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QUOTE OF THE WEEK

"Sometimes adversity is what you need to face in order to become successful."

Zig Ziglar

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Accumulation Period

An accumulation period (or accumulation phase) is the segment of time in which contributions to an investment are made regularly, or premiums are paid on an insurance product, such as an annuity, intended to be used for retirement purposes. Once payments commence on an annuity, the contract is in the annuitization phase.

An accumulation period is the time period during which an investor builds up their savings and the value of their investment portfolio, usually with the intention of having a nest egg for retirement. As the name implies, the money in your account or the value of your investment capital accumulates continuously over time until the point when you are ready and able to access it. The length of the accumulation period may be specified at the time the account is created, or it may depend on when you elect to withdraw funds based on your retirement timeline.

INSURANCE INDUSTRY

Why should insurance be included in your financial planning? – Financial Express – 11th May 2022

As the new financial year begins, people are looking for different investment tools and making plans for investment for FY 22-23. A strategic financial plan, according to experts includes a long-term investment plan, tax-reduction strategy, risk management plan, emergency funds, retirement strategy, asset creation and building a diversified portfolio for wealth creation.

Balachander Sekhar, Co-founder, RenewBuy says, "As consumers save, they need to keep in mind that the rate of inflation will always keep on increasing. Thus, the saving percentage should be targeted to fulfil their needs, desires, and requirements, not only for the present circumstance but for years down the line." He further adds, "It is also important to keep in mind that while a person is saving, a substantial amount of money should be invested to insuring one's life and family from any kind of unforeseen circumstance."

People usually overlook the need for insurance, thinking that no kind of emergency situation can affect them in life. In most cases, experts say people feel the ardent need for insurance when an unforeseen circumstance has already happened and they pay out of their pocket, burning their savings. Sekhar explains, "Insurance is vital, which will help in safeguarding the wealth created in one's life and meet specific milestones. Today companies are providing multiple insurance policies, which cater to multiple life goals of a person. The policies offered especially, in the health and life segment are so extensive, that there is almost a policy for every life goal."

On the other hand, life insurance, for instance, goes beyond providing only protection, it is also an important tool to achieve financial objectives related to weddings, a child's education, buying a car, buying a home, etc. "It is also an excellent savings option for the long term, which assures a guaranteed maturity amount based on one's risk appetite and need," adds Sekhar. Another benefit of signing up for insurance is that it helps build a retirement corpus. Sekhar says, "Insurance helps consumers to systematically save and build corpus for retirement over a long term." Many insurance companies have come up with retirement plans which are majorly annuity-based products.

Similarly, health insurance provides equal benefits which can help you build a corpus. According to NITI Aayog, nearly 30 per cent of the Indian population is not covered under any health insurance and the government is encouraging people to opt for insurance by allowing each to avail of tax deductions of up to Rs 50,000 under Section 80D.

Every insurance policy comes with its sets of financial benefits and plays an integral role in paving the way to financial independence. Sekhar points out, “While it is difficult to highlight the importance of each and every insurance plan, consumers should opt for insurance, for facilitating their wealth creation and savings management.” The best way to choose the most suitable insurance, industry experts say, is to take the route of digitally-enabled insurance advisors who can guide you with the best insurance options as per your insurance requirements.

(The writer is Priyadarshini Maji.)

TOP

Insurance striking right balance between protection and wealth creation: Policybazaar CEO – The Economic Times – 11th May 2022

The insurance industry has witnessed commendable growth in the last few years, and is now evolving to strike the right balance between protection as well as wealth creation for the consumer, Sarbvir Singh, CEO of Policybazaar, said. Most buyers usually invest in insurance to save tax, however, 54 percent of respondents have consciously chosen investment-cum-insurance products for wealth creation, revealed a survey by Policybazaar, to indicate the emerging sentiment towards the insurance sector. "This depicts an increased awareness towards benefits of a higher cover policy among the buyers, given these uncertain times," Singh said.

Policybazaar surveyed 5000 consumers to closely understand the behavioral shift in insurance buying trends. Singh said that the consumer behaviour has undergone a massive change when it comes to financial services and the distinct rise in the number of people choosing insurance-cum- investment products demonstrates the changing perception of customers. The survey highlighted that around 50% of the respondents were impacted financially due to Covid and even after two years of the pandemic, out of these, only 25% could recover to the pre-pandemic levels, while the rest are still earning a lower income or looking for jobs, further establishing the need for robust financial security to battle such uncertainties.

"With technology enabling easy access to FinTech services, consumers are now more aware and exercise better control over their financial decisions. Beyond financial security, they are also willing to bet on the markets in order to gain better returns on their investments," he added. Analyzing term insurance buying behaviour, the survey brings out the respondents’ inclination to opt for larger cover to ensure the protection of their dependents. As of April 2022, 60% of the respondents had an active term insurance policy, 55% of people preferred term insurance because they want a larger cover for a lower premium, while 24% want enhanced protection over and above their existing life insurance policy.

The survey also highlighted that the buying behaviour for term insurance policies saw a stark growth similar to health insurance wherein 47% of the active term policies were bought after the first wave, and 40% of them were bought after the first wave, and 40% of them were purchased post-second wave. While the pandemic may have triggered the purchase of the policy, as many as 78% of respondents want to continue the policy even as things begin to get back to normal, and nearly 40% wish to opt for a higher cover. The highest number of respondents (59%), belong from tier-3 cities, the survey said.

(The writer is Sheersh Kapoor.)

TOP

Low-cost insurance schemes now cover the last person of the society: Nirmala Sitharaman – The Statesman – 9th May 2022

The three Jan Suraksha schemes have brought the insurance and pension within the reach of the common man. These low-cost insurance schemes and the guaranteed pension scheme are ensuring that financial security, which was available to a select few earlier, is now reaching the last person of the society, said Finance Minister Nirmala Sitharaman today while celebrating the 7th anniversary of the three social security schemes – Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Atal Pension Yojana (APY).

"One of the main objectives under the National Mission for Financial Inclusion announced by the Hon'ble Prime Minister on August 15, 2014, was to expand the coverage of insurance and pension to provide the poor and marginalized sections of the society the much-needed financial security through affordable products," she added. Giving an overview of providing facilities to the poor, the Finance Minister said, "Today, even the poorest of the poor can have a life insurance cover for Rs 2 lakh at less than 1 rupee a day under PMJJBY and accident insurance of Rs 2 lakh at less than 1 rupee a month under PMSBY. All the citizens of the country in the age group 18 to 40 can subscribe for receiving a pension after the age of 60 by paying a minimum amount of Rs 42 per month."

PMJJBY, PMSBY, and APY were launched by Prime Minister Shri Narendra Modi on 9th May 2015 from Kolkata, West Bengal. These three social security schemes are dedicated to the welfare of the citizens, recognizing the need for securing human life from unforeseen risks/losses and financial uncertainties. To ensure that the people from the unorganized section of the country are financially secure, the Government launched two insurance schemes –Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY); and introduced Atal Pension Yojana (APY) to cover the exigencies in the old age.

While the PMJJBY and PMSBY provide access to low-cost life/accidental insurance cover to the people, the APY provides an opportunity for saving in the present for getting a regular pension in old age.

Providing security with convenience to citizens through PMJJBY, especially during the COVID-19 Pandemic, Sitharaman said, "Under PMJJBY, a cumulative number of 12.76 crore persons have enrolled since inception for life cover, and families of 5,76,121 persons have received claims for Rs. 11,522 crores under the scheme. The scheme has proved extremely useful for low-income households during the pandemic as in FY21, almost 50% of claims paid out were due to COVID-19 deaths. Major changes were brought in the claim settlement process for quick and easy settlement of claims during the pandemic period. These changes brought in for easy settlement of claims are continuing. Since the beginning of the pandemic i.e., April 1, 2020, till February 23, 2022, a total of 2.10 lakh claims amounting to Rs 4,194.28 crore were paid with a settlement rate of 99.72%." The Finance Minister said that in a similar spirit, "28.37 crore people have enrolled for accident cover since the launch of PMSBY, and a sum of Rs 1,930 crore has been paid towards 97,227 claims. More than 4 crore people have already subscribed to the APY scheme."

TOP

INSURANCE REGULATION

Insurers get Irdai nod for products to cover fire, other perils – Financial Express – 13th May 2022

Insurance regulator Irdai on Thursday allowed general insurance companies to design new and customised products for dwellings, micro and small enterprises for fire and allied perils in its continuous endeavour to increase insurance penetration and provide a wider choice to policyholders. "This move will enable insurance companies to broaden the coverage already provided in the standard products by offering innovative add-ons or varying the existing provisions to meet the needs of the policyholders in terms of suitability and affordability. This comes after the introduction of standard products in this segment, namely Bharat Griha Raksha, Bharat Sookshma Udyam Suraksha amd Bharat Laghu Udyam Suraksha in April 2021," Insurance Regulatory and Development Authority (Irdai) said in a release, adding a circular dated May 12, 2022, was issued in this regard.

"After considering the increasing demand for new covers in the fire line of business, the Authority hereby permits general insurers to design and file alternative products covering fire and allied perils…Such alternative products may be variations of the standard product and may include already approved add-ons as part of the base product or may delete an existing provision. However, the definitions and wordings of terms used in the standard product shall be the reference point for those terms when used in the alternative products as well. Needless to add, the pricing of the products shall be commensurate to the risks involved," the insurance regulator said.

Irdai has also clarified that it does not mandate any minimum rate for premium setting by insurance and reinsurance companies. "It has come to the notice of Irdai that policyholders are being led to believe that the Burning Cost released by Insurance Information Bureau of India (IIB) is 'minimum mandated rate'. Industry Burning Cost is only a reference point to understand claims experience in fire perils across the industry. It is not to be construed as a minimum mandated rate laid down by Irdai," it said. "The insurance companies have also been advised to ensure that there is no misinformation to policyholders and other stakeholders regarding the same," it added.

TOP

'Vision 2047' commitment is to fulfill objective of insurance for all: Irdai – Live Mint – 9th May 2022

The Insurance Regulatory and Development Authority of India (Irdai) is working on reforms that will lead to the objective of "insurance for all" by 2047, a vision plan to increase insurance penetration and facilitating sustainable growth of the industry. "IRDAI is continuously engaging with the stakeholders of the insurance industry in order to set out a reforms agenda for increasing insurance penetration and facilitating sustainable growth of the industry," the industry body said. These reforms, among others, include promoting ease of doing business by encouraging new insurance players, allowing niche players in insurance, relaxing renewal norms for intermediaries, product certification by insurers, time-bound approvals, administrative flexibility, fast-track approvals for investment proposals, facilitating InsurTech and distribution agility. IRDAI also has plans to make the regulations lighter and reduce the compliance burden on the insurers, according to insurance body.

Additionally, the need for risk based capital and solvency, convergence to Ind-AS, rationalizing expenses of management, developing talent pool, updating investment norms and sustainable growth of industry were also deliberated. Revamping of the grievance redressal mechanisms is also on the insurance regulator's agenda. To address the insurance protection gap, the importance of engagement of all the stakeholders was highlighted in a meeting between Irdai and non-life and life insurance firms. It was also proposed to revamp the role and functioning of the life insurance and general insurance councils, to make them more vibrant bodies. Role of Insurance Information Bureau of India (IIB) in supporting data and tech-driven insurance solutions was also discussed, according to Irdai.

TOP

LIFE INSURANCE

Your Money: Demystifying life insurance jargons - Financial Express – 11th May 2022

Life insurance contracts are full of obscure technical terms. Here, are a few important terms that a policyholder must know.

Forfeiture regulation
In most policies, all benefits under a policy cease if at least two full years' premiums are not paid. Forfeiture regulation also says that if it comes to the notice of the insurers that some material

information has not been disclosed in the proposal form, the policy can still be cancelled and no benefits under the policy will be available. This is as per the provision of Section 45 of the Insurance Act, 1938.

Section 45 says that no policy can be called in question by the insurers after three years from the date of commencement or date of revival of the policy. It means that a policy can be called in question within three years from the date of revival if misrepresentation of facts made by the policyholder is established. In other words, a death claim can be repudiated even within three years from the date of revival if the insurer can prove that some material information was suppressed at the time of revival. Some agents advise claimants to lodge claims after three years to derive the benefit of Section 45. Here, the claimant should note that if a claim is preferred after three years from death, the claim can be treated as "time barred".

Suicide clause
If the policyholder commits suicide within 12 months from date of commencement or date of revival of the policy, the claimant is entitled to receive only 80% of the premiums paid. While this may be known to most, how many policyholders know the real meaning of revival?

People think that when premium(s) is/are due for a long time and the policy is "regularised" by paying all outstanding premium(s) with interest along with health declaration (and occasionally, medical examination report), the policy is said to be revived. This is partially true. The policy lapses if premium is not paid within the grace period. Even if the policyholder turns up one day after the expiry of days of grace and pays premium with accrued interest without the insurer insisting for even a simple health declaration, the policy is actually "revived" in technical sense. Even in this case, if the policyholder commits suicide within 12 months, insurer's liability is to pay only 80% of the premiums paid and not the sum assured with vested bonuses.

Accident benefit & permanent disablement benefit
These benefits are in the nature of riders. The accident benefit clause says that if any grievous accident results in the death of the policyholder within 180 days from the date of accident, the accident benefit (which can be the amount of the basic sum assured at the most) is payable to the claimant in addition to the basic claim amount. What many do not know is that the policy has to be in force both on the date of accident as also on the date of death. So, it is the duty of the family members of the life assured to keep the policy in force for the next six months following the accident. For permanent disablement benefit, the policy has to be in force on the date the policyholder is declared as "permanently disabled" by a government doctor.

The policyholders must read the entire policy document very carefully and in case of any doubts, call up the insurance agent or even the insurers' offices to get the points clarified. In case of any future disputes, the court will go by the policy conditions only.

(The writer is Tushar Chatterjee.)

TOP

Which life insurance products are Indians buying – Find out – Financial Express – 10th May 2022

In its latest insurance sector report, Emkay Global Financial Services has shared comprehensive details on the new business performance across product categories in the life insurance space during FY22. Even though ULIPs made a strong comeback in 9MFY22 (Retail Annual Premium Equivalent +50% YoY), the category witnessed slowed down materially in Q4 (+8% YoY), driving FY22 ULIP Retail Annual Premium Equivalent (APE) growth to 33%.

