit Chhabra.)

Source

TOP

'Over 5% price hike in just 5 health covers' - The Economic Times – 4th December 2020

Amid multiple reports about an abnormal hike in insurance premiums in the past month for certain categories such as senior citizens, Irdai on Thursday clarified that just five products have been allowed to hike premium upwards of 5%.

"As on September 30, 2020, out of 388 products, premiums were increased by general and health insurers up to 5% of the then prevailing rates only in case of 55 products," it said.

Irdai said there have been reports doing the rounds about hike in health insurance premium rates by general and health insurers and these reports attributed the hike in premiums to recent regulatory initiatives by the insurance regulator.

Irdai said insurers were permitted to change (decrease or increase) the base premium by up to 5% of the originally approved premium rates in order to comply with the guidelines on standardisation of exclusions as a one-time measure for seamless transition of existing products to ensure viability and sustainability.

TOP

Source

What does a Rs 5L health insurance plan cost? Here's what 20 insurers are offering - Financial Express - 4th December 2020

The Covid-19 pandemic has underlined the criticality as nothing before of having in place a health insurance plan with an adequate sum insured to cover the entire family. Understandably, countless Indians are purchasing these policies to safeguard their finances in case a family member requires hospital treatment amid skyrocketing medical costs.

In fact, according to a Kotak Institutional Equities report, the retail health category saw a 30% year-on-year growth in October 2020 while the overall health insurance business in India saw a 6% growth during the same period. However, there's still a long way to go. In fact, according to the National Sample Survey study conducted between July 2017 and July 2018, 86% individuals in rural India and 81% individuals in urban areas do not have any health cover, says BankBazaar.

The point being, if you still do not own a health insurance policy, you need to seriously consider purchasing one with a sum insured of at least Rs 5 lakh, especially if you stay in a metropolitan city. You'll be well-advised to compare different plans and go for the one that best meets your family's medical requirements. And while the annual premium amount should not be ignored, it might be wrong to focus only on this factor while finalizing your decision.

Policy Name	Annual Premium
United India*	Rs. 4,730
New India - Mediclaim Policy*	Rs. 5,431
SBI General	Rs. 6,088
Tata-AIG - Medi Care protect	Rs. 6,347
Aditya Birla - Activ Assure Diamond	Rs. 6,371
Universal Sompo- Individual- Essential	Rs. 6,393
Max Bupa - Health Companion- Individual	Rs. 6,542
Royal Sundaram - Individual- Supreme	Rs. 6,558
Care Health Insurance- Care Basic	Rs. 6,620
Future Generali - Health Total	Rs. 6,738
Oriental - Individual Mediclaim Policy	Rs. 6,899
Star Health - Medi Classic - Individual	Rs. 7,074
ICICI Lombard - iHealth	Rs. 7,119
Reliance General - Health Wise Insurance - Standard	Rs. 7,348
Liberty General - Individual Health- Basic	Rs. 7,448
Manipal Cigna - Pro Health Protect**	Rs. 8,013
Cholamandalam MS - Healthline	Rs. 8,031
HDFC ERGO - Health Suraksha	Rs. 8,044
IFFCO -Tokio - Individual Health Protector	Rs. 8,407
Bajaj Allianz - Health Guard	Rs. 9,977

You should also consider things like your chosen insurer's claim settlement ratio and network of hospitals along with factors like critical add-ons, pre and post-hospitalization cover, waiting periods for pre-existing conditions, sub-limits, no claim bonus clause, OPD treatment facility, so on and so forth. You can also consider further enhancing your sum insured by going for a top-up or super top-up plan which might be a cost-effective option.

So, if you're looking to purchase a health insurance plan, here are the annual premiums for individual policies currently being offered by 20 insurers in the country. All the premiums mentioned below have been calculated for a Rs 5 lakh health plan for a 30-year-old married individual residing in Bangalore.

Do note, your premiums will vary depending upon the age and medical condition of the insureds, add-ons selected, sum insured value, among a few other factors, and according to the terms and conditions laid out by your chosen insurer, as per BankBazaar.

Disclaimer: Data pertains to individual health insurance cover of Rs 5 lakh for 30-year-old (married) individual residing in Bangalore, and has been collected on December 1, 2020. Data is indicative. Actual premium and information may vary from the data mentioned in the table. *Excluding taxes. **Sum Insured=Rs.7.5 lakh. Data compiled by BankBazaar.com

(The writer is Sanjeev Sinha.)

Source

TOP

MOTOR INSURANCE

Important news: New insurance rules for vehicle owners; know benefits – DNA – 10th December 2020

For people who want to buy vehicles, it is quite important to note that new car and two-wheeler owners in India can avail the benefits of motor insurance that will lower the upfront cost of vehicles as compared to before.

According to a report in Times Now, vehicle insurance providers are now allowed to sell long-term own damage (OD) policy cover to vehicle owners. Due to this policy, the customers won't have to pay a higher upfront premium for the insurance policy. Moreover, they have the liberty to change the insurance provider after one year.

