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QUOTE OF THE WEEK

“When you start to develop your powers of empathy and imagination, the whole world opens up to you.“

Susan Sarandon

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Deferred Annuity

The benefit of deferred annuities is that they can provide a reliable and scheduled source of income at a future date. This is particularly of benefit for the elderly who may not be able to work anymore. The downside is that the requirement to pay into them during the savings period for a long time. However, this is not a concern for people who purchase life insurance to plan for their future financial situations. Many life insurance companies offer annuities among a number of different types of investment options for life insurance policies.

INSURANCE INDUSTRY

Insurers to offer add-on cover for at-home Covid treatment, Delhi high court told – The Times of India – 15th July 2021

The insurance regulator Insurance Regulatory and Development Authority (IRDA) on Wednesday informed Delhi High Court that it had asked all the insurers to offer an "add on" cover insurance benefit for "homecare treatment" to Covid 19 patients. The regulator also told the court that, apart from the Corona Kavach policy, there were over 19 products offered as insurance policy by general and health insurers, which covered ancillary treatment of Covid-19. In its reply, IRDA added that it had issued a circular on June 21 this year advising insurers "to explore the feasibility of offering "homecare treatment or domiciliary treatment" as an add-on cover with the existing health insurance products to enable the policyholders to exercise the option of having these treatments in their existing policies, if such coverage was not available already.

The response of IRDA came after the court in May had pointed out that many Covid-19 infected people would not be able to get insurance benefits as they could not secure a hospital bed due to the dearth of medical infrastructure. It had asked the sectoral regulator IRDA to look into the issue. IRDA added that it had laid down guidelines to cover scenarios where the condition of the customer was such that he/she was not in a condition to be moved to a hospital, or customer took treatment at home due to non-availability of room at a hospital. "If a person is diagnosed as Covid-positive and is admitted into any such make-shift or temporary hospital on the advice of a medical practitioner or appropriate government authorities, the treatment costs are required to be settled by insurers," IRDA submitted in the court.

(The writer is Abhinav Garg.)

TOP

Health, life insurance premiums likely to get costlier before COVID-19 third wave hits: Experts – CNBC – 13th July 2021

Health and life insurance plan premiums are likely to get costlier with several service providers across the industry looking at raising the prices, said experts. According to Indraneel Chatterjee, Co-founder, RenewBuy Insurance, India has rolled out the largest and amongst the most efficient COVID-19 vaccination programmes in the world.

“India has vaccinated almost 30 crore citizens with at least one dose and more than seven crore with both the doses (as of July 12). World over we’re witnessing the onset of the third wave of COVID-19 and chances of it impacting India are high because of our vast population. It will take us a minimum of 6-8 more months to reach 70 percent vaccination which is required for herd immunity. All of this puts India at a risk and there is a possibility that some insurance companies may increase their premiums before the third wave hits the country,” Chatterjee said.

It is therefore advisable, Chatterjee added, that consumers who do not have a life and health insurance plan should apply for it and people who have not renewed their plans should not keep waiting. "It is important that we learn from the previous waves, as we have seen how grave the COVID-19 situation can become within days," he said. The premium price increase should, however, not be the core reason for expediting insurance purchase, but consumers should look at protecting themselves and their families so that they can be financially secured for any kind of medical treatment during the third wave.

Additionally, according to Ankit Agarwal, Alankit Ltd, the payment of more than Rs 26,000 crore approx. has been paid out in claims by the Insurer companies in the past 2-3 months in accordance with the recent discussion amid the big gun insurers. This is a significant impact that the industry has faced because of COVID-19 wherein the life insurer data is different which most likely leads to an addition in the premium charged by the insurance companies after a long debate with the re-insurers according to the treaty or game plan for future.

The majority of the insurers, Agarwal said, have effectively amended or not engaging any new or draining portfolio of group insurance/s even for their current corporate clientele. Most importantly, on account of the Ministries and Regulatory guidelines, insurers are offering settlements at an extremely low to no derivations which straightforwardly is affecting the endurance and sustainability of all the insurers. Subsequently, he added that the premium charges are expected to be expanded soon in India.

TOP

How the coronavirus pandemic will determine your health and life insurance choices - The Economic Times – 12th July 2021

During the pandemic, the high medical costs and untimely deaths made Ankur reconsider his insurance requirements. He witnessed how friends and relatives found themselves completely unprepared for the suddenness with which they lost someone near, and the financial implications of losing an earning member. Many of them were saddled with huge medical bills and problems with insurance claims. Though Ankur’s existing life and health insurance policies are enough to meet his tax-saving needs, he wants to buy more insurance for himself and his family. Does he need to upgrade his health policy to a sum assured of Rs 7.5 lakh and existing life cover of Rs 50 lakh? He wants to know how he can evaluate the changes to his insurance needs in the midst of the pandemic and what his options are.

It is important for Ankur to understand that his insurance decisions should not be purely driven by tax-saving concerns. While it may be a benefit that is definitely useful, it should not be the deciding factor when it comes to the sum assured or coverage for a family like Ankur’s which is dependent on him for their various financial goals. Motivated by the fear of contracting covid amidst multiple potential waves, investing in a comprehensive health plan for his family of three (including his wife and son) makes perfect sense. In fact, Ankur could also choose covid-specific policies offered by all insurers. He could consider making a porting request as he is looking for policies with higher sum insured and better features like zero co-payment, no room-rent capping and shorter waiting periods.

Ankur had purchased his first insurance policy four years ago as a means to protect his family’s financial future. However, he must evaluate his current cover not merely as a tax-saving instrument, but whether it will be enough to replace his income in case of his unfortunate demise. Ideally, the sum assured of Ankur's term plan should be 15–20 times of his annual income, and the policy tenure should be until his retirement age (61–81 years).

A well-insured household is always better equipped to deal with economic uncertainties. Protection products are becoming the foundation of financial planning especially considering the impact of a deadly pandemic. During unprecedented times like these, it is important for nuclear households like Ankur's to make the right and timely decisions about protection specific to one's needs.

TOP

Reshaping historical challenges to enhance insurance penetration in India – CNBC – 12th July 2021

The insurance sector in India has witnessed significant changes in the past two years. A recent IRDAI report highlighted that Life insurance grew 21 percent higher in February 2021 as compared to February 2020. While many factors contributed to the growth, one cannot overlook the role of the current pandemic in being the primary driver.

The insurance sector, right from its inception in 1938 (with The Insurance Act) and the nationalization of the insurance industry in 1956 with the formation of the Life Insurance Corporation of India (LIC), has always been a public-dominated industry. However, the industry took a turn in 1993 with the privatization and liberalization after the recommendations of the Malhotra Committee that carved way for private players and foreign insurers to work towards building a reformed insurance ecosystem in India.

Another significant development in the industry was the establishment of IRDAI, (Insurance Regulatory and Development Authority), an independent statutory body to watch the completely unregulated market. It was a bold and strategic move to break the monopoly in the industry, increase the competition and to reduce the insurance premium. But unfortunately, such breakthrough moves were not enough to increase the insurance penetration and density to significant levels.

The Challenges
According to the IRDAI Annual report of FY 2019-2020, Life insurance increased by 12.75 percent compared to 10.75 percent in the previous year. The increase can be attributed to various factors like the inclusion of private players, deregulation and allowing banks to deal with insurance distribution (Bancassurance). But looking at the population of India, it had a long way to go, Insurance penetration in India still stands at only 3.76 percent. As a result, many challenges originated to the forefront, which was significant enough to act as a hurdle in popularizing life and health insurance in India.

The changing economy of the country during those times, individuals keeping a tight hold on their household budget and planning to invest in other commodities rather than life/health insurance policies, affordability issues citing the varied economic conditions and high premium, a long and uncertain underwriting process, most notably the mindset of the people to consider insurance post-retirement and lack of awareness can be cited as the major challenges. When the insurance penetration in other countries had been setting new records, India was not even close to insuring even 5 percent of its population. But the past 15 years has seen new dawn in the life and health insurance industry.

Impact of Technology and COVID-19
With the advent of technology like AI/ML, Block chain and Big Data, the Insurance sector has revamped into the most lucrative and growing sector among all others. Technology has played a major role in bringing disruption to this industry. Right from having an Omni channel platform for insurance proposal

submission, automatic health claims decision making, a faster underwriting process based on AI/ML and wellness programs/disease management platform for customer engagement, the insurance companies are going one step ahead in providing a value-based offering to the customers.

All thanks to the massive DIGITAL INDIA drive, which has enabled even the community staying in the most rural part of India to get access to the internet and smartphones. The age-old tradition of filling long paper forms and waiting for days for the underwriter's decision has been replaced with insurance policy acceptance with just a click. The insurance companies are focusing more on one step risk assessment process with the limited effort put up by the customers.

Offering a complete care and disease management system including product awareness, easy access to the policy page, efficient insurance distribution, virtual care services, wellness engagement programs, information about COVID19, digital transaction and self-risk assessment for COVID19 has been the prime motto for many insurance companies.