Pension products and non-par (savings) continued to grow strongly, but Annuity and par savings struggled, reflecting LIC's (the most dominant player in these segments) slow growth. The materially slow growth in sum assured from individual new business vs. premium growth very clearly reflects the slowdown in Retail Protection volumes due to the demand impact stemming from price hikes and supply-side issues which limited insurers from underwriting retail term policies in H1FY22.

The strong growth in Group Term Insurance (GTI) premium (+82% YoY) vs. 17% YoY growth in Sum Assured reflected strong price hikes in the GTI business. Going forward, with the interest rate cycle reversing, volatile equity markets, high inflation and the return of postponed discretionary consumption will mean that middle-class household savings will be under pressure, leading to some pressure on the life insurance savings business. Relatively speaking, the large private players, equipped with their superior brands and distribution networks and employing their agile and innovative approaches, are well-poised for strong growth and increase their market share.

The change in new business product mix in FY22 has been shaped by a combination of external factors, including a sustained low interest rate environment, buoyant equity markets in H1FY22 and Covid-19-led dislocations (additional savings to be deployed by the upper middle class and affluent class, but clipped savings ability of masses). These external factors, along with changing customer preferences, have driven the changes in new business mix toward ULIP, non-par savings and pension products. Strong equity markets and increased savings of the affluent class and white-collared youth with higher risk appetite meant that ULIPs delivered strong growth in Retail APE in 9MFY22 (+50% YoY). However, the growth in ULIP APE materially slowed down to +8% YoY in Q4, taking FY22 growth to 33% YoY. Non-par (savings and protection) continued to grow sustainably despite the slowdown in non-par protection part, with its share in individual APE increasing to 23% in FY22 from 18% in FY20.

(The writer is Sunil Dhawan.)

TOP

Term Life Insurance vs Whole Life Insurance vs Endowment Plans: What is more suitable for you? – Financial Express – 9th May 2022

Life insurance offers protection against unforeseen and adverse circumstances like death by paying a nominal premium. However, "as there are different types of insurance policies available in the market, many people usually get confused in finding the best suitable plans for themselves as per their requirements," says Rakesh Goyal, Director, Probus Insurance Broker.

Different types of life insurance policies available in India include Term Insurance, Term Insurance with Return of Premium, Unit Linked Insurance Plans, Endowment plans, Money-Back plans, Whole Life Insurance, Child Insurance plans and Retirement plans.

Here are the three most popular types of life insurance policies;
Term Life Insurance
Term insurance is the purest form of insurance protection plan wherein the nominee receives the benefits of the policy in the event of the policyholder's demise.

Having said that, keep in mind in the event of the policyholder surviving the policy term, no maturity benefits are payable to the policyholder. To overcome this shortcoming, many life insurers in the country have introduced plans with survival or money back benefits, which usually come at some additional costs.

Goyal says, “Term life insurance policies are ideal for people who want substantial coverage at low costs. Ideally, every person with dependents and a limited budget should buy term insurance to protect their loved ones financially.”

Endowment Insurance
Life insurance can be a tool not just for protection against death. Goyal explains, “It can also be used as an instrument to help one achieve various financial goals like planning for retirement, children’s education and/or marriage or buying a property. An endowment insurance policy precisely does that.” Apart from covering the life of the policyholder, an endowment life insurance policy also helps the policyholder to save regularly over a specific period and create a lump sum corpus payable on maturity.

According to experts, Endowment life insurance policies are ideal for those who find it difficult to save money regularly. It helps in creating a disciplined investment as well as offers protection against adverse events like the death of the family’s breadwinner.

Whole Life Insurance
A whole life insurance policy offers lifetime coverage to the policyholder or 100 years by paying a certain premium for a limited period. Most whole life insurance policies offer a survival benefit at the end of the premium payment term either in lumpsum or yearly as long as the policyholder is alive. Additionally, a maturity benefit is payable on survival after 100 years. Goyal says, “Whole life insurance can also be a valuable tool in estate planning as it can help one to create a virtual estate using life insurance.”

For instance, a 30-year-old person who purchases a Rs 15 lakh sum insured policy by paying a monthly premium of approximately Rs 10,000 can create an estate of Rs 15 lakhs from day one. With every passing year of the policy, a cash value is also created due to the bonus added to the policy.

Bottom Line
Every type of life insurance policy has its own set of pros and cons. “One should wisely choose the type of life insurance policy according to their requirements and budget. If required, do not hesitate to seek help from an expert or insurance advisor,” adds.

(The writer is Priyadarshini Maji.)

TOP

Mothers Day: Why should mothers opt for life insurance? – Financial Express – 7th May 2022

With multiple other things, mothers have also taken the lead in terms of shouldering financial responsibilities in the family. Right from managing the day-to-day finances to keeping the family’s future financially secure- moms manage it all! However, many studies indicate that despite the heightened awareness among women, including mothers, for being financially prudent, many of them are either underinsured or do not have life insurance protection at all.

Given the current market dynamics, Nitin Mehta, Chief Customer Officer, Bharti AXA Life Insurance says, “life insurance is a must-have for mothers to safeguard their loved ones and provide stability for their families. It also eases a lot of the financial pressure on the family and children if something unforeseen befalls.” He further adds, “it is therefore important to draw attention to why mothers should opt for life insurance and highlight why this is an absolute must-have in the financial portfolio of working mothers.”

Who should opt for it?
Though every mother requires life insurance, experts point out single mothers should consider securing themselves with adequate coverage as a life insurance policy is the one safety net which will ensure

protection against life's eventualities. "It enables one to leave a legacy for their children and provide them with financial security required to move forward," points out Mehta.

Need for Critical illness

Further, considering that contemporary medical costs are expensive, a critical illness can quickly deplete individuals of their hard-earned savings. Mehta explains "Many women today suffer from critical illnesses and opting for term plans that come with critical illness cover can help receive a lump-sum payout in case diagnosed with such an illness. This amount can help manage expenses while they receive treatment."

Tax benefits

In addition to financial security, Mehta points out "selecting the right life insurance policy that falls under the exempt EEE status can help one maximize savings and meet financial goals, making it an extremely efficient investing option." EEE stands for triple tax exemptions, which means that the initial investment, accrued or paid-out interest and maturity value are all tax-free.

Conclusion

The key to optimizing the protection of a life insurance plan is to ensure that one opts for the right coverage for one's family. Assessing the policy requirements and considering factors such as income sources, dependent members, debt, and liabilities is important as it helps in opting for adequate coverage for your family. Mehta concludes, "One can choose from a range of life insurance policies and align the right plan with the right stage of their life. This Mother's Day, make smarter and prudent financial choices for yourself and your loved ones."

(The writer is Priyadarshini Maji.)

TOP

GENERAL INSURANCE

Do insurance companies cover electric vehicles catching fire? Here's what experts say – Business Standard – 11th May 2022

Following the incidents of electric vehicles catching fire across the country, the one question that is on everyone's mind is whether damages suffered due to such incidents get covered under an insurance policy. Is the treatment different from other vehicles when it comes to claiming insurance?

A comprehensive motor insurance policy typically covers instances of fire among other mishaps such as theft, own damage, personal accident, and natural disasters such as earthquakes, cyclones, landslides etc. Claims arising out of fire are covered under a comprehensive motor insurance plan which includes the own damage (OD) cover in addition to a third-party liability cover. As of today, there is no separate product or add-on that covers EVs against fire. Therefore, it is advisable that you buy a comprehensive motor insurance product.

"There are different scenarios in which a vehicle can catch fire. Let's say when the vehicle is stationary and it's not being charged and it catches fire on its own. We call it spontaneous combustion. In that case, the motor insurance comprehensive policy covers the claim. Another scenario can be that the vehicle is stationary and batteries are being put for the charge and then it catches fire which is also covered in the motor comprehensive policy. The third scenario could be a vehicle is running and while running it catches fire on its own. That scenario is also covered in the motor comprehensive policy. Now there could be two more scenarios. One scenario could be there is some riot or strike and someone might put your vehicle on fire. In that case, also motor competency policy covers this kind of claim," said Adarsh Agarwal, Chief Distribution Officer, Digit Insurance.

Currently, electric vehicles are being insured just like other vehicles. "Motor insurance typically has two policies – liability only policy and package policy. Liability only policy covers liability toward damage done to third-party whereas package policy provides coverage towards third-party and own damage cover. Package policy covers damage to the vehicle due to listed peril as per the policy wording along with covers available in liability only policy. Therefore, fire risk of the vehicle is being handled within the preview of listed peril and other terms and conditions of the package policy," said T A Ramalingam, Chief Technical Officer, Bajaj Allianz General Insurance.

On what grounds can the insurance company reject the claim?
Experts say generally, the insurance company doesn't reject the claim, unless and until it is outside the purview of the insurance policy.

"If any modifications are made to the vehicle that tamper with the basic construct and may have contributed to the fire, then the claim could get rejected. It is advisable to not opt for modifications by unauthorized dealers as such changes may not get added to the IDV of the vehicle. Additionally, damages caused due to over-heating, oil leakage and other mechanical defects, too, may not be covered. If a claim arises due to the rider or driver's negligence or intentional actions, then the claim will be repudiated. Also, damages that occur outside the Indian geographical limits of the policy are not covered unless this is endorsed for," said Agarwal.

Another scenario could be if due to mechanical breakdown the vehicle catches fire. This is also not covered in the insurance policy. There are a few more situations in which the insurance company will not pay the claim. For example, if your vehicle is registered as a private vehicle whereas the vehicle owner is using it as a commercial vehicle, then the insurance claim will not be paid. Similarly, if the vehicle is not registered or the driver does not have a driving license, the claim will not be paid. "Moreover, if vehicle owner on its own put the vehicle on fire it will be considered as a deliberate act and in that scenario, a motor comprehensive policy will not cover," he added.

Ramalingam added, "If there is any external damage to your motor vehicle, then the damages are covered under your motor insurance policy. However, if there is any intentional damage done to your motor vehicle, then the damages will not be covered as per the policy terms and conditions. Your motor insurance policy will specifically mention the causes of loss that are not covered under the policy and/or mentioned under exclusion of the policy which will lead to rejection of the claim."

(The writer is Teena Jain Kaushal.)

TOP

Life insurance firms settled 2.2 lakh Covid death claims: Regulator data - The Indian Express – 11th May 2022

Life insurance companies settled 2,27,268 Covid death claims, paying Rs 17,362.48 crore since the pandemic hit the country in March 2020, according to data obtained by The Indian Express through a Right to Information (RTI) application. Life Insurance Corporation (LIC), which accounts for around 66 percent market share in premium collection, settled 92,536 Covid death claims for Rs 3,177 crore, while 23 private players put together settled 1,34,732 claims, paying Rs 14,185 crore, the Insurance Regulatory and Development Authority (IRDAI) revealed. Compensation towards Covid death claims were reported under individual, group policies and the PM Jeevan Jyoti Bima Yojana (PMJJBY). Back-of-the-envelope calculations indicate that the average claim per person was Rs 7,63,965. The 2.27 lakh Covid deaths whose insurance claims have been settled would seem to account for 43 percent of India's current official Covid death toll of about 5.24 lakh. In a country where barely 4 percent of the population has life insurance, this would point to a disproportionate number of Covid deaths in the insured group. But the manner in which insurers classify a death as a Covid death may be different from how the government counts a Covid death.

Responding to news reports in February which interpreted claims settled by state-owned LIC as suggestive of under-reporting of Covid-19 related mortalities, the Ministry of Health and Family Welfare said these were speculative. It said, "The Government of India has adopted a globally recognised categorization to classify COVID deaths. In the model so adopted, compilation of the total deaths in India is undertaken by the Centre based on the independent reporting by the States." The IRDAI's data received from life insurers on Covid death claims are also based on self-declaration of claimants. Life insurance claim forms usually ask the claimants about the cause of death, or the last illness, of the insured person. The only mandatory document required for settling life insurance claims is the death certificate, which, incidentally, does not mention the cause of death. As such, the data on Covid deaths from the insurance companies cannot be directly compared with the official Covid death count. When contacted, IRDAI Chairman Debasish Panda said, "The figures mentioned relate to Covid death claims. These are actual cumulative figures. Whether it's because of some illness due to Covid, I don't know." A top insurance source said, "If a Covid patient dies of heart attack or some other complications arising from Covid, that's treated as a Covid death. Claim will have to be paid once the insured person dies of heart attack and is Covid positive. It's immaterial for the insurance company as the claim will have to be paid anyway after death."

Under India's regulatory laws, life insurance policies cover death due to Covid. Some plans also include hospitalisation and diagnosis costs. Since 2020, IRDAI has been collecting data from insurers on claims made due to Covid deaths. "If a person who is undergoing Covid treatment in the hospital dies of a heart attack, that's treated as Covid death. We settle the claims within four or five days. We submit data on Covid death claims to IRDAI regularly," said Lalitha Bhatia, Chief Operating Officer, Ageas Federal Life Insurance. LIC's Covid death settlement numbers were followed by ICICI Prudential's, which paid Rs 2,526 crore for 16,818 claims. SBI Life paid Rs 2,333 crore for 33,864 claims, HDFC Life Rs 1,730 crore for 18,513 claims and Max Life Rs 1,462 crore for 12,092 claims. According to the IRDAI data, total death claims shot up from Rs 29,793 crore in 2019-20 to Rs 41,958 crore in 2020-21. Of this, LIC accounted for Rs 23,878 crore and private players Rs 18,079 crore. In the case of individual life insurance, during 2020-21, of the total 11.01 lakh claims, life insurers settled 10.84 lakh claims, with a total benefit amount of Rs 26,422 crore. Insurers repudiated 9,527 claims worth Rs 865 crore and rejected 3,032 claims worth Rs 60 crore.