However, the new car owners will have to purchase three-year third-party (TP) cover for motor vehicles, and five-years for two-wheelers.

This new rule was implemented by the Insurance Regulatory and Development Authority of India (IRDAI) in June. The move was taken to prevent vehicle dealerships from forcing customers into buying long-term OD insurance cover.

It is to be noted that in 2018, the Supreme Court made it mandatory for new two-wheeler and car owners to obtain five-year and three-year third-party insurance, respectively, at the time of purchasing a vehicle. Using this opportunity, the insurance companies started dishing out long-term package policies that bundled 3-year / 5-year OD cover with 3-year / 5-year third-party (TP) insurance.

Customers had to buy the CPA cover for a longer-term, three years for four-wheelers and five years for two-wheelers, along with the mandatory long-term third-party cover, pushing the overall cost.

Previously, customers were stuck with an insurance policy even if the services were unsatisfactory. However, the new insurance policy will not have the same deficiencies, with the customers not having the option of purchasing a long-term OD policy even if they wished to.

TOP

Source

Motor insurance claims: Rs 64,522 cr motor premium earned, Rs 35,519 cr claims paid in FY 21 - Zee Business - 8th December 2020

A total sum of Rs 35,519 crore of motor insurance claims were settled during 2018-19 by Indian general insurance companies while the gross underwritten premium was Rs 64,522.35 crore, the Insurance Information Bureau of India said on Tuesday.

In its annual report on motor insurance for fiscal 2018-19, the Bureau said that Rs 35,519 crore of motor claims -- comprising Rs 18,262 crore towards vehicle damage and Rs 14,257 crore for third party liability -- were settled during 2018-19.

According to the report, motor insurance continues to be the biggest line of business for the general insurers with nearly 40 per cent share of the gross underwritten premium, at Rs 64,522.35 crore with a growth rate of nine per cent for FY 2018-19. Six states -- Maharashtra, Tamil Nadu, Uttar Pradesh, Karnataka, Gujarat and Delhi -- contribute nearly 50 per cent of the total policies and motor insurance claims.

Uninsured vehicles as a percentage of vehicles on Indian roads for FY19 remained at a high of 57 per cent and in 15 states, more than 60 per cent of the vehicles were uninsured, thus showing a slight increase over the previous financial year. According to the report, the average settlement amount for death claims during fiscal 2018-19 was Rs 901,207 and for injury claims it was Rs 251,094 which showed an increase over FY 2017-18.

The highest average for death claims was in Kerala, at Rs 12,13,671 and lowest in Bihar at Rs 614,306. According to the Insurance Information Bureau, all the claims reported and settled during 2018-19 have been considered for the report. This includes the settled claims from current as well as previous accident years which are settled in 2018-19. For 2018-19, 3.25 lakh third party claims were reported and nearly 3.05 lakh third party claims were fully settled.

The incurred amount for the reported motor insurance claims during 2018-19 was Rs 14,257 crore. Generally, the Union Territories and the southern states have a high average as compared to other states. The lag in reporting and settlement of third party claims remained constant in comparison to the previous two financial years.

The number of policies and total premium distribution for FY19 was very similar to the previous financial year. As many as 69 per cent of the own damage or vehicle damage premium is derived from private cars, two-wheelers contribute 11 per cent, goods carriers contribute 11 per cent and passenger carriers contribute five per cent.

In case of total premium, private cars contributed 43 per cent, two-wheelers 12 per cent, goods carriers contribute 28 per cent, passenger carriers contribute 12 per cent and the rest is from others. For the period under review, the uninsured vehicles stood at 57 per cent of total vehicles on road logging a three per cent growth over 2017-18.

The bulk of the uninsured vehicles are two-wheelers with the un-insured being as high as 66 per cent, the report said. There were 15 states which had uninsured vehicles to the extent of more than 60 per cent. For 2018-19, 72 lakh own damage claims were reported and nearly 60 lakh of the total reported claims were fully settled (excluding repudiation and closed without payment). The paid amount for the settled claims was Rs 18,262 crore.

TOP

Source

Around 57% of vehicles in India uninsured – The Times of India – 10th December 2020

Weak enforcement by traffic police in states, lack of follow-up by insurers and rising cost of third-party covers has resulted in a larger number of vehicle owners not renewing their motor insurance policy. According to a report by the Insurance Information Bureau, the ratio of uninsured vehicles on Indian roads has gone up by three percentage points from 54 percent in FY18 to 57 percent in FY19. Of the over 23 crore vehicles on road in India as on March 31, 2019, the percentage of uninsured vehicles was at nearly 57 percent. This means that about 13.2 crore vehicles on Indian roads are plying without the mandatory third-party insurance covers. Victims of accidents caused by these vehicles will not get adequate compensation as there would not be any one insurance company on which the liability can be pinned. The owners, too, have limited means to provide compensation.