The COVID19 pandemic has also acted as a catalyst in the growth of life insurance products in India, with a new business premium contributing 45.25 percent to the overall growth FY 2019-20. Offerings bundled with technology and easy access are also attracting younger generations to explore the protection products. With the changing technology, continuous innovation by analytical companies through AI/ML and data mining backed by government and awareness, the future of insurance sector in India is nothing but bright.

The Road Ahead
But this is not enough. Since India is a land of people from varied cultures and economic backgrounds, comparing the insurance penetration in India with the developed countries is completely vain. With the availability of data through different sources, it's time to include SDOH (Social Determinants of Health which includes economic, social and environmental effect on a person's health) in the insurance sector. This will ensure the distribution and penetration of insurance with equity rather than equally because an individual's health is affected by all these factors. Understanding these determinants will only prove better access to healthcare. It is confident to predict that this inclusion will provide a holistic picture of insured India with much better outcomes.

TOP

India invites UK companies to invest in insurance sector – Financial Express – 9th July 2021

India has invited UK companies to invest in the insurance sector, while Britain offered its London market for direct listing of Indian firms. This year, India has increased the foreign direct investment ceiling from 49 per cent to 74 per cent. Earlier, the government allowed firms to list overseas without simultaneous listing at the domestic market. To deepen bilateral ties in the financial sector, the first meeting of India-UK Financial Markets Dialogue was held on Thursday late evening, a finance ministry statement said, adding the dialogue was established at the 10th Economic and Financial Dialogue (EFD) in October 2020.

The government-to-government discussion focused on four themes — GIFT (Gujarat International Finance Tec-City) City, India's flagship international financial centre, banking and payments, insurance, and capital markets, it added. Following the government-to-government discussion, private sector partners were invited to the discussion, the statement said.

At the meeting, Indian and UK participants discussed matters relating to the insurance sector, including domestic updates on the impact of COVID-19, opportunities to encourage UK investment in the Indian market, and the UK Solvency II Call for Evidence. Participants also took stock of capital markets cooperation, it said, adding the UK outlined progress on regulatory reforms, including through the Wholesale Markets Review and the Lord Hill Listings Review. There was also a productive discussion on opportunities for increased cross-border activity, including an update from India on the implementation of the direct listing policy, according to the statement.

As the two services driven economies, both sides agreed that there is significant scope for strengthening financial services cooperation between India and the UK, it said. "Both sides agreed to continue to engage bilaterally on these areas in the coming months, in the run-up to the next EFD and the beginning of negotiations for a future India-UK FTA, both expected to take place later this year," it said.

The statement said participants provided updates on their respective banking and payments landscapes, to increase cross-border activity in this area. The Bank of England discussed its work on cyber resilience and both sides also recognised the key role the banking sector has played in maintaining stability during the COVID-19 pandemic.

The dialogue was led by senior officials from the Finance Ministry and UK Treasury, with participation from Indian and UK independent regulatory agencies, including the Reserve Bank of India, Securities and Exchange Board of India, International Financial Services Centre Authority, Insurance Regulatory and Development Authority of India, the Bank of England, and the Financial Conduct Authority.

TOP

LIFE INSURANCE

Life Insurance: Private players see strong premium growth in Q1 – Financial Express – 16th July 2021

Life insurance reported strong (26-47%) growth in individual annualised premium equivalent (APE) during Q1FY22 (on a low base of 1QFY21). Barring SBI Life (down 12% year-on-year (y-o-y) due to high base), group APE (up 77-240% y-o-y) was strong for all players on a low base of Q1FY21.

On a two-year CAGR basis, individual APE was down 1% for HDFC Life, 8% for SBI Life and 15% for ICICI Prudential Life. Max Life's two-year individual APE CAGR was strong at 14% led by strong traction in business through the Axis Bank channel. Other players with new bancassurance partnerships like Bajaj Life and Tata AIA Life reported strong 22% and 11% two-year individual APE CAGR in 1QFY22. Lockdown-related disruptions and social-distancing norms have led to moderation in business; agent additions remained robust.

Individual non-single sum assured down
Individual sum assured for private players declined 14% y-o-y in Q1FY22; SBI Life was, however, up 50% y-o-y. The drop in individual sum assured for most players likely reflects pickup in Unit-linked insurance policies (Ulips) during the quarter and lower term business.

Increase in term tariffs post rise in reinsurance rates and tightening of screens (like insisting on pre-medicals etc.) have led to lower traction in this segment for the past 2-3 quarters. Notably, tariff hike in SBI Life is less significant over peers.

Group sum assured was up 2.3X y-o-y in Q1FY22 for private players, higher than 42% y-o-y growth in APE reflecting higher credit protect business to Q1FY21. We expect most banks/NBFCS to deliver high disbursements y-o-y.

Rise in Ulips
Q1FY22 value of new business (VNB) margins (before Covid-19 second wave provisions) will likely be interplay of increasing Ulips q-o-q and slowdown in term business putting some pressure versus increase in traction on non-par and pension policies driving expansion; higher volumes and group credit y-o-y will also augur well.

We expect 70-700 bps y-o-y expansion in VNB margin for HDFC Life, Max Life and SBI Life led by higher share of non-par savings business. ICICI Prudential Life's VNB margin will likely be flat y-o-y (high base of Q1FY21 reflects elevated protection mix; higher Ulips this year offset by increasing non-par and pension business). On a q-o-q basis, rise in Ulips will put pressure on VNB margin although strong traction in non-par and annuity businesses will likely provide support.

[TOP]

What role do guaranteed insurance plans play in meeting long-term goals? - Financial Express - 15th July 2021

Life insurance products are meant to provide protection. They are primarily meant to provide a financial cushion to the surviving family members in the event of death of the bread earner. Life insurance is, therefore, a financial tool to help nominees not only maintain the same standard of living but also helps them to achieve the financial goals as and when they arise during the various life stages. Term insurance plans suit the most to get a high coverage at a low cost. However, there are savings plans as well that provide protection as well as an opportunity to save for future life goals.

Before buying, make sure you do a proper need-based analysis so as to derive the maximum benefit out of life insurance plans. Different life insurance products exist and may not suit all, hence, make an informed buying decision. Sanjay Tiwari, Director-Strategy, Exide Life Insurance, in an exclusive interview with FE Online talks about the role of insurance plans in not only protecting but also for saving to meet long term goals. Excerpts:

The interest rate offered by most fixed-income investments is low. How can life insurance plans help someone looking to save funds over a long term period?
Savings instruments such as Bank FDs, Public Provident Fund and National Savings Scheme are quite popular because most Indians are constantly on the lookout for products that offer fixed returns on their savings. However, these instruments come with downsides such as fluctuating interest rates and in some cases, taxation on returns and a cap on the maximum amount that can be invested. Unlike insurance products, they don't have a life cover attached to them.

Among insurance products, guaranteed savings plans continue to offer fixed returns on one's savings. Additionally, policyholders also get the option to choose the pay-outs structure in line with their evolving life goals. Additionally, there are ULIPs which are long-term investment products but are market linked. Over the years, ULIPs have evolved as a category and now offer a host of flexibilities, including premium payment structure and selection of funds. Investors can choose from a range of equity, balanced or debt fund options.

Further, ULIPs give individuals the option to manage your investment by switching between funds (typically at zero additional cost) based on your financial goals and life stages. Since these products come with a lock-in, it encourages customers to stay disciplined with premium payment and ensures long-term wealth creation. Other categories such as Child and Pension plans propel customers to save towards specific goals such as child's education/marriage or retirement planning.

What role do guaranteed insurance plans play in meeting long term goals of individuals?
Based on the nature of an individual's goals and expected income levels, there are a host of insurance products they can pick from. Guaranteed life insurance plans are products that offer guaranteed returns on savings, in addition to a life cover to secure the financial future of loved ones.

The returns are not subject to market volatility or changing interest rates. The element of fixed and guaranteed returns makes them an appealing proposition, especially for individuals who have a low risk appetite and want to get better returns than other savings instruments. Since these are relatively long-term investment plans, the returns can be aligned to various life-stage needs or financial goals. They can also help bridge the gap in cash flows if the policyholder opts for the regular income payout structure. The lump sum option can help fulfil big-ticket goals.

A host of guaranteed savings products today offer the choice of opting for riders such as health or additional term cover to enhance protection. Though riders come at a small added cost, they help fill the gap in overall protection through higher coverage. Given the uncertainty in the wake of the pandemic, we are seeing an increased interest in guaranteed savings plans, especially by individuals who want to steer clear of market volatility.

What internal rate of return (IRR) can be expected while buying a life insurance plan?
It's important to understand that life insurance is not the same as other investment products. Life insurance plans are designed by taking long-term financial goals and protection into consideration. Insurance products not only help individuals prepare for long-term needs but also offer a life cover that secures the financial future of the life assured's dependents in the unfortunate event of death.