The IRDAI figures also show that insurers have not settled 1,929 claims worth Rs 516.49 crore — these could either be rejected or pending claims. Life insurers mobilised Rs 3,14,262 crore as new business premium income, witnessing a rise of 12.93 percent on a year-on-year basis during the year ended March 2022. LIC alone accounted for Rs 1,98,759 crore in new business premium income. IRDAI says insurance penetration in India increased from 3.76 percent in 2019-20 to 4.20 percent in 2020-21, registering a growth of 11.70 percent. Globally, insurance penetration for the life segment in 2020 stood at 3.30 percent for the life segment and 4.10 percent for the non-life segment, according to the Swiss Re Sigma report. During the first decade of the liberalisation of the insurance sector, insurance penetration went up from 2.71 percent in 2001-02 to 5.20 percent in 2009-10. The numbers then fell until 2014-15 due to a decline in life insurance penetration. However, insurance penetration started increasing from 2015-16 and reached 4.20 percent in 2020-21. While the penetration of life insurance has gone up from 2.15 percent in 2001-02 to 3.20 percent in 2020-21, non-life insurance penetration has gone up from 0.56 percent to 1 percent during the same period, says the IRDAI Annual Report.

(The writer is George Mathew.)

TOP

How technology helps to boost the underpenetrated life insurance market in India? – The Economic Times – 11th May 2022

Insurers have embraced disruptive changes across customer experience, distribution experience, and product and value-added innovations. Convenience and remote access are important benefits for millennials and younger customers. Insurance companies are using technology to personalise both the product offering and customer servicing. Insurers are offering products based on demographics, individual behaviour and preferences, customer needs at various life stages, and real-time interaction.

The rapid adoption of digital in financial services and the changing customer behavior have led to key shifts in terms of the emergence of ecosystems and technology-driven innovations across the value chain. It is a fact that climate change and the pandemic impact, have led to a higher awareness of and a soaring demand for the right insurance products. Segments such as protection, health, liability, and crop are underpenetrated. Insurance penetration is a function of access and ease of use.

Through the power of automation, digital smartphone applications and advanced analytics, AI, and other tools, we will see insurance companies enjoy greater productivity and customer satisfaction with even a lower workforce. These types of leaner organizations with wider coverage are going to gain prominence soon. Insurtechs helping insurers appeal to younger customers by meeting the digital needs of a digital-native generation by offering cutting-edge services.

Insurers have embraced disruptive changes across customer experience, distribution experience, and product and value-added innovations. Convenience and remote access are important benefits for millennials and younger customers. Insurance companies are using technology to personalise both the product offering and customer servicing. Insurers are offering products based on demographics, individual behaviour and preferences, customer needs at various life stages, and real-time interaction. Integrating with ecosystems such as Aadhar, CKYC, IIB, credit bureaus, and Account aggregator platforms for assessing the financial profile of a customer helped to faster onboarding of customers. The role of AI and Machine Learning is crucial, and it would dramatically transform and enhance customer experience. These technologies allow insurers to engage with customers effectively and understand their needs better. All of that can be mapped to a solution-centric response without manual intervention.

Insurance companies need to develop extensive engagement in ensuring value-added services and reward them for better behavior (health and wellness). It could perhaps start a new connection between insurers and customers. It is in the interest of insurers to ensure policyholders and potential customers lead a healthy lifestyle. Insurtech led technological advancements such as artificial intelligence, robotics, the internet of things and dataanalytics, etc. enabling innovation across the insurance value chain. These tech-led companies gave an opportunity for the insurance firms to align with the changing needs of modern customers by collaborating. Insurer's partnership with Insurtech is not limiting itself to technology but is re-engineering the processes that have kept insurance penetration rates low and are ensuring that the products distributed are made to be future-forward.

Distribution channels like POS and CSCs having digital orientation can fast track the insurance penetration in the rural areas for low-cost products. Licensed Village-level Entrepreneurs can solicit and will be able to promote insurance awareness and financial inclusion, enabling the community to participate in buying insurance plans for financial protection, and leading to a collective social change. New Ecosystem partnership with new-age fintech and insure tech will help expand the insurance services to reach underserved & unserved segments in the rural market. Of course, we need innovative products with special universal coverage for low-income groups, an understanding of the rural market, and the zeal to transform the space apart from new-age technology capability. The future looks promising for the life insurance industry with several changes in the regulatory framework which will lead to further change in the way the industry conducts its business and engages with its customers. Insurers should build up scalable and flexible API-based IT architectures that support the quick integration of offerings into seamless customer journeys. Moreover, data management and analytics capabilities to take advantage of new touchpoints and data.

Transformation in the insurance industry through the National Digital Health Mission and Digital Information Security in Healthcare Act and the National Health Stack will create an integrated digital health infrastructure. The regulator is playing a very important role in supporting innovation by introducing sandbox as a crucial milestone. Offering innovative products that cater to the needs of the customer, ensuring adequate life cover to suitably protect one's family in case of any unfortunate circumstances, and fostering a digital-first approach to enhance customer experience and satisfaction are some of the steps that we can take to further drive insurance penetration in India. Distributed ledger technology has immense potential in the future for insurance and can bring about greater scalability, security, fraud mitigation, and efficiency across industries once implemented.

(The writer is Byju Joseph.)

TOP

As EVs catch fire, insurance firms face pricing risk – The Economic Times – 11th May 2022

The woes of the electric vehicle owners who have been suffering after their vehicles caught fire may not be over as they may not get insurance claims for it. While a third-party insurance policy does not cover fire damages, the comprehensive policies do cover fire claims but that is not guaranteed. A comprehensive motor insurance plan includes own damage (OD) cover along with the third-party liability cover. The cover in comprehensive policies depends on the cause of the fire. It does not cover the damage if the fire is caused by the breakdown of any EV part. While the fires are being blamed on hot weather to other things, experts say thermal runway which leads to heating up of the battery may be the reason. In that case, the claim will be rejected as also when modifications are made to the vehicle which may have contributed to the fire. Also, there have been instances of detachable batteries of EVs exploding while being charged and so won't be covered as well.

The bigger issue

There are more fundamental problems staring at the insurance companies as EVs become ubiquitous on the roads. These problems exist across the automobile ecosystem, from insurance to financing. In insurance, this includes something as basic as finding a way to price EV risk into mathematical models. This stems primarily from the non-availability of data, as no one has any previous experience in EVs and in determining the risks it entails. Insurance is all about averaging out risks and the premium is fixed on the basis of mathematical models and years of data. At a relatively lower scale, this isn't as much of a problem, but as the shift to EVs hastens, pricing issues will become more prominent.

The pricing conundrum

As of now, both own damage and third party insurance covers are calculated on the basis of years of data from the automobile. There is no specialised insurance for EVs, so vehicle owners have to buy the same insurance as for other petrol or diesel cars. This is soon set to change. With the demand for upcoming electric cars in India on the rise, auto-insurance providers want to develop bespoke insurance options that primarily cater to these variants.

Such products will have to account for EV specific problems. With fewer moving parts, the cost structure for the maintenance and repair of EVs would be different, something that will massively impact OD premia. There is a high likelihood that even geographical location and the vagaries of climate in that location will affect things like the battery performance, all of which will have to be accounted for in the maths. Till the time they get further clarity on all aspects of EV pricing and insurance guidelines, insurance companies will continue insuring such vehicles with reference to the rates provision under GR 46 of Indian Motor Tariff rating of vehicles driven by non-conventional source of power. Traditionally, both premia have been calculated on the basis of the cubic capacity (cc) of the vehicle. But in the case of EVs, that unit is irrelevant. In EVs, the ICE is replaced by the motor, with the power output measured in kilowatt (kW).

The power-output measure for ICE engines would be horsepower (hp). Horsepower and kilowatt are directly related and can be converted from one to the other (1hp equals 0.746kW). This obviously leads to a problem. In one case what is measured is volume and in the other, what underpins the calculations is power output. It is impossible to find a similar equivalency between cc and kW. This is because hp, which is the equivalent of kW, is a unit of power and cc is a measure of volume. Power output or hp could differ between engines of similar volume. Thus, while EV premium calculations are currently being benchmarked against historical ICE data, that is clearly a fundamentally flawed formula.

TOP

Insurance cover: Why you need to buy home insurance – Financial Express – 11th May 2022

A house is one of the biggest investments of a lifetime. It takes much effort, both financially and emotionally, to be able to purchase one's own house. But some risks can destroy our abode.

Where there are risks, there is insurance. For risks to our homes, there is home insurance. Most people buy this cover along with their home loans. It ensures to a degree that their finances are unharmed from various housing risks such as fire, calamities, or theft. But many still don't know how home insurance functions.

What is home insurance?
Home insurance is taken to safeguard against the financial losses caused due to damage to or loss of your property. There are two variants of home insurance: one that covers the loss of the property's contents, and the second that covers losses caused by damage to the property's structure. Content insurance covers electronic goods, furniture, jewellery, and other valuable items. Structure insurance includes covers for damage to property due to natural calamities.

Is home insurance mandatory?
It is essential to purchase home insurance to safeguard your investment. However, it is not mandatory to buy home insurance as neither law nor regulatory authorities like RBI or IRDAI have made it mandatory. Many people have this misconception that it's mandatory to buy home insurance when taking a home loan. The fact is that there is no such compulsion. It is your decision which you can make after deliberating upon the pros and cons.

Types of home insurance
Decide on the type of home insurance cover based on where your home is located and the type of property. For example, if you live in a region prone to natural calamity, consider buying structural home insurance. If you live in a standalone property that is not prone to natural calamity, you may prefer buying only the content insurance.

Adhil Shetty, CEO, BankBazaar, explains, "While choosing a home insurance policy, check the exclusions and the extent of coverage it allows. Compare the various policies available in the market based on factors such as premium size, variety of add-on cover, and suitability."

Quantum of home insurance cover
When deciding the cover size of the home insurance, first assess the value of your property. You may contact an expert to estimate the value of your property. If you are planning to purchase content insurance, make a list of all the valuable goods which, if lost, may cause you financial damage. Assess their values. You must read the terms and conditions of the insurance policy to know for which items claims are not available.

You can get your home insured for either cash value or the replacement cost. In actual cash value option, you get the claim on the replacement value of the property after depreciation, whereas, if you go for replacement cost, on a claim, you'll be entitled to receive the replacement value of the item.

Review home insurance every year
Review your home insurance requirement every year so that your home doesn't remain underinsured with an enhancement in the value of your home. "Over a period of time, your requirement for the type and size of home insurance may change with a change in your income and the value of your home content," points out Shetty.

Avoid giving false information
Do not conceal any material information from the insurance company. For example, while giving the details of the building, you should furnish the exact size, height, map, location, and floor plan of the building. If you provide details related to contents, you should furnish the exact number, weight/ size, etc., and keep the bills ready as proof. You can also buy different add-ons as per requirement and home insurance value.

Protect your home
- One variant of home insurance covers loss of the property's contents
- The second variant covers losses due to damage to the property's structure
- It is not mandatory to buy home insurance when taking a home loan
- You can get your home insured for either cash value or the replacement cost

(The writer is Sanjeev Sinha.)

TOP

Experts call for climate risk insurance in fisheries sector – Devdiscourse – 10th May 2022

At a time when the lives and property of thousands of fisher families are jeopardised by sea level rise and climate-induced weather uncertainties, fisheries experts have suggested climate risk insurance which, according to them, could be an option for dealing with the risks following natural calamities. Viewing that penetration of insurance is still low in the fisheries sector, especially in the capture fisheries, they highlighted that parametric insurance could be a viable option to move forward in mitigating climate risks. ''Parametric insurance programmes can be developed based on weather and ocean observation models even with limited data,'' they said.

The experts were speaking at an international symposium on 'Insulating Marine Fisheries Sector in South Asia from Uncertainties: Global Experiences with Insurance' jointly organised by the Bay of Bengal Programme Inter-governmental Organisation (BOBP), the Central Marine Fisheries Research Institute (CMFRI), and Tamil Nadu Dr J Jayalalithaa Fisheries University in collaboration with the World Bank, as a side event during the 12th Indian Fisheries and Aquaculture Forum held in Chennai, an official release said here on Tuesday.

The symposium called for subsidising the insurance premium initially to popularise them, even though in the long run, it is desirable that such products be made affordable to small-scale fishers and farmers. It also recommended that micro insurance can also be a potential solution as effective linkages between insurance companies and fishers are yet to be developed. Experts further said that technology solutions including risk modelling and forecasting as well as legislative support would also be required to create the necessary incentives for buyers and sellers to consider the appropriate insurance products.

Apart from marine scientists and socio-economic experts from research institutes, representatives from the World Bank, FAO, Asia-Pacific Rural and Agricultural Credit Association (APRACA), Nalanda University and ICICI-Lombard participated in the discussion. During the discussion, speakers pointed out that out of 4.56 million vessels globally, only 0.45 million vessels are insured citing the studies by the FAO during 2006 to 2022.

Inaugurating the symposium, Dr C Suvarna, Chief Executive of the National Fisheries Development Board (NFDB) said that the fisheries sector is at the crossroads of possibilities and vulnerabilities and climate risks mitigation should be factored in while developing strategies. Dr K S Palanisamy, IAS, Commissioner of Fisheries, Tamil Nadu, Dr J K Jena, Deputy Director General (Fisheries) of Indian Council of Agricultural Research (ICAR) and Dr A Gopalakrishnan, Director of the CMFRI spoke during the occasion. Besides, country representatives from Sri Lanka, Maldives, India, Bangladesh and Thailand presented their experiences and future plans for mitigating the risks of marine fishers.

TOP

Now bite-sized combo offer on insurance, too – Financial Express – 9th May 2022

In order to increase insurance penetration and expand the protection quotient, a panel appointed by the insurance regulator has suggested around 14 'micro combi' insurance products. The products would be a combination of covers offered on a modular basis including life, non-life and health products. One can select a combination of any products, but compulsorily include a life, a non-life and a health product.

The panel has suggested that insurers will have to offer the product either as a group or an individual product and the premium components of all risks will be separately mentioned at both pre-sale and post-sale stage. The health insurance and personal insurance coverage can be extended to the family of the policyholder, who is the proposer. On expiry of the policy, the policyholder can migrate to an independent life, general or health insurance policy, if he decides not to renew the combi product.

The underwriting of respective sections will be done by respective insurance companies. The General Insurance Council and the Life Insurance Council can enter into an agreement for uniform risk coverage premium rates, exclusions, etc.