According to the report in FY18, of the nearly 21.1 crore vehicles on road, 54 percent — or just 11.4 crore — vehicles were uninsured. In one year, the number of non-compliant vehicles has risen by almost 2 crore. The bulk of the uninsured are two-wheelers, which account for 75 percent of the vehicles on Indian roads, with the un-insurance being as high as 66 percent. There are 15 states with over 60 percent of their vehicles uninsured. The southern states fare better in terms of compliance. According to insurers, it is possible for state governments to identify the uninsured vehicles as there is a database of insured vehicles. However, the problem is with enforcement. In Maharashtra, the state government this week decided to start recovering fines in cash after unpaid e-challans crossed Rs 600 crore. For insurance companies, the low level of compliance results in a higher claims ratio as, on several occasions, the tribunals have held the insurers liable for compensation, asking them to recover from the insured. The average settlement amount for death claims in FY2018-19 was Rs 9,01,207 and for injury claims it was Rs 2,51,094. This number has been growing year on year as it has been linked to income and inflation levels. Insurers, in turn, pass on the higher premium to vehicle owners in the form of costlier third-party liability cover, making the policies less affordable.

(The writer is Mayur Shetty.)

Source

TOP

COVID, cyber-attacks, data fraud top threats for Indian corporates: Study - The Economic Times – 9th December 2020

The public health crisis due to the COVID-19 pandemic has emerged as the top threat for Indian corporates, while cyber-attacks and data frauds loom equally large, according to a study. The report, titled 'Excellence in Risk Management India 2020, Spotlight on Resilience: Risk Management During COVID-19', has been published by global insurance broker Marsh and risk management society RIMS.

While there is great optimism about the ability of organisations to rebound and address future pandemic-related challenges, cyber attacks and data fraud continue to be paramount concerns for risk professionals in India, as per the survey. Around 63 per cent of the 231 survey respondents -- which included C-suite executives and senior risk professionals -- identified the continued fallout of COVID-19 among the top three risks facing their organisations.

Cyber attacks (56 per cent), data fraud or theft (36 per cent), failure of critical infrastructure (33 per cent), fiscal crises (31 per cent) and extreme weather events (25 per cent) were highlighted among the other top risks for Indian businesses. The majority of survey respondents (85 per cent) said the pandemic necessitated a shift to remote work, which has increased the organisations' exposure to potential cyber attacks.

In the light of the pandemic and shutdowns imposed by national and local governments, failure of critical infrastructure climbed the ranks in the 2020 survey as many organisations re-evaluated their risk management priorities. Despite various extreme weather events, such as cyclones and forest fires, extreme weather dropped from third in 2019 to sixth place in 2020.

"Organisations need to balance their focus between long-standing and emerging risks. While there has long been an awareness of weather-related risks, low-frequency risks generally receive less attention. "The pandemic has underlined the need for risk managers to keep all perils on their radar," said Sanjay Kedia, Country Head and CEO, Marsh India.

While many senior business leaders are shifting attention to questions of resilience, more than one-fifth of respondents said that they do not assess or model emerging risks, said the report. "Organisations need to focus on building resiliency to future black swan events. The lessons learned in 2020 should be leveraged to revise business continuity plans so that companies are able to withstand the impact of the next big challenge," Kedia added.

Laura Langone, RIMS 2020 president, said, "Cyber-attacks, fraud, weather-related risks and, even, pandemics, have long been identified and prioritized by risk professionals." "However, risk professionals' work must go beyond identifying the impacts of these uncertainties. It is incumbent upon us to highlight opportunities and solutions that support shifts in strategy, strengthen organizational resilience and empower business leaders to make strategic-decisions with confidence," Langone said.

Source

TOP

India could be a $500 million device insurance market by 2025: Report - The Economic Times – 9th December 2020

India could become a $500 million device insurance market by financial year 2025, an over three-fold growth from the current estimated $140 million, Red Seer Consulting said in a report shared with ET, driven by smartphone sales increasingly moving towards organized retail and e-commerce channels. The demand for insurance for smartphone devices would be driven both by rising demand, with 78 million new users likely to purchase these devices, and an increased push by insurance companies to market product insurance through channel partners, it said. The market is expected to post an annual growth rate of 29 percent between financial year 2020 and 2025, which could soon necessitate specific regulatory action by the Insurance Regulatory and Development Authority of India, and pricing parity by the industry at large, according to the report – 'The $500 Mn potential Indian Smartphone Insurance market – But are the customers' interests truly protected?'

While customers are getting increasingly aware of the product, general insurance could face challenges in scaling the market without requisite regulatory support, said Abhishek Chauhan, head – India consulting at Red Seer Consulting. Bajaj Allianz, HDFC Ergo, Digit and Acko are among the leading insurers currently selling these covers either directly through retail channel partners such as Croma or Amazon, or through third-party intermediaries such as Servify, Onesitego or One Assist. These insurance policies typically reimburse for thefts, screen damage and unintentional damage to the device, even as the report pointed out that several insurers have lagged in honouring genuine claims.

(The writer is Ashwin Manikandan.)