IRR may not be the best way to look at life insurance products because they are comprehensive plans and don't just focus on returns in absolute terms. In addition to offering returns, they also help protect the financial goals of the policyholder. However, there is no one standard IRR across companies and products. It varies from product to product and from insurer to insurer. Factors such as age and payout structure also play a role in determining the IRR.

As interest rates are low, why should anyone lock funds in insurance plans which typically have longer tenure?
Guaranteed life insurance products offer fixed returns irrespective of fluctuating interest rates. Even in a low interest rate scenario, life insurance products offer benefits that no other financial product does — including life cover, additional riders, guaranteed returns, safety net, and tax benefits. Investing in insurance plans offers tax benefits under Section 80C of the Income Tax Act in addition to tax-free proceeds under Section 10(10)D in case of maturity or death.

If an individual is looking to save for the long-term with a goal of receiving fixed income or a lump sum pay-outs, with a very low risk appetite, then insurance plans are just the right option. For younger individuals who want to invest with a horizon for 15-20 years, insurance plans can help cater to various needs, including wealth creation. Also, they act as a lucrative option for HNIs, especially at a time when interest rates are on a downward trend.

(The writer is Sunil Dhawan.)

TOP

Second wave might wipe out life insurers Covid provisions – The Times of India – 15th July 2021

Many life insurance companies have used up their FY22 provisions for Covid-19 claims in the first quarter because of the intensity of the second wave of the pandemic. While insurers cannot summarily revise prices, they have turned cautious about accepting new proposals. They now insist on medical tests for proposals that would be earlier accepted on the basis of tele-consultation. Kotak Life was the first to sound the alarm by informing the stock exchange, through parent Kotak Bank, that claims during the first quarter were much higher than expected. The company said it would incur a loss ranging from Rs 225 crore to Rs 275 crore because of Covid-19 claims. According to one insurer, death claims during the three months of the second wave was far higher than Covid claims in FY21. The primary reason for this was the younger age of casualties this year. Last year most casualties were in the 50 plus age group. Insurers say that high-value policies of over Rs 1 crore are more common among those in their 40s and 30s as these policies turned cheap only in recent years.

Even before claims rose under the second wave, reinsurers had hardened their stance on acceptance. “Earlier ratio of tele-consultation to physical check-up was 50-50. Now it is 70 percent physical,” said Sajja Praveen Chowdary, head of term insurance at PolicyBazaar. Another fallout of the second wave was that many people could not buy insurance as companies insisted on medical tests and arranging the diagnostics took twice as long as the four days earlier. Also, those who did get infected by the virus were subjected to a cooling period. “We are suggesting that people buy term insurance now rather than wait for the third wave. This might be the right time they may be able to get policies faster,” said Chowdary.

(The writer is Mayur Shetty.)

TOP

Guidelines to choose best life cover in covid days - Outlook Money - 13th July 2021

The second wave of the pandemic has been wreaking havoc across the country. The number of daily reported cases hit a record high of over four lakh infections during the first week of May. This took the total number of infections until now to around 22 million, second only to the US. Meanwhile, almost 2.5 lakh people have died in the country due to the deadly virus, many of them the breadwinners of the family. If this does not highlight the importance of having a sound life insurance policy to protect your family in your absence, nothing will. It is best advised to buy term life insurance at the earliest as if you get infected with Covid-19, insurers may implement certain terms and conditions on the purchase of a term plan.

There have been so many families that have been left to fend for themselves due to the loss of the sole income-earning member of the family. A life insurance policy in such situations can come to the rescue as it can help pay for the life goals of the family. However, just having a life insurance plan is not enough. There are many things to consider ensuring that if something unfortunate happens to you, your family is taken care of financially. Here are a few steps that will let you pick the best life insurance plan against Coronavirus:

Choosing the right sum assured
The core idea behind buying life insurance is that if something unfortunate happens to the policyholder, his/her family can continue leading a comfortable life. That is possible only if the pay-outs under the insurance policy is enough to compensate for the lost income due to the death of the policyholder. In case sum assured is not carefully evaluated based on the future needs of the family, the insurance proceeds may exhaust sooner than you know. Choosing a lower sum assured is a common mistake among Indians and data shows that an average Indian policyholder’s life insurance coverage would meet only 8 per cent of expenses of the family following the death of the earning member. Ideally, the sum assured should be at least 15 times the policyholder’s annual income, if not more.

Choosing the right policy tenure
It may be true that your immediate motivation behind buying a life insurance policy is the pandemic and the fear of not being able to take care of your family if you fall prey to the deadly virus. However, you must remember that in the uncertain world that we live in, a tragedy can strike at any time. However, the financial benefit of the term plan is applicable only if the death of the policyholder occurs during the policy term. In case he or she survives that term, there is usually no maturity benefit. Therefore, you must

look beyond the pandemic and go for a plan that covers you for a long time to come. Since a higher term period would cover you till a longer age, this would also increase the chances of the plan benefits being paid.

Choosing the right pay-outs option
A life insurance policy comes with two options in terms of the payout of a death benefit to the policyholder's nominee — lump sum and monthly payout. In the case of the lump sum payment, the dependents of the deceased would receive the entire sum assured as a one-time payment if the policyholder dies within the policy term. They can then decide how to use that money. On the other hand, you can also choose the staggered payout option, under which your nominee receives the sum assured in monthly instalments, which can run for 15-20 years, thereby ensuring regular income for your family. You can choose the monthly payout option if your family is not financially well informed and if you feel they may not be able to manage a large sum paid as a lump sum payment. Instead of monthly payments, you can also choose any other periodicity of staggered payments as you may deem fit as per the requirements of your family. There is also an option to choose a mix of both alternatives wherein a part of the sum assured is paid immediately at the death of the policyholder and the remaining amount is paid in periodic instalments.

Choose the right insurer
Say one does all their homework and buys a sound life insurance policy, but when their nominees make the claim, they have to run from pillar to post to get the money that is due to them. Or worse, their claim is rejected unfairly. This is why you must buy the policy from a reliable insurer. You should not only look at the premium the insurer is offering you, but also the claim settlement record of the insurance provider. This would give you a fair idea if your family would get the sum assured without any trouble.

Choose add-ons as per your needs
When you buy a life insurance policy, you can also choose some extra benefits on top of the base policy, which are called "riders" or "add-ons". You can choose from add-ons for critical illnesses, accidental death or disability, waiver of premium, and so on. A critical illness rider pays out a lump sum amount if the policyholder is diagnosed with any of the listed critical illnesses, while an accidental death or disability rider does the same if the policyholder loses his or her life, or is left totally or partially disabled, due to an accident. In case of a waiver of premium rider, all future premium payments are waived if the policyholder can no longer make them due to certain events like critical illness or permanent total disability due to an accident. Meanwhile, the policy continues uninterrupted until the end of the policy term.

Buying Insurance Online
When you buy your life insurance policy online, you get the option to compare plans offered by different insurers right from the comfort of your home. This can help you zero in on the right plan for yourself while also ensuring you get the best deal.

There is no doubt that the Coronavirus pandemic has served as a wake-up call for those who either have not considered taking a life insurance plan or have been postponing it. Although Covid-19 is a newly discovered ailment, the good news is that it is covered by most life insurance policies. In this uncertain world, it is crucial to buy a life insurance policy and include it in your investment portfolio. Make sure to read the policy document to understand the extent of coverage against the Covid-19 virus.

(The writer is Sajja Praveen Chowdary.)

TOP

A simple formula to check your life insurance needs – Live Mint - 13th July 2021

For anyone looking to buy life insurance, one confusing question that invariably arises in his/her mind is: How much life insurance should I buy? It's not easy to gauge the exact amount of life insurance coverage you need to buy. But fortunately, you can make a reasonable estimate by considering your current financial status and the future needs of your loved ones.

In general, the ideal life insurance policy amount can be calculated by considering your long-term financial obligations.

Need for life insurance: The universal rule is that if you have a family that depends on you financially, you certainly need life insurance. “If you happen to be the only employed person in your family and are maintaining your family’s current lifestyle, taking care of the spouse and repaying debts, you need to have a life insurance policy to maintain their quality of life for the foreseeable future," said Sajja Praveen Chowdary, head - term life insurance, Policybazaar.com. “A dependent could be your spouse, children or elderly parents or any relative who depends on you financially," Chowdary added.

The DIME formula: DIME, which stands for debt, income, mortgage and education, is a formula that can take care of an individual’s specific insurance needs by taking a detailed look at his/her finances. Debt, income, mortgage and education are the primary areas you should consider while calculating your life insurance needs. The fundamental objective of using the formula is to ensure that insurance coverage is adequate to provide for the needs of dependents in case of the early death of the sole breadwinner.

Parag Raja, managing director and chief executive officer, Bharti AXA Life Insurance, said it is vital to consider DIME and buy life insurance, as the claim money can help replace the breadwinner’s income, and enable the family to meet day-to-day expenses and maintain the lifestyle even if it will not replace the loss of the person.