Standard products
The panel underlined that the standard products which are there in the market will provide ideal coverage, albeit with a restricted sum insured, and a mix and match of these products will provide the required flexibility. Some of the standard products suggested are: Saral Jeevan Bima for sum assured of Rs 5 lakh; Saral Jeevan Pension in which minimum annuity would be Rs 1,000 per month and the maximum Rs 5,000 per month; Bharat Griha Raksha Policy for sum insured of up to Rs 5 lakh and Bharat Sookshma Udyam Suraksha for sum insured up to Rs 10 lakh across all insurable asset classes at any one location and Arogya Sanjeevani health insurance for maximum sum insured of Rs 5 lakh.

Other products
The other products suggested by the panel include alternate accommodation/ increased cost of working for small businesses for Rs 750 per day for maximum of 30 days; personal accident death, permanent total disability for Rs 3 lakh; critical illness cash benefit for sum insured of Rs 1 lakh. For critical illness policy, the insured person will be examined by a panel of doctors of the insurer and lumpsum payment will be done in case of a claim. The waiting period for this cover will be 90 days from the inception of the policy.

The panel has suggested combi micro insurance products for livestock, crop insurance, poultry, aquaculture and loss of earnings cover. For a maximum sum insured of Rs 2 lakh, a salaried/ self-employed policyholder aged 18-70 years will be covered for loss of income due to unforeseen incidents such as pandemic, accidents, etc.

(The writer is Saikat Neogi.)

TOP

Why insurance claims on EVs catching fire may get rejected – Live Mint – 9th May 2022

With numerous news reports of electric scooters catching fire in the country coming to the fore, the question to ask is whether damages arising out of such incidents are covered under motor insurance or not. A third-party insurance policy does not cover fire damages. "India has two types of insurance policies: comprehensive and third-party. While the former offers fire cover, the latter does not," said Indraneel Chatterjee, co-founder, RenewBuy. Adarsh Agarwal, chief distribution officer, Digit Insurance, concurred and added "Claims arising out of fire are covered under a comprehensive motor insurance plan which includes the own damage (OD) cover in addition to a third-party liability cover."

However, just buying a comprehensive policy doesn't guarantee cover as the payout largely depends on the cause of the fire. The claim will be rejected if the fire is caused by a breakdown of any components of the EV. "The user will face claim rejection if the vehicle catches fire due to mechanical defects like fuel seepage, oil leakage, overheating of the engine, etc. Similarly, insurers won't entertain claims if there are sparks from the vehicle's battery or tear in the electric wiring system," said Chatterjee. While the cause of recent EV fires has not been ascertained officially, many experts have claimed that thermal runaway, which results in battery heating up, could be the reason. If that's true, then your claim could get rejected.

Apart from mechanical defects, if any modifications are made to the vehicle that tampers with its basic construct and may have contributed to the fire, then the claim could get rejected, said Agarwal. "It is advisable to not opt for modifications by unauthorized dealers as such changes may not get added to the Insured's Declared Value (IDV) of the vehicle." There have been a few instances of detachable batteries of EVs exploding while being charged and so won't be covered under a standard policy, as per experts. "Technically, the insurance policy covers those components that are fitted in its correct place on the insured vehicle. So, if the batteries are not fitted in the vehicle, it may not be covered," R.K.T. Krishnan, head - motor claims, Royal Sundaram General Insurance.

The claim you get will depend on the extent of damage to the vehicle. "If the vehicle is repairable, the insurance company will pay for the replacement of damaged parts under an admissible claim, subject to deductions as per the policy terms and conditions. If the vehicle is burnt beyond repairs, the policyholder will receive the IDV under an admissible claim subject to deductions as per the policy terms and conditions," said Krishnan. "It is advised to not go for a lower IDV simply because the premiums could be lower because this would impact the claims payout," said Agarwal. Further, the part that has caused the damage is not covered. "While the proximate cause is not covered, consequential losses can be covered. For instance, if the wiring was bad and it caused a short circuit due to which vehicle got burnt, the wiring will not be covered," said Chatterjee.

(The writer is Shipra Singh.)

TOP

Benefits of renewing insurance policies on time – Financial Express – 6th May 2022

General insurance contracts are typically annual and should be renewed before the expiry of the policy. Individuals typically buy insurance covers like health insurance, personal accident cover, vehicle insurance, and maybe householder's package insurance, etc.

Life insurance policies, on the other hand, are long-term contracts and have instalments that need to be paid on time.

Supriya Rathi, Wholetime Director, Anand Rathi Insurance Brokers, says, "An insurance policy covers fortuity, and one really can't predict when one would require the insurance to perform or make good on its promise to pay."

She adds, “An aggressive dash against one’s vehicle, a nasty fall, a sudden heart attack, a sneaky theft incident, or a freaky electrical short circuit causing a fire – any of such events can cause a loss – physical and/or financial.” Therefore, it is not only important that one decides to buy insurance, but it is also equally essential that one keeps renewing the same on time without breaks. For certain insurances like Mediclaim and Motor, there are specific coverages and benefits which are lost if the policy is not renewed on time.

Risk Coverage:
The most significant reason for timely renewal is the Coverage of risk. There are umpteen examples of individuals, who have missed the renewal and find that they have a claim situation at hand, which despite having held insurance till recently, is now lying uninsured as on the date of the incident as they forgot to renew.

“Not only is the importance of Date, but even Time. E.g., if you miss your vehicle insurance, you may have to go through a process of inspection of the vehicle, and from the time of the inspection of the vehicle, cover may be granted when the money is received,” says Rathi. Note that, if an accident in between inspection and money is being sent, the insurance company is not at risk.

Continuity of Coverage:
Continuity in health insurance is critical for individuals as most of the retail policies carry waiting periods ranging from one year to four years for specific diseases as well as for pre-existing diseases. Rathi explains, “A break in insurance can certainly create problems here despite the grace period and the insured would have to go through the waiting periods all over again.” Moreover, for senior citizens, if the policy is not renewed, chances of getting the same insurance plan after a break are remote, as most of the plans have an entry age barrier.

Legal Requirement:
In the case of Vehicle insurance, it is mandatory for the owner to at the least secure the Third-party Legal Liability insurance. Motor insurance carries the mandatory Third Party Legal Liability cover. Plying a vehicle (irrespective of type) without this mandatory insurance attracts a fine of Rs 2,000 and/or imprisonment of up to 3 months for even the first-time offenders. Thus, an uninsured vehicle can burn a serious hole in an individual’s pocket.

No-Claim/Cumulative Bonus Benefit:
Similarly, some insurers offer a ‘cumulative bonus’ in their policies which substantially increases the sum insured ranging from 5 per cent to 50 per cent on renewal. Break-in insurance would lead to a loss of this benefit. Some insurance companies offer this Bonus is given as a direct reduction in the Renewal Premium too. The insured may lose the Benefit of the Bonus if the renewal is not done timely.

Comprehensive Motor Policies also offers a ‘No-claims Bonus,’ (NCB), which entitles an insured to a hefty discount in premium at the time of renewal. Moreover, Rathi says, “as this No Claims Bonus, follows the fortune of the Insured, and is deemed as a reward for a good track record, it can be availed by an insured person for a new vehicle (which carries a high IEV); and avail substantial savings in OD premium. Insurance breaks can lead to loss of NCB.”

Avoid Administrative Costs:
Needless to mention for other policies also the fact of lapsed policies or renewals with breaks can lead to procedural and administrative hurdles. Apart from this, sometimes there is an additional cost as well; as typically, vehicles which have a break in insurance, are subject to an inspection before renewal. This Inspection Rathi adds, “is an additional cost over and above the premium which many a time the insured has to bear to restart their motor insurance. In some cases of medical insurance policy, the insured may have to go for some medical test and that involves both time, effort and cost.”

“Thus, one can realize that a break in insurance increases the pain points for the insured in multiple ways. And this is avoidable. It is more about the mindset and the importance one attaches to insurance,” says Rathi. Just take a little extra care and the insurance policy continues to deliver on its promise of peace of mind for its holder. It is suggested that no sooner you receive a renewal notice from the Insurance Company, arrange to pay the advance premium (after ensuring to make any necessary changes in the policy required) and stay secure.

(The writer is Priyadarshini Maji.)

TOP

Govt keen on privatizing general insurer this year – Live Mint – 7th May 2022

Success with the initial public offering (IPO) of Life Insurance Corp. of India (LIC) may prompt the government to privatize one of its general insurance companies this year, two people aware of the matter said. After the listing of LIC, the government will start work to identify one of its three general insurers—National Insurance Co., United India Insurance Co. and Oriental India Insurance—for privatization and begin the work on it after their first-quarter earnings are in, the people cited above said on condition of anonymity.

Federal think tank NITI Aayog is said to have recommended United India Insurance for privatization to a core group of secretaries on disinvestment, the people said, though the name is yet to be finalized. A group of ministers (GoM) will take the final call on the candidate for privatization. United India Insurance is not in the best of financial health, reporting a loss of ₹1,485 crore in 2019-20; still, the insurer is considered the best candidate for privatization, given its nationwide presence and strong market share in various insurance categories. Its losses dropped to ₹985 crore in FY21, and is estimated to have further narrowed in FY22.

With the government infusing ₹5,000 crore capital in FY23 in the three general insurers (₹3,700 crore in National Insurance, ₹1,200 crore in Oriental Insurance and ₹100 crore in United India), the insurers' financials and valuations are expected to improve further. All four public sector general insurers, including the listed New India Assurance, are in the process of appointing external consultants to prepare road maps to restructure the business and improve performance.

Questions emailed to the department of financial services, the administrative department for public sector insurers, as well as the finance ministry remained unanswered till press time. The Centre had earlier considered merging National Insurance, United India Insurance and Oriental India Insurance into a single entity and subsequently listing it on exchanges. However, in mid-2020, the government infused ₹12,450 crore in them, betting on their profitable growth as independent entities.

The people cited above said that four to five private insurers have shown interest in the insurance privatization process, and some of them have also met with officials of the department of financial services over the past few months, giving confidence to the government to launch the privatization of a public sector insurer ahead of a public sector bank.

Privatizing insurance companies will also be easier, as Parliament has already amended the General Insurance Business Nationalisation Act, allowing the government to dilute its stake in a general insurer below 51%. This is unlike the privatization of public sector banks, where an amendment to the Banking Regulation Act is yet to be introduced in Parliament. India's general insurance market has 27 companies, including the four major PSU entities, 23 private players and six stand-alone health insurers.

The insurance density in India (ratio of premium to total population) is $73 compared with the average world insurance density of $650. Insurance penetration in India is at 3.69%, compared with the world average of 6.13%. The penetration in the general insurance sector is still less than 1%.

(The writer is Subhash Narayan.)

TOP

HEALTH INSURANCE

3 important things to consider while buying a health insurance policy – Financial Express – 12th May 2022

Health insurance today is no more an option, it has been included as a mandatory part of financial inclusion by experts.

Indraneel Chatterjee, Co-Founder, RenewBuy says, "Consumers usually overlook the need for health insurance, thinking that no critical health situation can affect them. In most cases, people feel the need for insurance when an unforeseen circumstance has already happened and they pay out of their pocket, burning their savings."

Covid 19 has been a testimony to the fact, that a health crisis can cripple not just the individual financial pyramid, but the economy of a nation. In order to protect the wealth created, a health insurance policy is a necessity for every individual. Chatterjee says, "For people who have never purchased a health insurance policy, it is never too late to start. What is most important is, that people should be aware of their particular needs and requirements, as per their medical history, family needs, stage of life and family income."

As a beginner, keep a note of these parameters before buying health insurance;
Claim settlements: One of the most important aspects of insurance is claim settlement. No insurance policy can serve its purpose, until and unless it provides proper claim settlement to consumers, followed by a smooth process. "The industry today is working collaboratively in the settlement of claims, wherein, traditional-digital models are coming together for faster and seamless settlements," says Chatterjee.

Experts say policyholders should also be aware of a few tips and tricks so that they can make claim settlements hassle-free for themselves. Note that, providing correct information, understanding all the policy terms and conditions and using digital insurance are some key consumer parameters for faster claim settlements.

Waiting Period: There are policies, which cover the pre-existing diseases after a waiting period of one or two years, but some companies cover them only after four years. There are also specific waiting periods for specified diseases, hence, Chatterjee explains, "one should opt for a policy which provides least waiting period but gives a comprehensive health coverage."

Policy terms and conditions:
Understanding policy terms and condition is significant for purchasing the right kind of policy. Experts say many consumers choose to read the terms and conditions superficially and make the biggest mistake in the process. It is during claim settlements that they get to know that they have missed out on some valid points.

Chatterjee says, "It is also crucial to choose the right amount of sum insured, which should be followed by the age bracket and lifestyle." Including family members in the policy; critical illnesses and new-age services like telemedicine, homecare, domiciliary and daycare also form important parameters in today's date.

He further adds, "It might be difficult for consumers to understand all the aforesaid parameters by themselves; hence, it is always advised to take the route of digitally-enabled insurance advisors, from the new age InsurTech aggregators, who can provide unbiased guidance to consumers to choose the best policy."

(The writer is Priyadarshini Maji.)

TOP

Why do you need a super top-up health insurance plan? Compare premiums now! – Financial Express – 12th May 2022

A health emergency can create a financial crisis for anyone. Health insurance is a very important tool to cover your medical expenses when you need it. However, the ongoing Covid-19 pandemic has made us realise that a comprehensive health insurance policy is very important as it should cover the maximum cost to minimise your medical bill. These days you need health insurance that offers a higher sum insured amount than a regular health insurance policy. If you feel that your health insurance cover is insufficient to meet your current requirements, you can choose a super top-up health plan to increase your health coverage. It helps you cover your additional medical expenses if you exhaust all your existing insurance coverage. After the deductible is paid, the super top-up policy becomes active for subsequent claims. Unlike a regular top-up plan, it covers cumulative expenses that cover single claims over and above the deductibles.

Often getting additional insurance benefits through an existing health insurance policy becomes expensive, and that is where the super top-up policy comes to your help. It offers you coverage over and above your deductible limit. It helps cover additional medical expenses when your hospitalisation claim bill exceeds your existing policy coverage limit. You will have to pay the deductible amount from your existing health plan, and the additional cost can be paid with the help of the super top-up plan as per the policy amount, according to Bankbazaar. For example, you have health insurance of up to Rs 5 lakh. You have bought a super top-up insurance plan of Rs 3 lakh. The total sum insured amount is Rs 8 lakh with a threshold/ deductible limit of Rs 5 lakh. Suppose your medical bill is Rs 8 lakh. You will pay Rs 5 lakh from your base policy and Rs 3 lakh from the super top-up plan. One of the attractive features of the super top-up plan is that it allows multiple claims, and the policy gets lapsed only when the entire amount is exhausted.