[TOP]

Source

PENSION

Gratuity, PF contribution may rise under new code – Live Mint – 9th December 2020

Employees are likely to get higher gratuity payments and employers' contribution to their retirement corpus may also rise, but workers should brace for a cut in their take-home pays once the government notifies draft rules under the Code on Wages 2019.

According to the draft rules, wages for the purpose of calculation of gratuity and provident fund contributions will have to be at least 50% of employees' total pay. To comply with this rule, employers will have to increase the basic pay component of salaries, leading to a proportional increase in gratuity payments and employees' contribution to the provident fund.

"The labour code indicates that if the 'wages' bucket falls below 50% of the remuneration, then some portion of components excluded from the 'wages' bucket will be added to it so that this bucket becomes at least 50% of the remuneration for the purpose of calculating different payments such as social security contributions, gratuity, leave encashment, etc," said Anshul Prakash, partner (employment labour and benefits) at Khaitan & Co.

The government will notify the final rules of the Code on Wages, which was approved by the Parliament last year, after taking into consideration the comments from public. "The 50% cap on non-basic pay component of an employee's compensation will impact the gratuity component," said Amit Gopal, principal and India business leader, investments, Mercer.

Payroll experts said that the new rules may result in the restructuring of salaries for employees whose employers are contributing to the provident fund (PF) based on actual salary. Currently, it is voluntary on part of the employer and employee to make PF contributions on actual wages in case the monthly salary of the employee is over ₹15,000. The employer and employee PF contribution can be limited to 12% of ₹15,000. In such cases, PF contribution may not be impacted.

"If the employer/employee has currently opted to pay PF on the full basic salary instead of ₹15,000 per month, then restricting this back to ₹15,000 per month (or the new wage limit, if applicable) is likely to need a joint declaration with the employee," said Ritobrata Sarkar, head of retirement practice India at Willis Tower Watson.

However, some experts said that most companies in the formal sector are already abiding by this rule related to PF contribution.

"The formal sector already carries many of these in their structured CTC breakups, i.e. most employers (especially large formal ones) have basic at 50%, house rent allowance at 40-50% and then other special allowances," said Lohit Bhatia, president, workforce management, Quess Corp. Many experts also said that the new wage code will result in better social security and welfare benefits for the employees.

(The writers are Renu Yadav and Neil Borate.)

TOP

Source

Subscribers to get 8.5% EPF savings interest at one go on 'market boost' - Business Standard - 9th December 2020

Private sector employees will soon get the declared interest rate of 8.5 percent on their Employees' Provident Fund (EPF) savings for the financial year 2019-20 at one go. The current bull market prompted the Employees' Provident Fund Organisation (EPFO) to offload its equity investments and gain higher-than-expected returns in December – leaving it with double the surplus projected three months back, a senior EPFO official said, requesting anonymity. Following the development, the Union labour and employment ministry has written to the finance ministry, seeking 8.5 percent interest to be credited into around 190 million EPF accounts for 2019-20. "The recommendation is pending approval of the finance ministry which is expected to come within a week.

The labour ministry has proposed to notify the interest rate at one go now," a top government official said. The EPFO's central board of trustees (CBT) led by Labour and Employment Minister Santosh Kumar Gangwar had in September announced that the organisation would be crediting the interest in two instalments for the first time due to the Covid-19 pandemic's impact on its income. The EPFO had decided that 8.15 percent interest from its debt income would be credited immediately and the remaining 0.35 percent capital gains from the equity sale would be given later, subject to its redemption. However, the EPFO decided to wait till December to examine its equity returns before crediting interest.

(The writer is Somesh Jha.)

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Source

How EPFO calculates interest on your PF balance. Details explained here – Live Mint – 7th December 2020

Illustration of Calculation of Interest

Month/Year	Contribution	Withdrawal	Interest bearing balance
Opening Balance	112345		
March	100		112345
April	100		112445
May	100	25000	87545
June	100		87645
July	100		87745
August	100		87845
Sept	100		87945
Oct	100		88045
Nov	100		88145
Dec	100		88245
Jan	100		88345
Feb	100		88445

Both employees and employers together contribute 24% of the basic salary plus dearness allowance on a monthly basis towards the employee's provident fund (EPF) run by the Employees' Provident Fund Organisation (EPFO). Once the interest rate for any financial year is notified, and the current year ends, EPFO calculates the month-wise closing balance and then the interest for the whole year. It is calculated by adding the monthly running balance and multiplying it with the interest rate /1200.

In case a member is taking a final settlement and the interest for the current year is not notified, interest is credited on the basis of the rate declared for the immediately preceding year, says EPFO.

If any sum is withdrawn during the current year, interest from the beginning of the year till the last date of the month preceding the month in which withdrawal took place is taken into account.

The closing balance for the year will be opening balance + contributions – withdrawal (if any) + interest.