“The claim money can help pay off existing loans (home, car and more) and outstanding debt. The money can also help pay for pre-empted future costs such as educational expenses of children. Owing to the customers’ evolving needs amid the pandemic, it is prudent to select a protection cover that includes a large life cover," said Raja. Outstanding debts: It is important to consider how much debt would you leave behind upon your death. Outstanding debts can be damaging to your family’s livelihood if they are not properly accounted for.

“If you have substantial debt, be sure to include it into your life insurance calculation so that your family has enough coverage to pay your debts off. For instance, you can start by adding all your debts such as car loan (say about ₹15 lakh) and home loan (say about ₹1 crore). In the given scenario, your family would be left with a debt of ₹1.15 crore upon your demise. Considering this amount, you would need life insurance with at least ₹1.5 crore sum assured to repay debts and maintain the property," said Chowdary.

Income evaluation: One of the most significant needs for life insurance is income replacement. The next step is evaluating your annual income by simply calculating how much money your family needs to sustain the current standard of living. This is extremely important when you have a non-working spouse and children who are entirely dependent on your income. Based on your earnings, and your family’s needs, you can figure out the number of years your family might need financial support in your absence and multiply your yearly income by the number.

Mortgage calculation: Another reason that necessitates the purchase of life insurance is having enough money to securely keep your family in your home. While buying a house, it’s common to sign up for a 20 or 30 years’ mortgage. However, if you die before paying your mortgage loan fully, your life insurance policy should pay off the balance of your mortgage loan.

Churchil Bhatt, executive vice-president, debt investments, Kotak Mahindra Life Insurance, said, “Home loan equated monthly instalments generally leave a large dependency on the borrower’s future income. If you take a large home loan, it is best to take an insurance cover. In the case of existing life insurance, the life cover may be increased to include the loan amount. This way, it will ensure that your family is not burdened with unaffordable debt if something happens to you. The additional cover amount may be adjusted periodically to match the outstanding principal amount of the residual home loan to optimize premium."

Education estimation: For the last step, add up the estimated amount of education cost that would be needed to send your children to college for higher studies. You will need to consider buying life insurance that would cover some or all of their graduations costs. “Aim to have a death benefit that includes fees, room rent and books. So, you should budget a minimum of ₹20 lakh per child for a four-year university education," said Chowdary.

(The writer is Navneet Dubey.)

TOP

Covid claims for life insurers to rise but sector well prepared: Sumit Rai - The Hindu Business Line – 13th July 2021

The number of Covid related claims for life insurers in the second wave of the pandemic is likely to be three to four times of the first wave, believes Sumit Rai, Managing Director and CEO, Edelweiss Tokio Life Insurance.

“Claims have increased significantly but typically they come with a lag,” Rai said, adding that most life insurers had anticipated it and are prepared for it.

“I don’t expect the impact to be very adverse and don’t think it will set the industry back very significantly,” he said in an interaction with *BusinessLine*. The impact of the higher claims will be visible on aspects like term pricing, he added.

Edelweiss Tokio settled 87 Covid related claims amounting to ₹10.3 crore in 2020-21. In the first quarter of this fiscal, it has settled 82 such claims of ₹10.36 crore.

RBI report

According to the Reserve Bank of India’s Financial Stability Report, July 2021, the life insurance industry received 22,205 claims worth ₹1,644.56 crore during 2020-21 where death was due to Covid and related complications, which amounted to 0.3 per cent of total premium income of the year.

“The pandemic did not have a significant impact on death claim settlement rates,” it noted. However, there is concern among analysts that the spike in claims in the second wave could put pressure on the bottomline of insurers in the quarter ended June 30, 2021. Kotak Life Insurance had said it expects to incur a loss of up to ₹275 crore in the quarter ended June 30, 2021 due to increased Covid claims.

Rai is, however, optimistic about the prospects of the life insurance sector and expects the industry will grow by 12 per cent to 15 per cent in the next few years. “This pandemic has given a fillip to life insurance. On a long term basis, industry will continue to do well,” he said.

Edelweiss Tokio expects to grow at a higher rate than the industry. “Our goal is to grow better than the industry at between 15 per cent to 20 per cent over the next two to three years,” he said, adding that the focus will be to be multi-channel. The insurer plans to launch a new term product as well as a guaranteed return product this fiscal.

(The writer is Surabhi.)

TOP

Endowment policies: All you need to know about coverage, premium, and suitability - The Economic Times – 12th July 2021

1. They are a combination of insurance and investment.

2. These policies cover risk of premature death and pay sum assured to beneficiary or pay maturity benefit to life assured where the assured survives the full policy term.

3. Premiums are higher than pure term insurance.

4. Suitable for people with a regular stream of income with capability to pay the premium for entire term and who need a lump sum amount after a certain period of time.

5. Suitable for people with low-risk appetite looking for wealth accumulation with guaranteed return and tax benefit.

TOP

Insurance is essential for MSMEs to grow business, secure future – CNBC - 12th July 2021

The COVID-19 pandemic has had an adverse impact on the entire MSME sector in the country. The lockdowns implemented due to the COVID-19 pandemic affected MSME owners, employers, workers and institutions as they brought their operations to a grinding halt. Many businesses have been facing challenges related to financial liquidity, debt repayments, meeting fixed expenses like rent, wages/salaries and statutory dues, etc.

MSMEs are employment generators, innovators, critical factors in the supply chains of larger enterprises, and important contributors to gross domestic projects. They have been able to provide employment to around 120 million people, contribute to about 38 percent to India's GDP and account for 40 percent and 45 percent towards export and manufacturing output, respectively. While MSMEs are an important aspect of the economic development of the nation, they are highly constrained by lack of availability of adequate financing options. A lack of awareness, coupled with thin margins, makes insurance a low priority and so it is often neglected by MSMEs. As of now, only 5 per cent of MSMEs are covered by insurance. India has 6.33 crore MSMEs, majority of which are micro-enterprises according to IRDAI.

Traditionally, MSMEs owners do not have sufficient awareness of business risk management. It makes them vulnerable to several factors such as theft or acts of God, bad health, loss of income due to reasons beyond their control etc. Entrepreneurs need to understand the risks that accompany the responsibility of playing multiple roles.

As a business owner, they must understand that insurance can make their business resilient to shocks, making it more financially sound. As an Employer, the MSME needs to secure employee welfare and reduce attrition. Another responsibility every business owner has is providing financial security to their family in case of any eventuality. In the uncertain times, we are living in, insurance gives peace of mind to the Business Owner as it gives them hope that the business will stay afloat even in times of adversity.

Insurance companies have the experience and expertise to quantify the probable risk and offer insurance products that help businesses protect against these. Insurance products can be customized to suit the specific industry and business size. Thus, including insurance as a part of long-term business investment is critical for MSMEs. Business owners usually borrow huge sums from financial markets and hence life insurance is a necessity as it safeguards their business in case of uncertainties.

To address this gap, IRDAI is planning to come out with standardised insurance schemes for dwelling units and Covid-hit MSME segment. Additionally, there are several cost-effective and overarching insurance solutions available for them to stay strong with a firm growth cycle. Business owners need to understand their financial gaps to secure their key assets, and Aviva India's SME Assist tool performs a complete need assessment of the modern business owner through a set of 15 questions and gives them an instant customized Financial Needs Report that is emailed directly to them.

The specially curated tool helps them access tailor-made solutions and propositions to meet their unique and diverse needs regarding their vulnerability to different risk aspects. To sum it up, employee benefits, assets & liability, and family protection are key areas where insurance is essential for MSMEs. Most of such businesses do not get quality insurance advice because of their limited scale of business and they find it hard to learn from subject matter experts to help cover their risks appropriately.

Insurance providers must help them understand the significance of insurance in order to safeguard and strengthen their enterprises in a planned and structured manner, to support their families, employees, and business even in difficult circumstances. At the same time, insurers need to simplify the entire customer journey, i.e., evaluating, buying, and claiming the insurance benefits to secure their business and future. Such initiatives will help MSMEs secure their future and help them play an even bigger role in India's economic growth in the days to come.

(The writer is Vinit Kapahi.)

TOP

Saral Jeevan Bima: Features, entry age, cover amount, latest trends – Here's all you need to know - Financial Express - 10th July 2021

The long-running COVID-19 pandemic, which began last year in India and is still ongoing, has taught us all some of the very crucial financial lessons with financial security being the most important learning. In the last 15 months, the demand for insurance products has increased by many folds as people across all age groups are on a scramble to purchase the right insurance products – mostly health and life insurance – for financial protection against any unforeseen circumstances.

Most insurers have also reported a significant year-on-year growth in the indemnity and protection segment. In fact, with the introduction of standardized term and health insurance plans, the insurance penetration rate of the country has received a much-needed boost. As directed by the Insurance Regulatory and Development Authority of India (IRDAI), insurers have launched the standard term life insurance plan – Saral Jeevan Bima and standard health insurance plan – Arogya Sanjeevani. With the introduction of standard insurance products in the market, a new category of customers is emerging where protection cover is meant for all. The major boost is coming from the lower-income group, which has emerged as a new category.