It is good to compare different super top-up plans and see which suits your requirements the best. Also, make sure the policy amount is sufficient to cover your and your family's medical expenses; otherwise, having a super top-up plan will make no difference if it fails to cater to your medical bills during an emergency. A super top-up plan ensures maximum coverage of medical costs at a minimum premium. Some super top-up health insurance policies and premiums are given below:

What Does A Rs 5 Lakh Super Top Up Policy Cost?

Policy Name	Annual Premium
Future Generali - Advantage Top Up- Supreme Plan	INR 716
Liberty General - Health Connect Supra	INR 758
HDFC ERGO - My Health Medisure- Super Top Up	INR 909
Manipal Cigna - Super Top Up Plus	INR 944
United India Super Top Up Mediclaim	INR 1,122
Tata-AIG - MediCare Plus	INR 1,389
Star Health - Super Surplus	INR 1,445
Cholamandalam MS - Flexi Super Top Up- Gold	INR 1,630
Universal Sompo- Super Healthcare	INR 1,703
ICICI Lombard - Health Booster- Essential	INR 1,796
New India - Top Up	INR 2,124
Care Health Insurance- Enhance	INR 2,663
Data Compiled By: Bankbazaar.com	

Note: Data pertains to individual Super Top Up Health insurance cover of Rs 5 lakh with Rs 5 Lakh deductible for 30-year-old individual, residing in Bangalore, and is correct as of May 10, 2022. Data is indicative. Actual premium and information may vary from the data mentioned in the table.

(The writer is Sanjeev Sinha.)

TOP

Covid leads to 25 per cent jump in health insurance premiums - The Indian Express – 12th May 2022

India's health insurance premiums grew by 25 per cent as families sought protection against Covid, according to a study by the Finance Ministry founded National Insurance Academy. 'Health Insurance in 2042: Challenges and Opportunities', prepared by the Pune-based institute, said that Rs 58,572 crore was collected in 2020-21 as health insurance premiums; while the amount jumped to Rs 73,330 crore in 2021-22.

The substantial hike was attributed to the Delta variant propelling the second wave leading to a spike in hospitalisations and deaths. The report said while the health insurance market in India has been growing steadily at a compound annual rate of 24%, it registered a 34% jump in the pandemic. The report said the bottom 50 per cent of the population is covered under the Centre's Ayushman Bharat Scheme while 20 per cent benefit from other voluntary schemes. But the 30 per cent "missing middle" was a cause of concern.

TOP

Covid fear drove up health insurance market 34% in FY22 - Fortune India – 11th May 2022

The health insurance market in India grew at 34%, collecting a total premium of Rs 73,300 crore during 2021-22, says a knowledge paper prepared by National Insurance Academy, Pune, and Insurance Foundation of India, New Delhi. The growth has been steadily around a CAGR of 24% every year, particularly during the pandemic time, the paper said.

The paper on "Health Insurance in 2042, challenges and opportunities" attributed the continued increase in the health insurance business to improved awareness due to the pandemic, which made almost every individual in the country health-conscious. "A large number of customers have also realised the importance of adequate health protection for their families with wider coverage of diseases including pre-existing, critical illnesses and also pandemic specific covers, etc.

Another major reason for the growth is the increased coverage of people under government-sponsored health insurance schemes. Particularly, Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY), which, introduced in 2018, has become one of the largest government-subsidised health insurance schemes in the world, covering nearly 50 crore individuals (40% of the population) in the country", the paper points out. It also states that nearly 20% of the population is covered by the social insurance scheme, including various state insurance schemes, Employee State Insurance Scheme (ESIS), and other private insurance schemes. "The Employee State Insurance Scheme covers nearly 13.6 crore employees, followed by various state insurance schemes, which cover nearly 12.4 crore individuals mostly economically weaker section (BPL & unorganised sector) of the population.

Further, some government departments have separate schemes for their employees. These are generally not insurance schemes. They directly provide healthcare services through self-owned and operated dispensaries and hospitals. The third type of health insurance coverage is private health insurance, which covers nearly 11.5 crore individuals and employees from the organised sector. All these schemes have taken the total coverage of health insurance to nearly 70% of the population, protecting the health care needs of 70 crore individuals in the country", the paper explains. However, 30% of the population does not have any kind of health insurance protection. The paper cited lack of awareness, affordability and easy access as well as non-availability of customised products. Exclusion of pre-existing diseases, no OPD cover, expensive premium rates, lack of trust, etc, have also been highlighted.

(The writer is Joe Mathew.)

TOP

Gig workers may get Ayushman Bharat cover – Live Mint – 9th May 2022

The National Health Authority (NHA) plans to extend health insurance cover under the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (ABPM-JAY) to gig workers earning between ₹15,000 and ₹25,000 per month and other such groups, a top government official said. At a recent meeting, the board members of NHA stressed the need to extend the health insurance cover to gig economy workers who have unstable incomes and often face financial ruin because of high out-of-pocket hospitalization costs. NHA has sought quotations from some insurance companies to take the initiative forward, the official said, requesting anonymity. ABPM-JAY, launched in September 2018, covers around 500 million poor beneficiaries (107.4 million families) based on the Socio-Economic Caste Census (SECC 2011) database. However, states implementing the scheme have expanded the beneficiary base to an additional 140 million families, covering around 700 million people. That leaves around 400 million Indians, or the so-called missing middle, without any form of financial protection for their health needs. NITI Aayog defines the segment as the missing middle because they are not poor enough to be covered by government-subsidized insurance schemes and not wealthy enough to buy private insurance cover.

“NHA has been given the mandate to expand coverage under ABPM-JAY to sections of society, including the non-poor segment, which is commonly referred to as the missing middle on the basis of self-payment or payment by some organizations. For example, these groups can be street vendors identified under PM Svanidhi Yojana, smaller sugarcane farmers and their workers who are associated with sugarcane cooperatives, workers of All India Truck Drivers Association, etc.," the official said. Nearly 70 percent of India’s population is now estimated to be protected by some health insurance schemes, including those run by state governments, social insurance schemes and private insurance plans, a NITI Aayog report said. This includes around 20 percent of the population, or 250 million people, who are covered through social health insurance, and private voluntary health insurance, the report said. “To protect the ‘near-poor’ and the middle class from impoverishing health expenditure, existing government health insurance programmes must be expanded. If needed, all sections which are currently not included may be provided with an opportunity to become beneficiaries of government schemes through income graded premiums," said Dr K. Srinath Reddy, president, Public Health Foundation of India (PHFI).

Many organizations have associates and partners besides their regular employees. For instance, fast-moving consumer goods (FMCG) companies in India have approximately 150,000 salesmen and distributors who belong to the missing middle segment and can be given health cover in collaboration with the NHA. Some of these organizations have requested NHA to include their associates under the health cover of ABPM-JAY coverage. However, NHA is facing a technical challenge of adverse selection in ABPM-JAY. Adverse selection in health insurance is the imbalance caused by the enrolment of more high-risk, sick policyholders than healthy policyholders. The imbalance happens as sick people, who require more insurance, purchase more policies than healthy individuals, who need less coverage and may not buy a policy at all. It is important to note that National Health Policy (2017) has highlighted the need for universal health coverage. Including the missing middle under Ayushman Bharat PM-JAY will be the last link to achieving universal health coverage. “This must become a social movement as it will help to reduce the chances of adverse selection. This will strengthen the shoulders of the government to achieve the Sustainable Development Goal of Universal Health Coverage," the official said, adding that NHA is creating an enabling environment for this initiative.

(The writer is Priyanka Sharma.)

TOP

Should you go for OPD health subscription plans? – Live Mint – 9th May 2022

Outpatient care and treatment can sometimes prove to be very costly and thereby a risk to household savings. However, unlike many developed economies, most health policies in India do not cover Outpatient Department (OPD) services such as diagnostics and dental treatment. Regular health policies mainly offer cover for treatments that require hospitalization and are generally expensive. Yogesh Agarwal, founder and CEO of Onsurity, an insurance brokerage firm, said that a health insurance subscription model can provide holistic health and wellness benefits for India’s missing middle. “We believe that a true subscription model will effectively cover both IPD (in-patient department) care and OPD costs. In that case, if you subscribe to a monthly health plan, you can get a holistic benefit. However, the services may vary based on the provider," he said. Need for subscription model: ‘Health coverage’ generally implies coverage for IPD costs of hospitalization and emergency procedures. This is because the insurance sector has focused on these expenses alone. But there’s something flawed with this approach. One is unaware that OPD benefits are generally not available with regular health insurance.

Aniruddha Sen, co-founder of Kenko Health, says, “Up to 65 percent of all healthcare expenses during our lifetime are OPD costs pertaining to doctor consultations, lab tests, medicines, etc. If health insurance policies are unable to help meet a major chunk of our healthcare expenses, we need to rethink our very notion of health coverage." He further said, “For this, we must draw attention to how such routine expenses make a sizable dent in the savings of an average middle income household in India. Many of these families don’t even have any health insurance policies because of their high annual premiums. The need of the hour is to make monthly health plans more accessible and comprehensive in the form of bite-sized subscriptions." There are firms that offer subscription-based schemes. Kenko Health is one of them, but it pertinent to note here that it is not an insurer but a healthcare firm. It works with a combination of insurers, web aggregators, hospitals, pharmacies, labs, etc., and provide sachet-pricing health OPD plans. You can also get complimentary IPD coverage. These are tailor-made bundled insurance products offered on a monthly subscription basis and are designed to help you save on unforeseen medical expenditure.

Agarwal said, “The subscription model provides savings on treatment and diagnostics as preferential rates become applicable from quality healthcare providers. For instance, the prevailing rate for MRI at most diagnostic centres is ₹12,000 but it will cost you only around ₹6,000 through the subscription model." Thus, the monthly subscription is reasonably priced and is very affordable. Experts say a health OPD subscription can also help you save on IPD insurance costs. This is because OPD products such as diagnostics provide more health data points at a cheaper price and give valuable inputs for preventive care or in identifying diseases at an early stage and thereby helps save on IPD treatment. For instance, getting vaccinated against covid can protect you from severe complications and hospitalization, thereby avoiding major IPD costs. Regular and routine diagnostic tests (covered under OPD) can also save you from significant medical expenses in the future. How it works: You need to pay a subscription amount to get monthly benefits. There are a variety of subscription plans — ranging from ₹299 per month to ₹1,999 a month.

When you subscribe to any of these health plans, you need to sign in to the platform and fill details about your lifestyle, medical history, family’s medical history, and current ailments. A healthcare firm (such as Kenko Health) computes your health score based on these details. It’s a score with a range of 1-1,000. Sen said, “A score above 700 is considered ‘very good’ and that above 780 is ‘excellent’. But, a score below 400 might mean the person needs to improve on certain health parameters with the help of medical professionals." Once you subscribe to the health plan, it will help you save anywhere between 20-90 percent on your medicines, lab tests and doctor visits alongside full complimentary coverage for hospitalizations ranging from 3-15 days. Sen explains, let’s consider the hypothetical example of a 33-year-old man opting for the ₹999 family plan that covers routine expenses for himself, his wife, and two children and hospital treatment for 10 days. Let’s assume that their average expenses on medicines, lab tests and doctor visits (including purchase of regular drugs such as crocin and health supplements) add up to ₹3,000 per month, or ₹36,000 per year. By subscribing to a health plan, they get a flat 50 percent discount, helping them save ₹18,000 per year.

One should carefully opt for a subscription plan as you maynot get reimbursed for all OPD bills. For instance, the healthcare firm does not pay maternity OPD bills. Moreover, these firms typically exclude an offline general physician consultation. Agarwal said, “A well-known provider in this space offered this plan with offline general physician consulting benefits very recently and had to shut down operations later as it became an unviable business to sustain."Hence, make sure you research the subscription plans thoroughly before you start looking into bundling discounts to save your money. It may be possible to find other providers that can offer you the same benefits or even better coverage at a lower price.

(The writer is Navneet Dubey.)

TOP

Govt trying to bring insurance coverage of ayurveda, homeopathy treatments on par with allopathy: Ayush Secy – News18 – 8th May 2022

The Ministry of Ayush is in talks with the Insurance Regulatory and Development Authority of India (IRDAI) to bring the insurance coverage of Ayush treatment on a par with the allopathic one, Rajesh Kotecha, secretary, ministry of Ayush, told News18. AYUSH treatment covering Ayurveda, Yoga, Unani, Siddha and Homeopathy, with specific provisions, were included in the health insurance regulations, 2013 by the IRDAI.

In September 2016, the ministry circulated guidelines for facilitating insurance coverage to AYUSH treatment and settlement of claims on the basis of benchmark rates of various therapies, interventions and treatment packages. "As a result, it is known that 27 general insurance companies and standalone health insurance companies are offering more than 140 policy products covering one or more systems of Ayush treatments," Kotecha said.

He further said that the ministry has been discussing with IRDAI "to broaden the scope of insurance coverage and empanelment criteria of AYUSH hospitals and day care centres." While Kotecha did not elaborate further on what kind of packages are under discussion, the source in the ministry said it is discussing packages under central government's Ayushman Bharat scheme along with other proposals pending with IRDAI. "The packages for Ayushman Bharat have still not been finalised. Also, some companies are offering interesting packages but IRDAI approvals are pending," the source said. There are a few hospitalisation procedures, which are under discussion with companies, the source added.

The government is talking to companies to expand the benefits as many policies do not cover day care treatment expenses, post and pre-hospitalisation charges, or outpatient expenses, the source explained. So far, the companies sell the insurance packages by pitching Ayush as a highly effective treatment especially in managing health and non-surgical or non-invasive treatments. According to IRDAI gazette notification, insurance companies are allowed to provide coverage to non-allopathic treatments provided the treatment has been undergone in a government hospital or in any institute recognised by government or accredited by Quality Council of India or other listed institutes.

As per the insurance aggregator Policy Bazaar's website, "in the past few years, there has been a shift in the thinking of people wherein they have started thinking about alternative treatments... For supporting this, the health insurance companies have started providing AYUSH treatment as a part of their conventional health insurance policies."