Say interest rate is 8.65% and opening balance is ₹1,12,345. Sum of monthly balance = ₹11,04,740. Interest is 1104740 X (8.65/1200) = ₹7,963. Thus the closing balance for the year will be Opening balance + contributions – withdrawal + Interest = ₹1, 12,345 + ₹1200 – 25000 + ₹7963 = ₹96,508

Here are some other points to note:
No interest is calculated on pension contribution since benefits are based on the service length and average wages at the time of exit, whether the benefit is through pension or withdrawal benefit, says EPFO. Of the employer's 12% contribution, 8.33% goes towards pension corpus.

Interest is separately calculated for the employee share and employer share of provident fund.

No interest is credited in the members' account from the date when the account has become inoperative. If a member has retired on completion of 55 years of age or has migrated abroad permanently or the EPFO member has died and no claim has been received for settlement for 36 months from the date when the amount became payable, the account becomes inoperative from that date.

So EFPO says members who are leaving service before 55 years of age should file claims maximum by the age of 58 years to not lose any interest. Members who have retired after 55 years age should file claim maximum within next three years. In case of death of a member, the beneficiary should file claim maximum within 3 years of the date of death.

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Source

IRDAI CIRCULARS

Gross direct premium underwritten for and up to the month of November, 2020 is available on IRDAI website.

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Guidelines on standard personal accident product are available on IRDAI website.

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IRDAI issued circular regarding Maintenance of records under IRDAI (Minimum Information Required for Investigation and Inspection) Regulations 2020.

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New business statement of life insurers for the period ended 30th November, 2020 (Premium & Sum Assured in Rs.Crore) is available on IRDAI website.

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Source

Thailand - Microinsurance plan for holiday season – Asia Insurance Review

The Office of the Insurance Commission (OIC) in Thailand has partnered with insurance companies to launch a new normal plus protection cover for accidents and COVID-19 as a micro-product for those concerned about risks related to the pandemic.

According to report by Bangkok Post OIC secretary general Suthiphon Thaveechaiyagarn said, "The new product is expected to increase sales during the pandemic with insurance companies providing protection for a price of THB10 ($0.33) during the New Year period from December to January 2021."

As the pandemic continues to capture interest, regulators and insurers have launched the product as a marketing strategy to make insurance more relevant to people's daily lives, while helping to boost the industry. "COVID-19 insurance can expand coverage of existing products. For THB10 companies can buy protection for their employees or customers," Mr Suthiphon said.

Coverage in case of permanent disability from accidents or death is THB100,000 ($3333), excluding murder. Permanent disability due to motorcycle accident receives payment of THB50,000. The insurance offers THB5,000 coverage for funeral expenses and medical expenses due to accidents with THB3,000 for COVID-19 insurance protection.

He said people can form a group of 10 to purchase micro-group insurance from 15 non-life insurance and 10 life insurance companies. Some 24 companies are offering the new-normal plus micro-insurance, including banks, insurance brokers, retailers, online e-commerce platforms, property developers and telecommunication companies.

Micro-insurance has been available in Thailand since 2013, with a starting price of about 200 baht. The aim is to promote understanding of insurance and risk management, among both urban and rural dwellers, he said.In 2019, two-month micro-insurance protection during the New Year period was sold to over 1.3 million people, a drop from more than 2 million people in 2018.

OIC data found direct premiums for life insurance shrank by 5.72% during the first three quarters this year, with group insurance down 9.8%. The only life insurance products that recorded growth were pension, universal life, health riders and accident riders. For non-life insurers, total direct premiums grew by 3.87%, spurred by health protection, up 60% for the same period year-on-year to 12.8 billion baht. Travel insurance shrank by 61.4%.

TOP

Source

Aon report shows path towards post-COVID future - Asia Insurance Review

An Aon study showed that there is a global shift in attitudes of leading organizations toward long-tail risks and the impacts on how society will continue to work, travel and convene. The report, titled "Helping Organizations Chart a Course to the New Better", presents research regional findings and trends on how organizations have responded to the novel coronavirus pandemic to date and are adapting to prepare for other emerging long-tail risks.

More than 130 organizations across multiple industries and four continents in 10 cities participated in coalition meetings, sharing best practices and outlining new priorities to accelerate economic recovery.

Beginning in Chicago in June 2020, Work, Travel and Convene Coalitions launched in Australia, Germany, the Netherlands, and Singapore as well as major urban centres Dublin, London, Madrid, New York, and Tokyo, including participation by more than 130 organizations from a broad range of industries. The 10 coalitions formed across four continents to examine issues arising from the pandemic, share key learnings and insights and help develop best practices for moving forward. The report is the result of months of ongoing dialogue with some of the world's leading organizations.

"COVID-19 has fundamentally reordered the priorities of leading public and private organizations around the world," said Aon CEO Greg Case. "Our decision to convene these coalitions was driven by a need to build a collaborative roadmap to make better decisions in an increasingly complex world. Rather than accept the so-called new normal, this work leads our clients to define the new better on their own terms."