What the Trends Speak

Talking about Saral Jeevan Bima, the plan has made it easier and convenient for people with comparatively less educational background and those falling under low-income profile to get coverage under a pure protection plan. This standard term life insurance plan has a much higher issuance rate for the lower-income segment groups or people with limited educational qualifications in comparison with regular term life insurance plans.

For those who aren't aware of term insurance plans, a term plan covers your life for a large cover amount with a very small premium that you pay (For example, a 25 year old person can get a life cover of Rs 1 crore for 25 years at a premium of around Rs 500 per month). As per the available trends, Saral Jeevan Bima enjoys maximum popularity amongst people who do not have regular income proofs and those who are self-employed.

The average income of people opting for Saral Jeevan Bima is Rs 3 – Rs 3.5 lakh and over 70% of the plans are being bought by people falling under the 31-50 years age group. This is mostly because people in their early 30s and late 40s usually have some of the important expenses to take care of that include paying for children's education and marriage and repaying loans like home and car loans while also simultaneously planning for a safe and secured retirement. Moreover, the share of female buyers for Saral Jeevan Bina is also significantly high in comparison to regular term insurance plans.

Buy Wisely
As the features, as well as the terms and conditions of the Saral Jeevan Bima, are the same across insurers, the key differentiators are the pricing and eligibility. While buying the plan, customers must compare the premium and consider the claim settlement ratio of the insurers. In the insurance industry, the claim settlement ratio is termed as the percentage of insurance claims settled by an insurer out of the total number of claims received.

For instance, if the claim settlement ratio of an insurer is 98%, this means that the insurer has settled 98 death claims out of 100 claims received. The other important factor to consider is the eligibility. Every insurer differs in terms of documents required, education and income slab etc. It is important to compare and understand which plan will the customer be eligible for in order to avoid rejection post going through the entire process.

The introduction of Saral Jeevan Bima is being seen as a revolutionary move in the life insurance industry as it will bring maximum people under the insurance umbrella and mostly those falling under lower income group. The minimum and maximum entry age for Saral Jeevan Bima plan is 18 years and 65 years, respectively, with the policy term ranging between 5 and 40 years. The maximum age up to which a person can be covered is 70 years. Coming to the life cover amount, the minimum cover amount that customers can opt for under the Saral Jeevan Bima policy is a minimum of Rs 5 lakh while the maximum cover amount currently available from most of the insurers is Rs 25 lakh.

(The writer is Sajja Praveen Chowdary.)

TOP

Life insurers' new premium income up nearly 7% in Q1 - The Economic Times – 10th July 2021

The new premium income of life insurance companies rose nearly 7% to ₹52,725 crore in the June quarter this year, data from Irdai showed. For the month of June, the increase in new premium was around 4%. IPO-bound Life Insurance Corporation of India (LIC) reported a 2.54% fall in new premium income in the June quarter, at ₹35,600 crore. For the period of June, LIC's premium fell 4.14% to ₹21,796 crore.

According to experts, a heightened demand for term covers, especially at private-sector life companies, have contributed to the rise in first-year premium for the sector even as LIC's business continued to remain subdued in the quarter even on a lower base. For the remaining 23 private sector life insurers, the new premium in June jumped about 34% to ₹8,213.20 crore as against ₹6,131.84 crore in the year-ago period. All 24 life insurance companies had collected the first-year or the new business premium income worth ₹30,009 crore in June of 2021.

TOP

GENERAL INSURANCE

Bill for higher deposit cover to be introduced in Monsoon Session - The Hindu Business Line – 13th July 2021

The government has listed a Bill for the Monsoon Session of Parliament to enable deposit insurance cover of ₹5 lakh. However, it has not included a Bill to ban private crypto currencies. It has prepared a list of 17 new Bills to be introduced during the session. This includes a Bill to amend the Deposit Insurance and Credit Guarantee Corporation Act (DIGCS), the Limited Liability Partnership Act, the Electricity Act, and the Coal Bearing Areas (Acquisition and Development), among others. The list also includes a Bill to amend the Insolvency & Bankruptcy Code. According to the Lok Sabha bulletin, one of 17 new Bills is the 'Deposit Insurance and Credit Guarantee Corporation (Amendment) Bill, 2021.' The purpose of this Bill is to enable easy and time-bound access for depositors to their hard-earned money and to further instill confidence in them about the safety of their money. "The objective is to enable access by depositors to their savings through deposit insurance in a time-bound manner in case there is suspension of banking business of the insured bank under various provisions of the Banking Regulation Act, 1949," said the bulletin.

Finance Minister Nirmala Sitharaman had said that last year the government had approved an increase in the Deposit Insurance cover from ₹1 lakh to ₹5 lakh for bank customers. She also said that amendments to the DICGC Act aims to streamline the provisions so that if a bank is temporarily unable to fulfil its obligations, the depositors of such a bank can get easy and time-bound access to their deposits to the extent of the deposit insurance cover. Another important legislature is the Coal Bearing Areas (Acquisition and Development) Amendment Bill, 2021. It has three objectives – make provisions for leasing of land and coal mining rights vested under the CBA Act to any company (including private sector company), which has become a successful bidder in the auction of coal blocks conducted under the MMDR Act or the CMSP Act; land acquired under the Act shall be utilised for coal mining operations and allied or ancillary activities as may be prescribed by Central government; and to make provisions for acquisition of lignite bearing areas under the CBA Act. Amendment in Limited Liability Partnership Act, 2008 aims to decriminalise 12 compoundable offences, which deal with procedural and technical violations; omission of two provisions is also proposed. A Bill to amend Electricity Act will entail de-licensing of the distribution business and bring in competition.

(The writer is Shishir Sinha.)

[TOP]

Can a company provide insurance policy its shareholders? – Live Mint – 12th July 2021

Deepak Nitrite, the company that manufactures chemical intermediates to serve the domestic and international market, offers an investors' welfare scheme to its shareholders. It is a personal accident insurance policy that covers the risk of death and permanent (total/partial) disablement sustained due to an accident by a shareholder of the company.

Policy coverage

The policy covers death and permanent (total/partial) disablement. Here, the permanent total disablement means losing sight of both the eyes or of actual loss by physical separation of the two entire hands or two entire feet. Similarly, permanent partial disablement means losing sight of one eye or of actual loss by physical separation of one full hand or one entire foot.

Any shareholders whose age is between 18 and 65 years will get the coverage. Further, the sum insured is offered according to the number of equity shares held. For instance, those holding up to 1,500 equity shares will get the sum insured of ₹40,000. If a shareholder holds equity shares between 1,501 and 5,000, he gets a sum insured of ₹60,000. For those holding equity shares above 5,000, the sum insured is ₹80,000. This means that if you hold shares of ₹29.25 lakh, that is, 1,500 shares that are currently trading at ₹1,950, you get a personal accidental coverage of just ₹40,000.

If you hold shares for ₹97.5 lakh, that is, 5,001 shares currently trading at ₹1,950, you get a personal accidental coverage of just ₹80,000. By contrast, if a 30-year-old had purchased a personal accident cover from a private insurer for a sum insured of ₹1.5 lakh, he would just have to pay a premium of about ₹380 annually.

"This is a curious case where various laws of two regulators, the Insurance Regulatory and Development Authority of India (Irdai) and the Securities and Exchange Board of India (Sebi), are at interplay. Generally, insurance premium or sum insured cannot be calculated in the form of listed equity shares. The purposes of insurance and investment are also distinct. In the past, Sebi and Irdai went on war on a fundamental issue whether unit-linked insurance policies were insurance products or securities.

TOP

HEALTH INSURANCE

Buying an Rs 5 lakh health insurance plan? Check premiums for 20 policies - Financial Express – 15th July 2021

Having adequate health insurance protection in place should be on top of everyone's agenda, especially in these times of the pandemic when its third wave is imminent. A comprehensive health insurance cover would safeguard your family's finances in case one or multiple members require hospital treatment in a policy year amid skyrocketing medical costs.

While the meaning of 'adequate' may depend on your actual medical insurance requirements, you'll be well-advised to have an individual or family floater policy with a sum insured of at least Rs 5 lakh to Rs10 lakh, especially if you live in an urban area. Also, depending solely on your employer-provided group health plan might be risky as that would be of no help if you discontinue your employment with your current employer. Health insurance premiums increase as the insureds get older – as such, you might want to purchase them on priority if you haven't done so already.