(The writer is Himani Chandna.)

TOP

Should you consider investing in a second health insurance policy? – The Telegraph – 7th May 2022

Health insurance is like a layer of financial security that you get for handling your medical expenses. Health insurance plans are like an investment that you make so that you can safeguard your hard-earned funds from being spent on expenses related to hospitalization, medicines, ambulance, doctor's consultation, and more. A health insurance policy can also be viewed as an agreement between you and your health insurance company that binds them to cover you financially in case of any medical emergency. A health insurance plan is not compulsory like a car insurance plan; but in 2020, one must look at it as a mandatory requirement. The ongoing COVID-19 crisis and other lifestyle-related issues have highlighted the importance of **health insurance**. Online insurance has made health insurance simple to understand, quick to purchase, and hassle-free to claim. *

Besides, the rapidly rising medical costs in India, in addition to the limited coverage offered by a single health insurance plan, have made it necessary for more and more consumers to buy multiple medical policies. Investing in multiple health insurance plans not only provides comprehensive coverage to an individual, but also extends backup protection in the situation of medical emergencies. *****
***** Standard T&C Apply
There are several benefits of having multiple health insurance plans, as discussed herewith:
1) Multiple health insurance plans will give you the advantage of widespread coverage. There are different types of policies in the market that offer enhanced coverage for you and your family. *****
2) By buying a second insurance policy, you can have one generic policy and one specific policy. For example, you can have one **Individual Health Insurance plan** that covers basic hospitalization and another Critical Illness Policy that covers deadly diseases. *****
4) A portfolio of health insurance plans can ensure adequate coverage. Depending upon your and your family's needs, you can buy Individual covers, Critical Illness covers, Family floater plans, COVID-19 insurance, Maternity cover, and more, to ensure adequate coverage. *****
5) When you have multiple policies, you can decide which policy to claim when needed. This can help you to keep one policy undisturbed and earn No-Claim Bonus on it. For the uninitiated, the No Claim Bonus or NCB is a feature that gives you a bonus on the sum assured amount when you do not make any claims during the policy year. ***** Visit the official website of IRDAI for further details.
6) Buying multiple health insurance policies can also help you save tax. You have the option to buy a health plan for yourself, your spouse, and your parents, and avail of applicable tax benefits as per section 80D of the Income Tax Act. The higher the premium you pay, the more tax deductions you can claim up to the maximum limit. * Tax benefit is subject to change in tax laws
7) Buying a second health insurance policy proves useful if the claim on your first policy is ever rejected. Different policies have different terms and conditions. What may be excluded under one policy may be included in another. Thus, a second policy ensures that you have the ultimate financial protection in the event of a medical emergency. *
* Standard T&C Apply

Before you go ahead with purchasing a second health insurance policy, remember to keep the following points in mind:
Buy from the same insurer - If you have a health policy from a particular insurance company, then it will be better if you opt to buy the second policy from the same insurer. This helps you create a strong loyalty ground with the insurer. Plus, there is a chance that you may also get some change in rates on the premium if you buy from the same insurer. *

Check the claim settlement ratio of the insurer – If you are buying from another insurer, ensure to check their claim settlement ratio. An insurance company should have a high claim settlement ratio. It helps you understand how dedicated the insurer is when it comes to settling a policyholder's claims. *

Buy a different type of plan - If you already have an indemnity-based plan, then you should consider buying a benefit-based plan. When you are hospitalised, the regular expenses will be borne by your first plan via reimbursements. Meanwhile, the benefit-based plan can help you deal with non-medical expenses. This may include the charges above the sub-limits, your family's travelling costs, and so on. *

Always remember that whatever health insurance policies you are buying, make sure to go through the fine print of the policy in detail before purchasing it. Always go for a reliable insurance provider like Bajaj Allianz General Insurance Company, clear all doubts by discussing them with the insurer's customer support team, and purchase the plan when you have total clarity. *
* Standard T&C Apply

Insurance is the subject matter of solicitation. For more details on benefits, exclusions, limitations, terms and conditions, please read sales brochure/policy wording carefully before concluding a sale.

TOP

MOTOR INSURANCE

Insurance premiums on electric two-wheelers may rise – The Economic Times – 13th May 2022

Insurance premiums on two-wheeler electric vehicles (EVs) may rise as insurers reassess risk based on recent fires and malfunctions. While deaths and injuries due to accidents will be covered under existing insurance plans, EV makers may have to compensate for damage or loss of life due to manufacturing defects.

There have been multiple two-wheeler fires said to involve batteries recently, with some even resulting in loss of life. This prompted roads, transport and highways minister Nitin Gadkari to caution manufacturers, saying the government will order a recall of faulty vehicles and impose penalties on any company found to be negligent in its processes.

"We are monitoring the claims experience for electric vehicles, including the instances of fire that are coming up," said Adarsh Agarwal, chief distribution officer at Digit Insurance. If more such events take place, the company could incorporate such risk while pricing premiums, he said. "A risk-based approach to pricing may be taken as and when the facts of incidents and the probable controls around them are clear," said Sanjay Datta, chief, underwriting and claims. EV insurance premiums haven't been affected by the recent incidents, he said.

Okinawa announced a recall of 3,215 units of its Praise Pro electric scooter last month "to fix any issue related to batteries." Ola said it will recall 1,441 vehicles that will "go through thorough diagnostics across all battery systems, thermal systems as well as safety systems." Pure EV is recalling 2,000 units of its ETrance+ and EPluto 7G models. According to insurance professionals, the current plans for insuring electric vehicles don't cover loss or injury due to manufacturing defects. "If the accident occurs due to a manufacturing defect, then the direct or subrogated liability would fall on the manufacturer for payment of the claim," said Datta.

Personal Accident Cover

Personal accident cover is compulsory for the 'owner-driver' and is mandated by law, he said. "Cover is provided to the owner-driver whilst driving the vehicle including mounting and dismounting from or travelling in the insured vehicle as a co-driver," Datta added. According to Digit's Agarwal, personal accident cover is not included in the standard EV insurance policy.

"If the policyholder wishes, he may opt for a personal accident cover as a rider at a small added cost," he said. Further, if the driver dies due to the EV catching fire while they are riding the vehicle, the Compulsory Personal Accident (CPA) cover gets triggered if opted for by the policyholder or rider, he said.

(The writers are Twesh Mishra & Dheeraj Tiwari.)

TOP

Misfueling cover in India: Damaged car or bike engine after using wrong fuel? Will motor insurance help? – Financial Express – 12th May 2022

Using wrong fuel in a vehicle can cause some serious damage to its engine. However, motor insurance policies do not provide any protection against such act of negligence. Mis-fueling is treated as a contributory negligence, which is typically not covered by insurers. Motor insurance products currently provides cover only for defined perils, which are generally caused by external factors. As such there is no respite against loss due to negligence under motor insurance at present.

"Currently, Indian motor insurance products cover defined perils, which are predominantly caused due to external factors such as floods, earthquakes, accidents, theft and so on," Kunal Jha, Vice President, Motor Products and Actuarial at Digit Insurance, told FE Online. "Note that claims arising out of 'contributory negligence' are typically not covered by insurers," he added.

It is considered a case of contributory negligence when a policyholder gets injured or affected, partly due to his/her own negligence and the injured party is barred from recovering any damages (money) from another party who was claimed to have caused the accident. "Mis-fuelling is categorised as a 'contributory negligence' and does not fall under the scope of the policy wordings of a standard motor insurance product," said Jha.

What should customers do?
Experts say that mis-fuelling could lead to various degrees of damage including disturbed acceleration, visible smoke from the exhaust or even engine failure in some cases, demanding complete flush through of the system. "Once you've learnt that the wrong type of fuel has been filled in your vehicle, it is important to not push the ignition button on. Do not crank the engine. It is advisable to get the vehicle towed to the nearest workshop to flush out the wrong fuel. Ensure that the fuel tank is completely dry and then refuel the vehicle," said Jha.

(The writer is Rajeev Kumar.)

TOP

CROP INSURANCE

PMFBY: Maharashtra seeks Centre's nod to implement 'Beed formula' as premium quotes exceed expectation – The Hindu Business Line – 10th May 2022

With the kharif season sowing about to start in 20 days, Maharashtra has sought the Centre's approval to implement the 'Beed formula' or '80:110' plan under the flagship Pradhan Mantri Fasal Bima Yojana (PMFBY) while Tamil Nadu has expressed its willingness to return to the original scheme. But Madhya Pradesh, like the previous year, is yet to take a call. As per the guidelines of PMFBY, the enrolment should have started from April 1 for kharif season and premium rate fixed before that. However, the delayed enrolment has become a regular feature due to several factors, including less interest by States. This year also, enrolment for kharif season is yet to start in all major agricultural States, sources said. Farmers pay fixed premium under PMFBY, at 1.5 percent of the sum insured for rabi crops and 2 percent for kharif crops, while it is 5 percent for cash crops. The balance premium is subsidised by the Centre and States at 50:50 ratio.

Citing concerns over high premium quoted by insurance companies, more than the average 'burned out' cost, Maharashtra wants to implement the 80:110 plan, which was first approved for Beed district during kharif 2020 when no insurer participated in the tender due to two successive years of deficient monsoon which led to high claims. Under the 80-110 plan, the insurance company's potential losses are circumscribed, below 110 percent of the gross premium. The company is assured of 20 percent of gross premium, if claims ratio remains within 80 percent and any premium surplus (gross premium minus claims) exceeding 20 percent is refunded to the State government. While insurance company is liable to pay upto 110 percent of gross premium, it is the State government's liability to pay when claims exceed beyond that. For instance, if claims to premium ratio is 70 percent, the insurer keeps 20 percent and returns 10 percent to the State government.

The Centre is likely to approve the plan since Maharashtra has a genuine concern about high premium despite a prediction of normal monsoon and the State has also agreed to use technology in arriving at the yield losses, sources said. Once approved, the State will again invite bids for premium, the sources said. On the other hand, Tamil Nadu will take a call after analysing the premium bids under normal PMFBY plan, which will be out soon, the sources said. The State had implemented a co-insurance model under 80:20 plan in last kharif season in which its both liability and gross premium collected got shared between of the State and insurer at 80:20 ratio. Now, the State does not want to implement 80:20 model and may opt for either normal PMFBY or 80:110 formula, official sources said. After implemented in kharif 2020 in Beed, the claims to premium ratio dropped to 1.7 percent from as high as 245 percent in kharif 2018 and 89.4 percent in kharif 2019. Beed is one of the high enrollments districts where gross premium was Rs 798 crore in 2020 kharif season. In February, Maharashtra's Agriculture Minister Dada Bhuse, after meeting farmers organisations had said that the government would consider their demand for a State level crop insurance scheme similar to what Andhra Pradesh, West Bengal and some other States had done.

(The writer is Prabhudatta Mishra.)

TOP

Panels suggest steps to reverse falling Fasal Bima cover – Financial Express – 9th May 2022

Two working groups, set up by the ministry of agriculture and farmers' welfare to review the Pradhan Mantri Fasal Bima Yojana (PMFBY), has recommended targeted premium subsidy for small farmers, empowering the Centre to levy penalty on states for any delay in subsidy settlements and extensive use of remote sensing data for crop yield assessment. The last two years saw a steep fall in the number of farmers and crop area covered under the government's flagship crop insurance scheme (see chart). While the claims to premium ratio has come down in recent years, improving the viability of the scheme from the insurers' point of view, many states have of late developed cold feet on it.

"Targeted subsidies for weaker sections of the farming community can increase penetration, ensure uniform coverage and bring down the average premium rates," a sub-committee on 'actuarial aspects' under the working group constituted to examine 'alternate risk management mechanisms' under PMFBY, has said. Last year, the government constituted the working groups comprising officials from the Centre, key crop-producing states and senior officials of the state-owned insurance companies to suggest 'sustainable, financial and operational models,' for PMFBY.

The scheme is currently being implemented in 20 states/union territories. The Punjab government hasn't adopted PMFBY since its 2016 launch, while states like Gujarat, Andhra Pradesh, Telangana, Jharkhand, West Bengal and Bihar exited the scheme, because of "higher cost of premium subsidy" to be borne by them. Many states have asked for capping of premium subsidies under PMFBY. The group has also stated that farmers enrolled under various schemes like PM Kisan Samman Nidhi, where Rs 6,000 is annually transferred to around 9 crore farmers, may be provided coverage as per the eligibility criterion.

According to the agriculture ministry estimates, there are around 140 million farmer families in the country. Enrolment under PMFBY has not crossed 20 million in the last three years. According to analysis by the working group, since its launch in 2016, PMFBY premium has increased by more than six-fold which has led to an increase in subsidy liability of the government. In February 2020, the government made PMFBY voluntary for farmers while previously it was mandatory for the farmers to take insurance cover under the scheme. Under the heavily subsidised PMFBY, the premium to be paid by farmers is fixed at just 1.5% of the sum insured for rabi crops and 2% for kharif crops, while it is 5% for cash crops. The balance premium is equally shared amongst the Centre and states and in case of North-Eastern states, the premium is split between the Centre and states in a 9:1 ratio. Citing the delays in release of subsidy by states and resultant delayed claim settlements in many states, the group has called for empowering the

Centre to levy penal charges on the state or adjust such subsidies against other liabilities of the central government in case state government fail to pay in stipulated times.

A parliamentary panel last year had stated that the delays in settlement of claims are mainly due to reasons like delayed transmission of yield data, late release of states' share in premium subsidy and yield data, yield related disputes between insurance companies and states, non-receipt of account details of some farmers for transfer of claims. Earlier, the government had identified hardening of the premium market, lack of sufficient participation in tenders, inadequate underwriting capacity of insurers among factors preventing adoption of PMFBY on a large scale. The sub-committee on 'adoption of technologies for yield estimation under PMFBY has recommended remote sensing satellite and weather data for faster yield assessment so the delay in settlements could be addressed. For taking farmers in confidence in the case of remote sensing technology, the sub-group has stated that unlike crop cutting experiments-based yield estimation, analysis using satellite data cannot be physically observed by farmers, thus lead to discontent or litigation.

(The writer is Sandip Das.)