Along with the coalition dialogue, Aon performed a comprehensive quantitative diagnostic to address readiness, resilience and wellness as well as assess priorities as the pandemic evolved. Spanning more than 15 industries and representing multinational organizations from the U.S, Europe and Asia, key findings include:

Nearly 89% of companies plan to enhance their wellbeing program to focus on their workforce's emotional and mental health wellbeing as a result of the pandemic.

More than 84% of companies said they have strengthened their communications protocol to better react and respond to vendors, governments and employees during the pandemic.

More than 87 % of companies have deepened their partnership with key vendors to support the management process and coordination of a return to the workplace.

"Over the course of this six-month dialogue, coalition participants have reacted to shifting expectations around the duration and ultimate impact of the pandemic," said Mr Case. "Even as we publish these findings, new restrictions and lockdowns are being issued against the backdrop of a global race to approve and distribute a wave of promising vaccines. These realities reinforce that, while there may be a long road ahead, there is in fact a path to a new better for countries, companies and communities around the world."

TOP

Source

Australia: Ombudsman says insurance market failure killing small businesses - Asia Insurance Review

The Australian Small Business and Family Enterprise Ombudsman says that it has found widespread market failure in regards to the availability and affordability of essential small business insurance products. "Our Insurance Inquiry has revealed we are in the grip of a national crisis that is killing small businesses," the ombudsman Ms Kate Carnell said in her Insurance Inquiry final report.

She said, "The local insurance market has been hardening for years as insurers adapt their risk weightings to increasing threats. "As a result, far too many Australian small businesses are on the brink of collapse because they cannot secure a range of insurance products necessary for their operation.

“Small businesses have told us they have either been denied insurance outright or their premiums have as much as tripled in just a few years, effectively pricing them out of the market.

“Hundreds of small businesses have told my office they face closure if insurance remains unavailable to them. In reality, it means thousands of small businesses are likely impacted and there could be dire consequences for the Australian economy if left unaddressed.”

Recommendations to make insurance accessible to SMEs

The report makes a suite of recommendations designed to rebalance risks taken on by insurers and make small business insurance products more accessible.

A major recommendation included in the report is to expand the Australian Reinsurance Pool Corporation to provide reinsurance for all natural disasters on commercial property insurance. “Following the devastating bushfires we saw earlier this year, many small businesses are struggling to get insurance for natural disasters,” Ms Carnell said.

“This is severely impacting small businesses such as rural pubs and regional accommodation businesses that say natural disaster coverage is inaccessible, extraordinarily costly or they have been refused coverage outright.”

Ms Carnell also says the insurance industry urgently requires a mandatory Code of Practice, recommending the Australian Financial Complaints Authority (AFCA) be given additional powers to deliver dispute resolution and enforcement. “Self-regulation in the insurance industry has failed,” Ms Carnell says. “As it stands the insurance industry’s service and practice standards are set by voluntary codes of practice that are rarely enforced and not taken seriously by the industry.”

In addition, the report highlights a lack of availability of public liability and professional indemnity insurance, pinpointing the unlimited nature of injury claims and potential for large damages as a key factor. “Public liability insurance has become almost impossible for small businesses to obtain, particularly those that offer recreational activities such as caravan parks, quad bike tours or jet boating to name a few,” Ms Carnell said.

“Our report recommends Australia follow the lead of New Zealand, which has applied statutory caps on liability for personal injury. The risk environment for public liability litigation can only change through government intervention and the current framework of fault-based injury compensation creates uncontrollable risks for insurers and small businesses.”

The ombudsman also says that the government should roll out a no-fault National Injury Insurance Scheme (NIIS) to cover lifetime care for catastrophic injuries. The report was issued after the Ombudsman launched an inquiry in July to investigate the practices of the insurance industry that impact small businesses and consider whether small business insurance products are fit for purpose.

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Singapore: Govt, insurers and healthcare providers collaborate on claims processing platform - Asia Insurance Review

The government is working with the insurance and healthcare sectors to build an IT platform to enable more efficient claims processing, Mr Ravi Menon, MAS managing director, revealed in an address at Singapore FinTech Festival 2020 on 8 December 2020.

A live pilot of the platform will commence next year.

MAS, the Ministry of Health, and healthcare IT company, Integrated Health Information Systems, are collaborating with the insurance and healthcare sectors to build this platform. It will help to reduce duplicate claims, manual errors, and processing time.

Mr Menon said, "Today, an individual being hospitalised may face uncertainty over his claimable insurance amount. Hospitals have to access multiple systems to request for or provide information to different insurers, and some of these processes are still paper-based."

He said that stakeholders can securely share data with patient consent via the technology platform.

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US: Negative outlook for life/annuity insurance sector - Asia Insurance Review

AM Best is maintaining a negative market segment outlook on the US life/annuity insurance segment for 2021 predominantly due to the ongoing economic and financial market uncertainty created by the COVID-19 pandemic.

In its new market segment report, the rating agency noted that although mortality experience is clearly elevated due to the COVID-19 pandemic, life/annuity carriers have primarily weathered the impact of higher death claims with limited impact on overall capitalisation.