Policy name	Indicative annual premiums*
United India	INR 5,581
New India - Mediclaim Policy	INR 6,044
SBI General	INR 6,088
Tata-AIG - Medi Care protect	INR 6,347
Aditya Birla - Activ Assure Diamond	INR 6,371
Universal Sompo – Individual - Essential	INR 6,393
Max Bupa - Health Companion- Individual	INR 6,542
Royal Sundaram – Individual - Supreme	INR 6,558
Care Health Insurance - Care Basic	INR 6,620
Future Generali - Health Total	INR 6,738
Manipal Cigna - Pro Health Protect**	INR 6,747
Oriental - Individual Mediclaim Policy	INR 6,899
Star Health - Medi Classic - Individual	INR 7,074
ICICI Lombard - iHealth	INR 7,119
Reliance General - Reliance Health Wise	INR 7,348
Liberty General - Individual Health - Basic	INR 7,448
HDFC ERGO - Health Suraksha	INR 7,642
Cholamandalam MS - Healthline	INR 8,031
IFFCO -Tokio - Individual Health Protector	INR 8,407
Bajaj Allianz - Health Guard	INR 9,977

But before buying an independent medical insurance policy, ensure you compare your options carefully to find a plan that best meets your requirements. Do check for policy features, add-on benefits and riders like pre and post-hospitalisation cover, critical illness protection, list of network hospitals, exclusions, sub-limits, waiting periods for pre-existing conditions, no claim bonus facility, ambulance cover, etc, according to Bank Bazaar.

Keep in mind some of the benefits could be available on an add-on basis depending on the terms and conditions of your chosen insurer. So, you'll be well-advised to go for them even if that translates to slightly higher premium obligations based on your requirements. However, premium cost shouldn't be the only criterion while selecting a health insurance policy. You should also focus on things like the insurer's claim settlement track record, ease of claim processing, etc. while choosing a particular plan.

To help you in making informed decisions, here are the indicative premiums for Rs 5 lakh individual health insurance policies currently being offered by 20 leading insurers in the country. Do note, all the premiums have been calculated for a 30-year-old married individual residing in Bengaluru, and the premiums applicable to you could be different depending on your age, gender, place of residence, pre-existing conditions, cover size and features of the policy or any other terms and condition of your chosen insurer.

*Disclaimer: Data pertains to individual health insurance cover of Rs 5 lakh by 20 insures collected on July 13, 2021. *All annual indicative premiums calculated for a 30-year-old (married) individual residing in Bengaluru. Data is indicative and actual premium and information may vary from the data mentioned in the table. **Sum Insured = Rs 5.5 lakh.*

(The writer is Sanjeev Sinha.)

TOP

Is health insurance claim amount taxable? – Live Mint – 14th July 2021

Radhika Agarwal, 50, was diagnosed with a critical illness last year, and fortunately was covered under a critical illness insurance policy. Hence, she received the claim amount as per the health insurance policy. But now she is wondering whether the amount she received is subject to tax.

Archit Gupta, Founder and CEO, Clear, said, "Money received through a claim under a medical policy is only the reimbursement of expenses already incurred by the insured. The health insurance company does not credit any amount in excess of expenditure incurred towards hospitalisation and medical treatment. As such a transaction does not amount to income or profit for the insured person, the money received in the bank account is hence not taxable."

Concurring, Aarti Raote, partner, Deloitte India, said currently there is a no provision in the Income Tax Act regarding taxation of health insurance amounts received by an individual as claim settlement. "Insurance companies provide a cashless option to the insured individuals where the hospitalisation expenses are settled directly by the insurance company. Alternatively, suppose the cashless option does not work, in that case, the amount is reimbursed to the insured individual against a claim supported by proof of expenses incurred, including the prescription, hospital invoices, receipts, etc. Thus one may view this as an obligation of the insurance company in the first place, which needs to be paid by it on account of the premiums paid by the individual. These are nothing but reimbursement of personal expenses. There is no benefit derived or income earned by the insured person but a mere reimbursement of the medical costs incurred. Hence the prevalent view is that these should not be treated as taxable in the hands of individual," Raote said.

Also, amount paid as health insurance premium is allowed for deduction under section 80D of the Income Tax Act, provided payment is made by any mode other can cash.

"In case of an individual, ₹25,000 for himself and his family. The limit is Rs50,000 if she is a senior citizen (age more than 60 years). An additional deduction for insurance of either of the parents is available to the extent of Rs25,000 if age less than 60 years and Rs50,000 if parents are senior citizens. For uninsured senior citizens, medical expenditure incurred up to Rs50,000 shall be allowed. A deduction of ₹5000 will be allowed under this section for payment of preventive health check-ups. This deduction is included in the above deduction," said Gupta.

(The writer is Navneet Dubey.)

TOP

Buying health insurance? Here are the most common exclusions you should know - Financial Express – 13th July 2021

A large number of covid related claims were made following the rise of Covid cases during the second wave. As on May 5, 2021, about 47.8K covid claims were repudiated while about 187.8K claims were still under review, according to the data published by the General Insurance Council. These health insurance claims were primarily rejected for lack of proper documentation, waiting period and exclusions.

Dhirendra Mahyavanshi, Co-Founder, Turtle mint (An Insurtech Company) says that after the IRDAI's guidelines about proper scrutiny of covid claims before rejection, insurers have become way more inclusive in recent times.

"New and improved features like coverage for mental disorders, robotic and advanced surgeries, the inclusion of telemedicine, etc. have expanded the scope of health insurance plans and made them popular. However, the waiting periods and exclusions still form an important part of any health plan. Even with standardized exclusion norms, there is a lot that an insured needs to be aware of before purchasing the plan," Mahyavanshi told FE Online while explaining the most common health insurance exclusions every insured person should know. Take a look:

Pre-existing illness exclusion during the waiting period
The Turtlemint Co-Founder said that if you are suffering from any medical condition, like diabetes, hypertension and the like, such condition would be called a pre-existing condition. "Complications arising out of such pre-existing conditions would not be covered during a waiting period specified under the policy. The period ranges from 12 months to 48 months. Once the period is over, you can avail of coverage for your pre-existing conditions."

Standard waiting period
Besides the waiting period for pre-existing conditions, there are other waiting periods too during which specified coverage is not available. These periods include the following:

Initial waiting period: Mahyavanshi said this is also called a cooling-off period from the date of buying the policy. Illnesses incurred during this period are not covered. However, accidental injuries would be covered during this period which usually lasts for 30 days.

Specific waiting period: Illnesses and treatments like hernia, fistula, tonsillectomy, cataract, joint replacement surgeries, etc. are not covered in the first one or two years of the policy.

Maternity waiting period: If the plan allows maternity coverage, there would be a waiting period within which the coverage would not be available. The period ranges from 9 months to 48 months.

Cosmetic treatments: Cosmetic surgeries are not medically necessary, except when they become important for treating an accidental injury. Such, non-necessary cosmetic treatments are, therefore, excluded from the scope of coverage. Moreover, even circumcision and gender-change treatments are excluded from coverage.

Unscientific treatments: If you avail of unproven, experimental or unscientific treatments, the cost of such treatments would not be covered under your health insurance plan. Clinical trials are the most common examples of this instance and if you avail treatments under such trials, where the line of treatment is not commonly accepted by medical professionals, you would have to bear the medical costs.

Self-harm: Injuries or illnesses suffered due to self-harm attempted suicide, deliberate actions of the insured or self-inflicted injuries are not covered under the policy. This is because health plans are meant to cover uncertain medical emergencies over which you have no control. If you do control the occurrence of medical contingencies, such contingencies would be excluded from coverage.

Participation in hazardous activities, criminal acts and injuries suffered due to alcohol or drug abuse are also excluded from coverage.

War and allied perils: Medical injuries suffered when the country is at war, or if there is a mutiny, rebellion or civil unrest, would not be covered. Illnesses and injuries due to radiation or chemical ionisation are also not covered.

Investigation and evaluation costs: The medical costs incurred on investigative tests are covered provided they are incurred in relation to the treatment for which you have been hospitalised. However, if the tests are not related to the treatment for which you are making a claim, their costs would not be covered. Moreover, if you are hospitalised only for the purpose of undergoing investigative or evaluative tests, the cost of such hospitalisation and such tests would not be covered.

Dietary supplements: The costs incurred on buying vitamins, minerals and other dietary supplements are not covered under the policy.

Cost of consumables and non-payable items: Consumables are one-time use objects which are used in the course of treatments. For example, cotton, bandages, syringes, face masks, sanitisers, etc. constitute consumables.

Such consumables are not covered under health insurance plans and their costs would be your out of pocket expenses. Similarly, the regulator has specified a list of non-payable items under health insurance. The cost of items contained in such a list is also not covered. "However, modern-day health plans are allowing add-ons that allow you to seek coverage for these non-payable items and consumables.

3 conditions to get health insurance claim
According to Mahyavanshi, a health insurance claim would be admitted only if all the 3 conditions are fulfilled, such as doctor's advice of hospitalisation, standard protocol for treatment and an active line of treatment has been administered. "If all these 3 clauses are fulfilled and there are no exclusion or documentation concerns, there are no reasons for claim to be repudiated. However, when buying a health insurance plan, read the fine print. Go through the list of coverage exclusions to know exactly what is covered by the plan and what isn't," he suggested.