TOP

SURVEY & REPORTS

India's medical inflation highest in Asia: Report – The Times of India – 11th May 2022

While India recorded the highest rate of medical inflation at 14 percent in the Asian region last year, health insurance premiums zoomed making it dearer for consumers. Health insurance premiums will go up this year due to higher claims in the previous year. On the other hand, a survey on health insurance has revealed that a chunk of policy holders preferred to increase their cover, in which medical inflation was also cited as one of the reasons. A recent report by Motilal Oswal Financial Services on the health insurance in the country has revealed that the demand for health insurance remained strong in FY22 with an overall growth of 25 percent. Noting that the retail health premiums grew by 16.5 percent in FY22, group health premiums during the same period went up by 31 percent. In the light of the claim experience, increased inclusions and higher medical cost post the first Covid wave, most insurers revised their product pricing upwards, especially in the case of older age groups, it said.

At the same time, medical inflation has been northbound with India recording the highest medical inflation rate at 14% in 2021. It was followed by China (12%) and Indonesia (10%). Nitin Aggarwal, senior group VP, research, Motilal Oswal Financial Services said the pandemic created a pull for health insurance products considering the large claim amounts for Covid cases.

(The writer is Yogesh Kabirdoss.)

TOP

Non-par, pension products grow, but Ulips slow down materially in Q4: Report – Live Mint – 11th May 2022

Unit Linked Insurance Plans or Ulips made a strong comeback in 9MFY22 (retail annual premium equivalent +50% YoY), but the category witnessed a slowdown materially in Q4 (+8% YoY), according to Emkay Global Financial Services' insurance sector report. In FY22, Ulip retail annual premium equivalent (APE) grew to 33%. The report covered comprehensive details on the new business performance across product categories in the life insurance space during FY22.

Even though pension products and non-par (savings) continued to grow strongly, annuity and par savings struggled, reflecting LIC's --the most dominant player in these segments-- slow growth. The materially slow growth in sum assured from individual new business vs premium growth very clearly reflects the slowdown in retail protection volumes due to the demand impact stemming from price hikes and supply-side issues which limited insurers from underwriting retail term policies in H1FY22. The strong growth in group term insurance (GTI) premium (+82% YoY) vs 17% YoY growth in sum assured reflected strong price hikes in the GTI business, as per the report.

Going forward, with the interest rate cycle reversing, volatile equity markets, high inflation and the return of postponed discretionary consumption will mean that middle-class household savings will be under pressure, leading to some pressure on the life insurance savings business. Relatively speaking, the large private players, equipped with their superior brands and distribution networks and employing their agile and innovative approaches, are well-poised for strong growth and increase in their market share.

Key highlights of the report:

Product mix changes are a reflection of external environment and changing customer preferences: As per the report, the change in new business product mix in FY22 has been shaped by a combination of external factors, including a sustained low interest rate environment, buoyant equity markets in H1FY22 and Covid-19-led dislocations (additional savings to be deployed by the upper middle class and affluent class, but clipped savings ability of masses). These external factors, along with changing customer preferences, have driven the changes in new business mix toward ULIP, non-par savings and pension products.

Non-par and pension maintained sustained growth, but ULIPs slowed materially in Q4: Strong equity markets and increased savings of the affluent class and white-collared youth with higher risk appetite meant that ULIPs delivered strong growth in Retail APE in 9MFY22 (+50% YoY). However, the growth in ULIP APE materially slowed down to +8% YoY in Q4, taking FY22 growth to 33% YoY. Non-par (savings and protection) continued to grow sustainably despite the slowdown in non-par protection part, with its share in individual APE increasing to 23% in FY22 from 18% in FY20.

This is an outcome of multiple factors: 1. growing demand for guaranteed products amid low interest rates offered by banks on Time Deposits; and 2. increased innovative guaranteed product offerings by many private life insurers; 3. availability of wider hedging options (Forward Rate Agreement, Partly paid bonds, long-dated G-Secs, etc.) allowing life insurers to offer a variety of guaranteed products; and 4. Increased awareness about the opacity of par products among affluent customers. Pension products continue to grow attractively, likely reflecting the robust demand from customers and increased focus of leading players in this segment. Taking all non-par products into account (savings, protection, annuity and pensions), their share rose to 32% in FY22 from 24% in FY20, mentioned in the report.

Par savings losing sheen: In the post Covid-19 world, the mass-saver segment customers have seen their earnings and savings eroded, while the affluent and white-collar workers have seen their savings increase. As a result, the masses' contribution to new business has decreased while the effluent's contribution has increased. That, in turn, has led to increased ticket sizes of policies and a loss of market share for LIC, which caters more to the masses. The lower participation from the masses also meant muted growth in participatory savings products. More importantly, the opacity of par products has started to impact their acceptance among informed mass-affluent and HNI customers. Additionally, after the recent fund bifurcation at LIC and its gradual shift to 90:10 surplus sharing, the attractiveness of LIC's par products will be also reduced and, hence, PAR growth is expected to remain relatively muted.

Muted sum assured growth in individual new business likely a reflection of the slowdown in retail protection sales: The sum assured from individual regular new business witnessed a muted 3% CAGR vs. new business premium CAGR of 9% in FY20-22. This is contrary to the trend seen in recent years when the sum assured has been growing much faster than premium growth, driven by increasing retail protection in the business mix. The trend this year is a likely reflection of the materially reduced policy volume of retail protection sales amid multiple price hikes taken by leading private players and supply-side issues impacting retail protection sales in H1FY22, as per the report.

Strong growth in GTI on price hikes: The Group Term Insurance (GTI) segment has delivered ~82% YoY premium growth in FY22 against the sum assured growth of ~17% YoY in the same period. This is largely a reflection of strong price hikes implemented by life insurers in the GTI segment after adverse claims experience in the damaging second wave of Covid-19. The sum assured to premium multiplier for the GTI segment seems to have reduced to 450x in FY22 from ~700x in FY20/FY21. In FY23, the pricing should likely to stabilize at the current levels; hence, growth should be driven by an increase in sum assured.

Private sector leaders are well-positioned for strong growth and to gain market share amid a difficult external environment: In the backdrop of a rapidly changing external environment, changing customer demographics and their product preferences, the hypothesis of large private life insurers continuing to take market share away from LIC is playing well and will continue to be so in the coming years. Powered by their strong brands and distribution networks (especially the bancassurance reach), private sector leaders are executing their strategy very well by being agile and innovative when it comes to offering insurance products to match customer preferences and needs amid a dynamic external environment. Based on the risk-reward proposition, Emkay Global Financial Services' pecking order of stocks is SBI Life (Buy), Max Financial (Buy), HDFC Life (Buy) and ICICI Pru Life (Buy), as per the report.

TOP

89 per cent willing to renew health cover from tier-II cities, as compared to 77 per cent from tier-I cities: Policybazaar survey – The Economic Times – 9th May 2022

Policybazaar conducted an online survey to understand the changing consumer sentiment towards insurance purchase, household finances and investments over the last two years of the pandemic. Policybazaar surveyed 5000 consumers to closely understand the behavioural shift in insurance buying trends.

Interestingly, the findings revealed a growing level of propensity to buy insurance, especially in tier-II-III cities of India. At 89 percent, the highest number of respondents willing to renew their health cover belong to tier-II cities, as compared to 77 percent from tier-I. Similar trends were observed in term insurance, where 59 percent of respondents who want to increase their coverage belong to tier-III cities, as compared to 26 percent from tier-I cities. The survey results clearly point towards the sense of urgency spurred by the pandemic with respect to insurance awareness across the country.

Health insurance overview: Distinct rise in insurance purchase/renewal after the pandemic The pandemic has definitely given the cognitive push when it comes to health insurance purchase. Out of the respondents who had contracted COVID-19, 25 per cent were hospitalised. Findings show that 18 per cent of them ended up spending over Rs 15 lakh, and 22 per cent were not adequately covered by their existing policy. Also, it is disquieting to see that 13 per cent of those who got COVID-19 did not have health insurance in place. These figures clearly demonstrate that one should opt for at least Rs 15-20 lakh coverage for each family member.

However, health insurance purchase trends definitely drive positive optimism. As many as 62 per cent of the total respondents had an active policy and didn't just depend on their corporate cover. The figures also vouched for the fact that COVID-19 had acted as a catalyst in health insurance purchase. While 50 per cent of these policies were bought after COVID-19 first wave, 41 per cent were purchased after the Delta wave. Also, 80 per cent of these policies were family floater plans, thereby revealing a higher inclination towards ensuring sufficient coverage for the entire family.

Also, a significant proportion of 84 per cent of respondents did not have to serve a cooling-off period. Earlier, a cooling-off period of 3-6 months was applied wherein people recovering from COVID-19 could not buy a policy before completing this duration. These figures demonstrate the insurers' effort to expand the safety net and ensure maximum protection. Moreover, even as COVID-19's graph continues to be erratic, over 80 per cent of respondents still show a willingness to renew their health insurance and 35 per cent of them plan to increase their cover. The reasons cited for the same are rising medical inflation, financial instability and covering more family members. Health insurance is, therefore, seen as an effective shield to provide 360-degree protection against these.

Term insurance overview: More inclination towards larger cover
Analysing term insurance buying behaviour brings out the respondents' inclination to opt for larger cover to ensure the protection of their dependents. As of April 2022, 60 per cent of the respondents had an active term insurance policy. While 55 per cent of people prefer term insurance because they want a larger cover for a lower premium, 24 per cent want enhanced protection over and above their existing life insurance policy. This depicts an increased awareness towards benefits of a higher cover policy among the buyers, given these uncertain times.

The purchase trends bear quite a stark resemblance to health insurance. While 47 per cent of the active term policies were bought after the first wave, 40 per cent of them were purchased post-second wave. While the pandemic might have triggered the purchase of the policy, as many as 78 per cent of respondents want to continue the policy even as things begin to get back to normal. 39 per cent of them wish to opt for a higher cover, with the highest number of respondents (59 per cent) belonging to tier-III cities. It's exhilarating to note that 15 per cent of the active policies are the recently launched independent homemaker term plan on Policybazaar.

Investment overview: Evident shift from tax-saving to wealth creation
Conventionally, most buyers have invested in insurance to save tax. However, the survey responses indicate that 54 per cent of the respondents are consciously choosing investment-cum-insurance products for wealth creation. Also, 50 per cent of the respondents were impacted financially due to COVID-19. Even after two years of the pandemic, out of these, only 25 per cent could recover to the pre-pandemic levels, while the rest are still earning a lower income or looking for jobs. This further establishes the need for robust financial security to battle such uncertainties.

Talking about the propensity to invest, 3/4th of the respondents save or invest their income. However, the amount invested by 53 per cent of them is below the recommended benchmark of 30 per cent of the total income. One noteworthy finding here is that the propensity to invest appears to be higher among females. It is concluded that 30 per cent of females save or invest over the recommended benchmark of their monthly income as opposed to 20 per cent of males. This translates to people now seeing insurance-cum-investment products beyond a mere tax-saving tool and making them a part of their portfolio to gain better returns on their funds.

TOP

INSURANCE CASES

Compensate farmers for crop lost to rain: Bombay HC to insurance company – India Today – 12th May 2022

The Aurangabad bench of the Bombay High Court has ordered an insurance company to pay claims made by 3,57,287 farmers in the Osmanabad district for post-harvest losses to soyabean crops caused by heavy rainfall during the 2020 Kharif season. The district received heavy rainfall in October 2020 due to cyclonic retreating rainfall.

The bench of Justice RD Dhanuka and Justice SG Mehare said that if the company does not pay within six weeks, the Maharashtra government will have to pay the amount within 12 weeks. This order was issued in response to a number of petitions filed by farmers seeking relief from the state government and insurance company.

Advocate AS Wakure, representing the farmers, claimed that the insurance company was making huge profits from the total premium collected from farmers, the state, and the central government. The court was informed that the insurance company (Bajaj Alliance General Insurance Co. Ltd.) received over Rs 500 crore in premiums under the Pradhan Mantri Fasal Beema Yojana (PMFBY) from farmers in Osmanabad, the state, and the Centre. However, the company only disbursed Rs 87.83 crore to 72,325 farmers who applied within or right after 72 hours of crop loss, as stipulated in the scheme. The rest were not compensated. According to the farmers, the total area of soyabean crops insured by the company was 3,61,010 hectares, with nearly 2 lakh hectares affected, accounting for more than 33 per cent of the total insured area.

Additional government pleader AR Kale for the state government said that the company and various authorities were directed to grant farmers' claims in March of last year. However, the company disregarded such instructions and ignored reports from competent authorities. It also did not pay the remaining insured farmers. The insurance company's lawyer, Advocate SG Chapalgaonkar, opposed the petitions and questioned their viability. However, the farmers' attorney told the court that since the calamity was widespread, no intimation was required within 72 hours of the incident. Agriculturists' claims cannot be refuted on technical grounds, said farmers' attorney, Advocate AS Wakure.

Farmers did not individually notify the insurance company about losses suffered by each of them, but various government authorities conducted surveys, panchanamas, and informed the insurance company about payment of such losses suffered by the agriculturists, Wakure said. He added that, even if the server of the telephone company was down during the relevant period, it was not possible to notify the insurance company within 72 hours of the date of such heavy rainfall causing loss and damage to the farmers. The agriculturists did not have any android phones. After hearing from all sides, the bench concluded that farmers were not required to notify the company within 72 hours, and that it was not feasible as they could not move to their respective farms. The bench found no merit in the company's claim that the petitioners had sought relief that went beyond the ambit and scope of the Pradhan Mantri Fasal Bima Yojana.

(The writer is Vidya.)

TOP

Insurance firm directed to settle claims of patient – Deccan Chronicle – 12th May 2022

The District Consumer Disputes Redressal Commission-I directed the State Bank of India General Insurance to pay Rs 1,47,343 along with an interest at nine per cent for failing to settle the claims of a person who was insured with them and had undergone treatment. As the two-year-old Mokshi Naga Venkata Sai was a minor, he was represented by his natural guardian and mother G. Durga Rani, a resident of Miyapur. They filed a petition before the commission against Paramount Health Services and Insurance TPA services, State Bank of India and State Bank of India General Insurance seeking compensation after the insurance company failed to pay their hospital and treatment bills.

The complainant stated that they had taken a family health insurance policy in 2015 from State Bank of India General Insurance through SBI. Sai was born on April 18, 2016 and as per the terms and conditions, he was included in the policy and was thus fully covered for 90 days. He developed abrasions on the neck and was taken to Krishna Children's Hospital on August 22, 2017.