"Elevated mortality has been more evident at higher attained ages, which has impacted some companies more than others depending on product and market focus. Given the asset-intensive and interest-sensitive nature of the products sold in the life/annuity segment, the current environment poses even greater risks to company balance sheets from the potential economic and financial market impacts than from elevated mortality and morbidity risks," said the report.

Despite the recovery and recent stability in the financial markets, AM Best remains concerned about the potential future impact that 'lower for even longer' interest rates and the ongoing COVID-driven economic downturn ultimately will have on life/annuity carriers' financial results and balance sheets.

Other factors supporting the negative outlook include:

- Expectations for intensifying spread compression from 'lower for even longer' interest rates, together with narrowing credit spreads
- Likelihood of reserve increases and/or asset adequacy reserve charges in response to lower long-term interest rate assumptions
- Asset impairments likely in sectors heavily impacted by the current environment; and
- Top-line challenges further exacerbated by the ongoing pandemic

The agency's view that life/annuity carriers were well-positioned to absorb the elevated mortality aspect of the current pandemic has mainly been validated by the financial results of the segment year to date. Nonetheless, the ultimate impact on balance sheets from the economic downturn and the associated lower interest rates has yet to play out fully, said AM Best. Improvements to enterprise risk management (ERM) frameworks implemented over the last 12 years have gone mostly untested until now.

While the end of the current pandemic and its associated economic impact is not yet in sight, early indications suggest that ERM frameworks have been effective so far - at least in terms of capital and liquidity management.

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UK: Pandemic presents business opportunities for motor insurers - Asia Insurance Review

Due to the COVID-19 pandemic, small and medium-sized enterprises (SMEs) in the UK have been cancelling insurance policies and the motor lines have been the worst affected. However, this development may provide opportunities in 2021.

According to Global Data's 2020 UK SME insurance survey, the six most cancelled types of insurance policy this year because of COVID-19 were all vehicle-based ones out of the 20 products that medium-sized businesses were asked about.

The highest proportion was for single van insurance which saw 14.7% of policies cancelled for this reason.

While other commercial lines saw more cancellations for this reason for SMEs overall, the medium-size category is particularly relevant as it is where the biggest contracts are. Therefore, providers of these products would have seen significant losses in 2020.

"A positive outcome from this is that a lot of these would have been temporary cancellations rather than permanent as businesses were unable to travel and delivery fleets were more difficult during a year of lockdown and restrictions. Of course, online shopping has surged and many delivery-type businesses are significantly up, so these insurers who have lost this high level of business may also have picked up new customers or upsold contracts," said Global Data insurance analyst Ben Carey-Evans.

According to him, the development also means that commercial motor insurers will need to be proactive in winning back customers next year as normality slowly returns.

"It also presents an opportunity for insurers to win business, as there will be a significant proportion of the market looking for new insurers. With SMEs' budgets squeezed, the key is likely to be in the value proposition of policies, but much can be said for offering flexibility as well, as uncertainty over future lockdowns and continuing restrictions remains," he said.

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US: Life insurance prices stable despite COVID-19 surge - Asia Insurance Review

Life insurance prices largely remained the same from November to December across core demographics despite news of vaccine breakthroughs and a surge in COVID-19 cases across the country.

According to data from Policy genius, an online insurance marketplace in the US, the biggest uptick across core demographics in this period was a modest $0.52 increase for 55-year-old female smokers purchasing a $1m policy.

"It's unlikely we'll see new pandemic-related changes to life insurance pricing this year. The prospect of a viable COVID-19 vaccine is extremely exciting, but it's too early in development for related adjustments in insurance pricing or restrictions," said Policy genius CEO and co-founder Jennifer Fitzgerald.

The insurance marketplace publishes free data from its life insurance price index on a monthly basis to illuminate pricing trends for consumers. The index displays average monthly life insurance rates using current data from major life insurance carriers.

Insurance rates can vary as the market fluctuates as well as when a shopper's personal profile changes.

Life insurance prices are primarily based on life expectancy while also factoring in personal details about an individual, including age, medical history and hobbies. Prices also depend on the length of a policy and how much coverage a consumer opts to get.

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Personal accident and health insurance to grow amid pandemic - Asia Insurance Review

With the COVID-19 pandemic further highlighting the need for health insurance particularly in emerging markets, personal accident and health (PA&H) insurance written premiums in the Asia-Pacific region is forecast to grow at a compound annual growth rate (CAGR) of 11.1% year-on-year during 2019-2023.

According to a report from Global Data, public healthcare institutions in emerging markets have struggled with a surge in demand, compelling individuals to seek private insurance for faster treatment.

In India, the pandemic is said to have led awareness and the introduction of new products helped retail health insurance register 43% year-on-year growth as of June 2020. The insurance regulator also directed local insurers to provide COVID-19 specific standard policies.

“The disparity in the healthcare delivery standards between developed and emerging markets of the region has accelerated the demand for private insurance during the last five years, with the industry recording a CAGR of 15.5%. Improved standard of living, medical inflation, expanding private health care and the entry of foreign insurers are some factors contributing to the growth,” said GlobalData insurance analyst Manisha Varma.