(The writer is Rajeev Kumar.)

TOP

MOTOR INSURANCE

Don't let go of your no-claim bonus – The Hindu – 11th July 2021

When you transfer your vehicle insurance to the buyer, you get to keep the best part of it for yourself — your no-claim bonus (NCB). This is the accumulated reward for your claim-free record. This can go up to 40% and you get to encash it at renewal as a discount on your Own Damage premium. When you sell your car, the NCB stays with you as it is attached to you, and not the vehicle. But it is not automatic. You have to make a request in writing and get a letter confirming it.

When you write to your insurance company stating you have sold your car and they may transfer your insurance policy to the buyer, write another letter asking that your NCB be retained with you. They will write back confirming the percentage of your NCB. When you buy another car, you can give this letter to the insurance company and request that the NCB discount be applied to the premium. This works in practice only if your old and new insurer are the same. The good news though is that it applies even if your NCB was earned on a smaller car and the new car is a pricey one, with a heftier premium!

TOP

Your car insurance policy may not be sufficient during Monsoon time – Here's why - Financial Express – 10th July 2021

Even though monsoon is one of the eagerly-awaited seasons in India that gives us relief from the summer heat, it comes with its own set of challenges. For instance, heavy rainfall areas i.e., flood-prone areas, witness enormous losses during monsoon seasons and people also face various challenges when it comes to driving their own vehicle.

Parthanil Ghosh, President, Motor Business, HDFC ERGO General Insurance, says, "The root cause why a majority of car owner's end up spending a significant proportion of finances is lack of awareness and delays in taking precautionary measures."

He further adds, "Though as per government mandate, every vehicle owner should have a valid insurance policy, still, more than 50 per cent of the vehicles do not have insurance and in time of contingencies, these vehicle owners tend to spend out of their pocket for repairs and damages."

Therefore, experts say, to avoid such situations, it is imperative to buy comprehensive motor insurance along with all relevant add-ons and regularly renew the same to avoid any kind of financial losses for your vehicle.

Here are some of the important add-ons to look at to stay safe during the monsoons;
Engine and gearbox protection cover – Driving vehicles in a waterlogged situation might cause water to enter the engine, damaging the engine, battery and gearbox. Repairs and replacement costs for the engine are usually expensive. This add-on package will offer protection against expenses that are incurred on repairs and replacement of parts.

Consumables cover – Irreparable damage could be caused to the vehicle due to the accumulated moisture during the monsoon. This add-on covers repairs and replacement of most consumables like oil, nuts, bolts, screws, washers among others.

Roadside Assistance Service (RSA) cover – Experts says this is one of the most vital and needed add-on cover during current times.

Ghosh adds, "With the pandemic stranding our vehicles, car batteries may have run out of charge. This cover offers emergency vehicle service to policyholders, on-road or even if the car is parked in the garage at home."

The following services can be availed under this cover-

Mechanic on the spot – A mechanic is sent to the spot where the policyholder's vehicle is stranded to help with the necessary repairs
Towing service – If necessary, the insurance company will arrange for a towing van to tow the policyholder's vehicle to the nearest garage.
Battery breakdown– In case the car battery fails due to weather conditions, a technician is sent to jumpstart the policyholder's vehicle.
Replacing a flat tyre – The policyholder needs to contact the insurer, if they have a flat tyre or in case it may have gone bald, to solve the problem on the spot.
Spare key – In case of misplacing or having left the key inside the car, the policyholder can ask the insurer will arrange for a spare set of keys from his/her residence
Return to Invoice – In case of a total loss or theft, the Return to Invoice add-on cover pays the insured back the original purchase value (i.e. the on-road price) of the car. Ghosh says, "Unlike the Insured Declared Value (IDV) based policy coverage, this cover bridges the gap between the depreciated value

(IDV) and the invoice value of the car along with the registration fees and other applicable taxes. This is an important cover, especially in regions that are prone to natural calamities such as floods, which may lead to total loss of the vehicle."

Experts also advise vehicle owners to insure their vehicles with these two specific add-on covers – Zero-depreciation cover – This add-on cover ensures that the policyholder receives compensation in case of an accident or a breakdown, basis the value insured while purchasing the vehicle or insurance. Here, the depreciation amount of the vehicle is not considered.

No Claim Bonus Protection – In monsoons, a vehicle owner usually applies for claims such as minor damages such as a broken bumper or rear-view mirror damage due to heavy winds or rain. Therefore, a No-claim bonus add-on ensures that a customer gets the claim even in case of any claims made during the previous year.

Ghosh adds, "Natural disasters/calamities are beyond the control of human beings and these calamities often occur when we least expect them. One cannot forecast nor control such hazards, therefore, the practical way out of such situations is to be prepared." Hence, take necessary precautions to stay financially protected and periodically renew your motor insurance policy.

(The writer is Priyadarshini Maji.)

TOP

SURVEY & REPORTS

India's insurance penetration sees marginal improvement in FY21, shows Swiss Re data – Money control – 14th July 2021

There was a marginal improvement in India's insurance penetration in FY21, showed latest data from Swiss Re sigma report.

Insurance penetration (premiums as a percentage of gross domestic product) stood at 4.2 percent in FY21 compared to 3.76 percent a year ago, as per the Swiss Re sigma world insurance report.

Top 20 global insurance markets by premium volume in 2020

Rank 2020		Country	Total premium volume (USD bn) 2020	2019	% change	Global market share 2020	2019
1	=	US	2530570	2485326	1.8%	40.3%	39.5%
2	=	China	655874	617399	6.2%	10.4%	9.8%
3	=	Japan	414805	427580	–3.0%	6.6%	6.8%
4	=	United Kingdom	338321	364352	–7.1%	5.4%	5.8%
5	▲	Germany	258566	249207	3.8%	4.1%	4.0%
6	▼	France	231347	260457	–11.2%	3.7%	4.1%
7	=	South Korea	193709	179018	8.2%	3.1%	2.8%
8	=	Italy	161973	167881	–3.5%	2.6%	2.7%
9	=	Canada	143468	134839	6.4%	2.3%	2.1%
10	=	Taiwan	113304	117823	–3.8%	1.8%	1.9%
11	=	India	107993	107893	0.1%	1.7%	1.7%
12	=	Netherlands	87529	84179	4.0%	1.4%	1.3%
13	▲	Hong Kong	73131	70696	3.4%	1.2%	1.1%
14	=	Spain	66323	70982	–6.6%	1.1%	1.1%
15	▲	Australia	62840	68688	–8.5%	1.0%	1.1%
16	▲	Switzerland	62669	58868	6.5%	1.0%	0.9%
17	▲	Ireland	58089	58645	–0.9%	0.9%	0.9%
18	▼	Brazil	57623	73388	–21.5%	0.9%	1.2%
19	▲	Belgium	41236	41372	–0.3%	0.7%	0.7%
20	▲	Sweden	40939	38026	7.7%	0.7%	0.6%

Note: arrows indicate change in ranking relative to 2019; = signifies no change
Source: Swiss Re Institute

Life insurance penetration was 3.2 percent while non-life touched the magic figure of 1 percent in FY21. A year ago, it was 2.82 percent for life and 0.94 percent for non-life.

The world average for insurance penetration was 7.4 percent. Here, life penetration was 3.3 percent and non-life was 4.1 percent for FY21.

Insurance density which is premium per capita stood at USD 78 for FY21. The world average was $809 for insurance density during that period.

Swiss Re conducted surveys in key Asia Pacific markets in 2020 and 2021 to better understand how the pandemic experience has changed consumer behaviour. The latest survey in 2021 finds that many respondents feel under-insured, despite most owning medical and life insurance. About 30–40 percent of the respondents purchased additional life and health insurance during the crisis, and 25-50 percent still intend to purchase new policies. The intent was higher in emerging Asia (56 percent), particularly India, Vietnam and China (~70 percent) versus advanced Asia (with an average of 20 percent).

COVID-19 led impact

The Swiss re sigma report said that the world economy will bounce back more strongly in 2021 as COVID-19 vaccines allow economies to reopen. "Unprecedented fiscal stimulus, including direct transfers to households and businesses, is boosting GDP growth, but also firming the inflation environment. Insurance demand is benefiting from this growth momentum, but inflation brings growing concerns," the report said. After contracting 3.7 percent in 2020, we forecast the global economy to grow 5.8 percent in 2021, the report added. Swiss Re sigma said that two factors are causing countries' recoveries to diverge, access to vaccines, which is enabling economies to reopen faster; and the extent of fiscal support. The sigma report also said that the new developments in the pandemic could still slow global growth momentum.

"There is considerable uncertainty about whether countries' vaccination rates will be sufficient to stop virus spread as new variants emerge. The Delta variant, first identified in India, is the most transmissible so far and now reported in more than 80 countries worldwide," it added. Going forward, Swiss Re sigma said that the robustness of individual countries' immediate recoveries will set the tone of growth for the rest of the decade, highlighting policymakers' limited room for error.