On medical examination, he was diagnosed with TB and underwent surgery. An amount of Rs 49,683 was paid towards medical expenses. Post-surgery, the boy was kept under observation for convalescence before he was discharged. Later, Naga Sai was taken to the hospital for a regular check-up. Based on the report, he was asked to be admitted to Krishna Children's hospital for 10 days in October. The family incurred an expenditure of Rs 97,660. The complainant sent the medical reports and bills to the respondents to settle the claims.

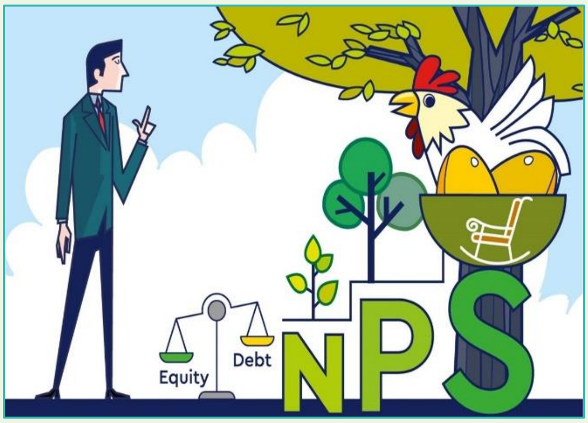
However, the insurance company sent a letter seeking to know how he had developed bronchitis. The complainant submitted that this conduct was nothing but grave deficiency of service. This has caused financial loss, mental agony and harassment. The commission directed SBI General Insurance to pay the claim amounts of Rs 49,683 and Rs 97,660 for an overall Rs 1,47,343 along with an interest of nine per cent from the date of payment till the date of realisation. It also directed an additional payment of Rs 20,000 for causing mental agony and another Rs 10,000 as costs.

(The writer is Mouli Mareedu.)

TOP

PENSION

National pension system: Use NPS to build a retirement corpus – Financial Express – 13th May 2022



If you are looking to save for your retirement, the National Pension System (NPS) along with other investment options may be considered. NPS is essentially a long-term investment scheme to help one direct his or her savings towards retirement.

How NPS works
After opening an account, you keep contributing till age 60 or till the scheme's maturity. At age 60, called the vesting age, you can withdraw a maximum of 60% (tax-free) of the accumulated corpus, while the balance is to be handed over to a life insurance company to buy an annuity. You have different pension options to choose from, including pension for lifetime, but the annuity or the pension received is fully taxable in the year of receipt.

Now, let us see what are the fund options available in NPS to grow your money. NPS offers a choice to allocate your money among equity (index stocks), debt (corporate, state government and central government bonds) or a mix of both. Depending on your risk profile and the number of years left to retire, you may choose a mix of fund options, thus allocating your NPS contributions across equity and debt. You can also choose between 'active choice' and 'auto choice', depending on how comfortable you are in managing your investments. The maximum equity exposure in NPS has been restricted to 75% of contributions for private sector subscribers.

Retirement income
The fund options available in NPS are similar to the structure of mutual funds. NPS does not offer a fixed rate of return and instead is a market linked financial instrument. Since inception, various NPS schemes have generated 9-12.7% return, while over the last five-year period, the returns are in the range of 8.1-13.3% (as on March 31, 2022). Illustratively, if a 30-year-old contributes Rs 15,000 a month in NPS, the corpus at age 60 grows to Rs 3.4 crore at an assumed annualised return of 10% . If the NPS subscriber chooses to get annuity on the entire corpus, then at an assumed rate of 6% per annum, the monthly pension amount comes to about Rs 1.7 lakh.

Using an NPS calculator, one can decide how much to save after taking inflation into account and accordingly plan for pension. NPS along with your other investments including equity mutual funds, PPF, EPF can help build a sizeable retirement kitty. NPS suits someone who is not very comfortable in choosing the right investment options available in the market. By using NPS as an investment option to save for retirement, one not only inculcates a habit of savings but also ensures a steady source of retirement income especially at a time when life expectancy is increasing.

Overall, NPS has a plethora of options—from choosing the fund options, how you want to manage contributions, which pension fund manager you want, which annuity provided you want to which pension option you wish to opt for. But, NPS being a long-term investment has a not-so-friendly option to exit mid-way. So, understand the features, working and the life-cycle of the scheme before opening and contributing to the NPS account. Once familiar with the features and the fund options, you can optimise your NPS account to make it work for you for a lifetime. Knowing them will ensure you make the most of your NPS account for your golden years.

(The writer is Sunil Dhawan.)

TOP

Number of subscribers under PFRDA pension schemes up 23% to 5.23 cr – The Pioneer – 13th May 2022

The number of subscribers under the two flagship pension schemes of PFRDA increased nearly 23 per cent to over 5.23 crore by April-end 2022. The subscriber base of the two schemes combined was 4.26 crore in April last year, Pension Fund Regulatory and Development Authority (PFRDA) data showed.

The flagship schemes -- National Pension System (NPS) and Atal Pension Yojana (APY) -- had total asset under management of Rs 7,38,765 crore at April-end 2022, rising by 25.25 per cent from the year-ago period. "The number of subscribers in various schemes under NPS rose to 523.87 lakh by end-April 2022 from 426.75 lakh in April 2021 showing a year-on-year increase of 22.76 per cent," it said.

The number of subscribers under APY grew nearly 30 per cent to 3.65 crore by April this year. The rest 1.58 crore subscribers belonged to various categories under NPS -- the pension scheme which mainly caters to the government sector and corporate sector employees. APY is mainly targeted towards providing a social security benefit after retirement to those who work in the unorganised sector and form a large chunk of employment in the country.

TOP

On-tap licensing window for pension fund managers now open: PFRDA – The Hindu Business Line – 6th May 2022

Pension regulator PFRDA has recently opened an on-tap licensing window for awarding licences to sponsors of pension funds. This is the second year in a row when Pension Fund Regulatory and Development Authority (PFRDA) has opened such a window in abid to enhance the number of pension fund managers in the country.

The latest window, which was opened in mid-April, will be open till May 17, Supratim Bandyopadhyay, Chairman, PFRDA, confirmed to BusinessLine.

‘On tap’ window

It maybe recalled that PFRDA had last year opened an “on tap” window from July 1-31 for awarding licences to sponsors of pension funds. After this window had closed, there were some players who had approached PFRDA evincing interest to become pension fund managers, it is learnt.

There were two applications — Tata Asset Management Company and Max Life Insurance — in the last year’s window. The PFRDA Board had approved both the applications. The ‘on tap’ system is similar to what the RBI had allowed for new banking entrants.

In March last year, the PFRDA had based on a new Request for Proposal (RFP) for appointment of pension fund managers awarded licences to eight sponsors of pension funds including Axis Asset Management. The other seven were the pension arms of SBI, UTI, LIC, ICICI, HDFC, Aditya Birla SunLife and Kotak. All these seven were fund managers of National Pension System (NPS) in the earlier regime.
Besides throwing open the door to more pension fund managers, the RFP had introduced at least five fold jump in their fees, making it lucrative to undertake this activity.

Currently, in India more than 5.21 crore subscribers are registered under NPS and other pension schemes regulated/administered by PFRDA. The total assets under management (AUM) of the pension sector stood at ₹7.36 lakh crore as on March 31, 2022. Pension assets in India have been growing at a compounded annual growth rate (CAGR) of about 30 per cent. However, last fiscal was an aberration with growth coming in at 27 per cent, lower than expected 30 per cent, due to the volatility in global equity and debt markets caused by the ongoing Russia-Ukraine conflict.

(The writer is Srivats.)

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IRDAI CIRCULARS

Topic	*Reference*
Gross direct premium underwritten for and upto the month of April, 2022	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4705&flag=1
Rationalization of compliance requirements	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4704&flag=1
Discontinuation of monthly Solvency Returns	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4703&flag=1
Filing of fire insurance products for Dwellings, Micro and Small Businesses	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4701&flag=1
Pricing of products covering Fire and Allied perils	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4700&flag=1
New business data as at 30.04.2022 (Line of Business wise)	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4699&flag=1
Actuarial & reinsurance returns – Dispensing with hard copy submission	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4698&flag=1
List of insurance marketing firms	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo2744&flag=1
New business statement of life insurers for the period ended 30th April 2022	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4696&flag=1

TOP

GLOBAL NEWS

UAE to introduce unemployment insurance in latest economic reform – The Economic Times – 9th May 2022

The United Arab Emirates will introduce a form of unemployment insurance, the cabinet said on Monday, the latest reform by the Gulf country as it strives to attract talent and investment amid increasing regional economic competition.

Insured workers would receive some money for a limited time period if made unemployed, UAE Prime Minister and Vice-President Sheikh Mohammed bin Rashid al-Maktoum, who is also the ruler of trade hub Dubai, said on Twitter, citing a cabinet decision.

"The intention is to strengthen labour market competitiveness, provide a social umbrella for workers and establish a stable working environment for all," the statement said.

The statement did not specify whether this would apply equally to citizens and non-citizen residents in the UAE. Permission to reside in Gulf countries like the UAE, where foreigners make up 85% of the population according to the IMF, has traditionally been tied to employment, and loss of job usually means the worker has to leave the country.

Gulf states Qatar, Oman, Kuwait and Saudi Arabia have provided some form of unemployment support to citizens, and Bahrain also has a form of jobless insurance for resident non-citizen workers. As Saudi Arabia, the largest Gulf state, opens up its economy the UAE has been pushing to retain the initiative over its neighbour, introducing new visa types and social reforms to attract and retain skilled labour and their families. The UAE switched to a Saturday-Sunday weekend this year to move closer to global markets, and in the past 18 months has overhauled laws and regulations, including decriminalising alcohol consumption and pre-marital cohabitation.

The cabinet also announced new quota targets for the employment of Emirati citizens in the private sector - a long-standing policy known as "Emiratization". It wants to see Emirati nationals representing 10% of private sector staff in companies with more than 50 employees by 2026, with rates increasing 2% a year until then.

TOP

Malaysia: Insurance & takaful market remains resilient despite uncertainties - Asia Insurance Review

The insurance and takaful sector in Malaysia is expected to remain resilient despite volatilities on the investment front and the normalisation of claims experience on the road to COVID endemicity, says RAM Ratings. Thus, the credit rating agency has maintained a 'Stable' outlook on the Malaysian insurance and takaful sector, said Ms Sophia Lee, RAM's co-head of Financial Institution Ratings.

Key expectations for the sector, detailed in RAM's latest commentary –"Insurance and Takaful Insight: Raising the Game"– are outlined below:

New-business growth in the life and family takaful segments to come in at 10% and 20%, respectively, in 2022 (2021: +12% and +29%) as the sector rides the recovery wave.

The profitability of life and family takaful players will stay pressured by uncertainties on the external front.

The claims experience of general insurance and takaful players is anticipated to normalise upward.

Competition in the motor and fire segments will intensify, with further liberalisation still on the horizon. Capitalisation will remain sturdy, staying adequate against downside risks.

New business
The life and family sector's new business rebounded strongly in 2021 after having been subdued by the pandemic in 2020. Investment-linked plans continued to be the main growth driver in terms of new business premiums and contributions, although the number of new ordinary life/family policies spiked.

The increase stemmed mainly from the take-up of Perlindungan Tenang policies by individuals in the bottom 40% (B40) income group who received MYR50 ($11.38) vouchers from the government for the purpose. A total of 1,710,877 vouchers were redeemed amounting to MYR85.4m in premiums/contributions. As these are generally small-ticket policies, they only contributed 0.4% to aggregate new-business premiums and contributions in 2021.

Notwithstanding the turnaround in new-business growth, unfavourable investment valuations and some cost pressures weakened the life and family sector's profit performance. Excess of income over outgo – a proxy of the sector's bottom line – almost halved to MYR13.1bn in 2021 (2020: MYR22.3bn). The main causes were domestic equity valuations which were dampened at the close of 2021 due to the emergence of the Omicron variant, as well as revaluation losses on insurers' bond portfolios given higher Malaysian government securities yields. The latter largely resulted from the expectation that interest rates would rise in tandem with economic recovery.

“Going forward, external uncertainties – including but not limited to the Russia-Ukraine war and the pace of interest rate normalisation in advanced economies – could heighten volatilities in financial markets. These will exert pressure on the bottom lines of life insurers in 2022, even with our new-business growth expectation and in-force business holding its ground,” said Ms Lee.

General insurance

The general insurance and takaful sector’s underwriting performance improved for the second consecutive year in 2021. Better claims experience – largely from motor covers in view of reduced road activity – lifted the underwriting margin of general players to 13% (2020: 10%; 2019: 6%). The improvement would have been more significant if not for higher flood-related claims seen in December. The estimated gross insured loss of around MYR2.2bn, at a third of the aggregate MYR6.1bn of economic losses is telling of the fact that many homes and vehicles in Malaysia are uninsured or underinsured.

“Greater awareness of the availability of flood and special perils (natural disaster) cover among households and businesses, particularly small-medium enterprises, could shield them from the sudden impact of such events and help safeguard financial wellbeing,” Ms Lee said.

The fire class remained the second-largest segment for general players after motor (20% and 50% of aggregate premiums and contributions in 2021, respectively), supporting the overall 4% growth in the non-life sector’s premiums and contributions to MYR21.5bn last year (2020: flattish; 2019: +2%).

Looking ahead

The adoption of Malaysian Financial Reporting Standard 17 (Insurance Contracts) in 2023 which requires insurers to recognise profits only as they deliver insurance services/coverage (versus when premiums are received upfront), will have a greater effect on life and family players in view of their longer-term contracts.

Industry players will have to adapt to the changing landscape as the sector gears up to raise its game amid digitalisation accelerated by the pandemic, the impending entry of digital insurers and takaful operators and regulatory push for structural reforms to drive greater industry dynamism, inclusivity and sustainability.

Further liberalisation of motor and fire tariffs is likely to spur greater innovation and competition in the segments. Reforms such as those to contain medical cost and claim inflation, while likely to yield benefits only in the long run, are definitely steps in the right direction. RAM’s "Insurance and Takaful Insight: Raising the Game" report can be downloaded at www.ram.com.my.

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