She also noted that during the last five years, digitalisation and launch of disease-specific insurance products helped insurers expand the value proposition. Major digitalisation initiatives in the Asia-Pacific region include the use of wearable gadgets in the underwriting process and app-based medical consultation services. The pandemic is said to have provided a further impetus to the use of online consultation as social distancing limited physical visits to the healthcare centres, emerging as an increasingly integral feature in health policies.

In January 2020, the number of new users on the Chinese digital health consultation platform Ping An Good Doctor increased by nearly 900% and Singapore-based telemedicine platform MyDoc witnessed a 60% rise in active users in February. “PA&H insurance is expected to see major developments as short-term accident covers, critical illness, disease-specific products become more mainstream. Furthermore, technology-savvy middle class emerging markets and ageing population in mature markets will support the business growth over the next few years,” said Ms Verma.

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China: Moody's says life insurers' profitability supports stable outlook - Asia Insurance Review

Chinese life insurers' resilient profitability and capitalisation, along with rebounding premium growth, support the stable outlook for the industry in 2021, Moody's Investors Service says in a new report released yesterday.

"Life insurers' profitability will be supported by stable spread margins, as they should be able to maintain investment yields of around 5%, given the recent rebound in long-term yields, as well as continued efforts to cap their cost of liability," said Ms Qian Zhu, a Moody's vice president and senior credit officer.

Solvency

"Solvency ratios, a measure of insurers' capitalisation, should also remain strong, which will continue to be supported by stable earnings generation and stronger capital management. The new China Risk Oriented Solvency System (C-ROSS) Phase II will likely widen solvency margin levels among insurers and prompt some to improve their capital cushion by issuing capital securities," added Ms Qian.

Large recurring premiums, which reflect the industry's earlier efforts to shift its product focus to long-term regular premium policies, will also improve overall income stability, while strong demand for health insurance because of the coronavirus outbreak will support business growth.

Investments

Insurers could, however, face investment income volatilities arising from higher equity investments as they take advantage of easing restrictions and improving stock market sentiment. Still, the net impact of this is mitigated by the reduced allocation to alternative investments and the recent rebound in long-term yields, which will prompt insurers to divert some of their allocations back to bonds.

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Australia: Actuaries Institute says better measures needed to understand insurance affordability - Asia Insurance Review

Households in up to 12% of Australian postcodes may face pressure meeting annual home insurance premiums, a figure which represents around 7% of Australia's population, according to a major research paper from the Actuaries Institute.

The paper states Australia has a sophisticated approach to pricing risk for natural disasters, which is reflected in premiums that can vary from less than A$1,000 ($743) a year to above A$10,000. But there is no clear and widely accepted measure for whether insurance is affordable, and data is lacking to gauge the depth of the problem. Without a measure of affordability and better publicly available data, it is difficult to target relief to those who need it.

The paper, Property Insurance Affordability: Challenges and Potential Solutions, aims to help policymakers better understand affordability issues, said Hoa Bui, president of the Actuaries Institute. Policymakers are looking for better ways to deal with these issues, as evidenced by the Australian Competition and Consumer Commission inquiry and the Royal Commission into natural disasters.

Affordability support

A key feature of addressing affordability pressures involves increased mitigation. Government taxes could also be reviewed. But there is a compelling case for public policymakers to provide some support for those facing unaffordable premiums while still using economic incentives to encourage better behaviour to reduce risks in the long-term, says the paper.

Support can be targeted through changes to insurance products and premium design (including, for example, community rating and risk equalisation), by providing direct subsidies or rebates, or by changing how insurance risk is pooled, either at the insurance or reinsurance level.

The arguments for targeted policies to reduce premium stress include increasing the take up of insurance, creating funds for research and mitigation, reducing government expenditure on post-event recovery, reducing intangible costs (such as mental health impact) in the event of loss from the 'peace of mind' that insurance can provide, and increasing overall economic activity by enabling development.

Guiding principles for change include:

- proper incentives for mitigation to lower overall losses over time;
- well-functioning private insurance markets which limit government intervention are desirable in an economy such as Australia's; and
- risk-based pricing to support long-term policy goals.

The paper states there is a need for temporary and targeted government intervention to help manage affordability, in at least the near term. Policy solutions should be reviewed as conditions change. Addressing affordability should include targeting the vulnerable, sending the correct economic signals to consumers and identifying what changes in behaviour are needed.

Questions

The paper deals with issues like: How much economic pain is acceptable for consumers or households to bear? Should losses be funded pre- or post-events, and in what proportion? To what extent should costs be pushed out and thus borne by future generations?

"The overall goal should be to improve the risk profile of the population to maximise insurability of properties and minimise the need, in the longer term, for ongoing government intervention to promote resilient communities," the paper states. "We need to future proof Australia in a cost-effective manner to make affordable insurance available to as many people as possible."

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