TOP

Star Health Study reveals reduction in mortality, ICU stay and treatment cost among vaccinated patients - Financial Express – 13th July 2021

A study on the impact of vaccination among Covid-19 patients by Star Health and Allied Insurance, one of the leading standalone health Insurance companies in India, has unveiled the significant impacts of vaccination among individuals of 45 years and above.

The study has concluded that there was a marked reduction in the total hospitalization expenses by approximately 24%, the average length of stay (ALOS) by a mean of 2.1 days, ICU requirement by 66% and a reduction of approximately 81% in mortality among patients who had completed two doses of vaccination.

The study was conducted during the second wave (March & April 2021) and considered a sample size of 3,820 hospitalized patients from across India who were 45 years and above. The cohort study revealed that the average cost of hospitalization of the unvaccinated group was Rs.2.77 lakh while the vaccinated group recorded an average cost of Rs.2.1 lakh. The reduction is cost was due to factors like reduced need of ICU requirement and reduction in the length of hospital stay from an average of 7 days among unvaccinated to an average of 4.9 days for the vaccinated group.

Speaking on the study, Dr. S Prakash, Managing Director, Star Health and Allied Insurance said, “The beginning of 2021 saw a breakthrough in vaccine discovery against COVID-19 making it the fastest vaccine discovery till date. Our aim was to measure and understand in exact terms the impact of Covid-19 vaccination in patients who contracted the illness 14 days after the second dose versus unvaccinated patients, thus making it a unique research in its own right.“

In the wake of COVID-19, most of the studies conducted so far have reported an impact of vaccination among the common public while Star Health Insurance’s cohort study gives exclusivity to patients diagnosed with COVID-19. The main purpose of this study has not only been to understand the medical benefit but also financial implications. Dr. Madhumathi Ramakrishnan, Joint Vice President Star Health and Allied Insurance said, "Our study covered pan India data of the patients affected by COVID-19. The aim was to assess the medical and financial implications of vaccination. Our study concluded that, the ones who had taken the vaccination had a clear advantage over the non-vaccinated as we witnessed a significant difference in parameters like hospital stay, cost of treatment and death due to infection."

The cohort study surveyed customers of Star Health and Allied Insurance Company who were admitted for Covid-19 treatment in 1,104 hospitals across the country and found that the ALOS, need for ICU and reduction in costs also holds true for patients with comorbidities as well. While the need for ICU for patients with comorbidities fell from a whopping 9.4% to 5% amongst those vaccinated, the treatment cost also reduced by nearly 15%. "However, the study also revealed that over 57% of patients among the unvaccinated group were hesitant to take the vaccine due to fear, ignorance or more worryingly, social factors and disinterest! There is an urgent need to address this and we hope that through this study we will be able to highlight the benefits of the vaccine, educate and motivate the public to get vaccinated soon," added Dr. Prakash.

Conducted and concluded during the early stages of vaccination drive, the study noted that nearly 86% amongst those surveyed had not taken the vaccination and amongst these 43% did not have any valid reason for not taking the jab. Star Health believes that the only way to mitigate a third wave is to increase vaccination among the population, host active demystification programs and campaigns through community engagement to reach rural and urban population alike.

(The writer is Sunil Dhawan.)

TOP

PENSION

How your NPS Tier II account withdrawals are taxed – Live Mint – 11th July 2021

National Pension System (NPS) has two type of accounts: Tier I and Tier II. Tier I account is the main account and is mandatory whereas opening of Tier II account is optional. Tier II account is like a saving bank account where you can deposit and withdraws money as and when you want. One can transfer money anytime from Tier II account to Tier I account and not vice versa. All subscribers are eligible for tax benefits for contributions made to Tier I account but tax benefits for Tier II account contributions are available only to central government employees with three years lock-in period. Since there are no specific provisions for taxation of withdrawals from Tier II account under the law, I thought I will try to explain how such withdrawals should be taxed logically?

Are the withdrawals from Tier II account taxable?
As per Section 10 (12A) of Income Tax Act, 60% of the amount withdrawn on closure or at the time of opting out from the account referred to in Section 80 CCD are tax-free in the hands of the subscriber. Likewise, at the time of partial withdrawals 25% of subscriber's contribution, from the account referred to in Section 80 CCD comes tax-free as per Section 10 (12B). Section 80 CCD implied refers only to Tier I account because deduction under this section is available only for contribution to Tier I account and not for contributions made to Tier II account for which deduction is available under Section 80C(2)(xxv).

There is no specific and direct provision for taxation of withdrawal from Tier II account under the Income Tax Act. If tax law does not have any specific provisions for taxation of an item, it does not by default becomes tax-free or taxable. In such a situation one has to apply the logic and take help of other provisions of the same law. The full value of the money withdrawn from Tier II account cannot be taxed as the law makers would not have contemplated taxing something at the time of withdrawal if no tax benefit has ever been claimed when the money was deposited. But this does not mean that the entire amount withdrawn would come tax free. The withdrawals from Tier II account are like regular withdrawals from your saving bank account, which are not taxed except to the extent of interest earned.

For arriving at the logical rules for taxation of Tier II account withdrawals I take support from provisions of Section 80CCC. Section 80CCC (1) provides for deduction of premium paid to buy an annuity. Section 80 CCC (2) provides for taxing of surrender value of such policy which restricts the taxability to the extent to which the tax benefits under Section 80 CCC(1) have been claimed by the individual and not beyond that except the accretion to the investment. The same logic has to be applied here.

How the withdrawals should logically be taxed

Due to the reasons explained above I am of the strong opinion that whole of the money withdrawn from Tier II account cannot be taxed by any stretch of imagination. What can and should logically be taxed is the appreciation, if any in the value of investments as comprised in the withdrawals.

Since the investment made in Tier II account does not carry any fixed rate of return like fixed deposits or bonds or debenture, the appreciation in the value of investments cannot be taxed under the head "Income from other sources". As a subscriber is allotted units for his investments in different categories of funds like of equity, corporate bonds and government securities at their Net Asset Value (NAV) at the time of investment, it is logical to treat contribution to tier II account as investments and treat any profits thereon as capital gains. Since investment in NPS can neither be called listed equity shares nor can be treated as units of equity mutual funds, it shall become long term only if the units are sold after 36 months. Since Securities Transactions Tax (STT) is not paid at the time of redemption, the same cannot be taxed as equity oriented schemes under Section 112A even in respect of the equity component.

It shall be taxed at flat of 20% after indexation if held for more than 36 months. If the units are redeemed within 36 months, the profits on redemption is to be treated as short term capital gains and to be included in your regular income which will get taxed at the slab rate applicable to your total income. The difference between NAV of purchase and redemption has to be multiplied by the number of the units used for redemption to arrive at the profit on realised on redemption of specific transaction. Please note that whatever I have mentioned is not the exact legal position in absence of specific and direct provision in the Income Tax Act but is purely my opinion arrived at with the help of common sense and logic. In view of the confusion surrounding tax on withdrawal for Tier II account, it is the duty of the government to make the legal position clear as early as possible. This will help many people to take the decision to avail the benefit of low cost investment avenue of Tier II account.

(The writer is Balwant Jain.)

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IRDAI CIRCULARS

Topic	***Reference***
List of Valid Insurance Brokers as on 15th Jul 2021	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo2120&flag=1
LIST OF INSURANCE WEB AGGREGATORS (as on 20th June 2021)	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo2337&flag=1
Gross premium underwritten by non-life insurers within India (segment wise) : For the month / upto the Month Of June, 2021 (Provisional & Unaudited)	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4526&flag=1

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GLOBAL NEWS

Bangladesh: Insurers await imminent introduction of bancassurance – Asia Insurance Review

Bancassurance is in the final stage of being introduced in Bangladesh, awaiting a government order allowing this distribution of channel. The Insurance Development and Regulatory Authority (IDRA), the regulator of 78 insurance companies in Bangladesh, sent its opinions on bancassurance operations to the Financial Institutions Division (FID) under the Ministry of Finance in June, reported The Financial Express.

Earlier, the Bangladesh Bank (BB), which is the central bank, formed a high-powered committee and prepared a technical report on the issue. The IDRA gave its opinions on the central bank's technical report. Sector insiders told The Financial Express that they now need a government order to introduce bancassurance in Bangladesh.

"The FID now needs to be instructed to allow it," said Istiaque Mahmud, head of bancassurance at Guardian Life Insurance who is also a member of the BB-constituted committee. He said that with positive comments made by the IDRA, there is no major hurdle to introduce bancassurance in the country. The IDRA report said bancassurance would help raise the insurance penetration rate in the country, which is now less than 1%. The report noted that both India and Nepal had introduced bancassurance much earlier and obtained a good response from bank clients. The report added that after approval from the Ministry of Finance, the IDRA will formulate a policy on the matter for insurers.

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