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QUOTE OF THE WEEK

"Success is where preparation & opportunity meet."

Bobby Unser

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Umbrella Insurance Policy

An umbrella insurance policy is extra liability insurance coverage that goes beyond the limits of the insured's homeowners, auto, or watercraft insurance. It provides an additional layer of security to those who are at risk of being sued for damages to other people's property or injuries caused to others in an accident. It also protects against libel, vandalism, slander, and invasion of privacy.

KEY TAKEAWAYS

- An umbrella insurance policy is a type of personal liability coverage that goes above and beyond the amount that regular home or vehicle insurance offers.
- To own umbrella insurance, you must own standard homeowners, auto, or watercraft policy first; the umbrella policy kicks in after the regular coverage has been exhausted.
- Candidates for umbrella insurance include people who possess considerable assets or potentially hazardous things, or who engage in activities that could increase their risk of being sued.

INSURANCE INDUSTRY

Insurance Bill may not be introduced in budget session - The Economic Times – 27th January 2023

The government is likely to put on hold the Insurance Laws (Amendment) Bill, 2022, following demands from the industry for major changes, including dropping the composite licence provision, which allows insurers to undertake general and health insurance via a single entity. The bill was expected to be introduced in the upcoming budget session. The finance ministry last November invited comments on the proposed amendments to the Insurance Act, 1938, and the Insurance Regulatory and Development Authority Act, 1999. The General Insurance Council, a grouping of non-life insurers, has opposed the composite licence, warning that letting companies enter any segment will result in chaos and fragmentation of existing markets, an industry executive said. “The council has argued that this will harm the interests of the existing policyholders inboth life and non-life segments and that merging too many businesses might lead to issues in customer service and a lack of specialisation,” he said. India has 24 general insurance companies, apart from some standalone health insurers. In the first nine months of FY23, total non-life premiums were up 16.2 percent to Rs 1.87 lakh crore. Other industry stakeholders have sought clarification on the proposed amendments to Section 7A of the Insurance Act, which states that an “Indian insurance company” means an insurer that is a company, formed and registered under the Companies Act, 2013, as a public company.

“We have sought clarity that these proposed changes will mean that the existing foreign investment limit of 74 percent will be done away with,” said another executive aware of developments. A government official said that the suggestions are being examined and that an announcement can be made in the budget while the actual bill may be introduced later. “We will try to bring it in the first half of this (calendar) year,” he said. The bill also proposed to remove the Rs 100 crore minimum paid-up equity capital requirement for life, general and health insurance businesses, as part of a significant revamp of the country's insurance framework. Inviting comments on the proposed amendments, the finance ministry had said the aim of the amendments was to enhance insurance industry efficiencies, operational as well as financial, and enable ease of doing business. "The proposal includes various measures such as opening up registration to various classes, sub-classes, and types of insurers with appropriate minimum capital requirements as specified by (sector regulator) IRDAI," it had said. This is being done in view of the changing needs of the insurance sector, the ministry had said. A review of the legislative framework governing the sector had been made in consultation with the Insurance Regulatory and Development Authority of India (IRDAI) and the industry, it said. "A number of suggestions have been received to enhance insurance penetration, improve efficiency, and enable product innovation and diversification," it had said.

(The writer is Dheeraj Tiwari.)

[TOP]

Budget 2023: Insurance leaders seek parity with NPS, higher tax exemptions for consumers - The Economic Times – 27th January 2023

At an ETBFSI panel discussion on 'What insurance leaders expect from the Budget? heads of general and life insurance companies, hope that the upcoming Budget would bring relief to them on the taxation front and put the industry at par with the National Pension System (NPS).

Sharad Mathur, MD & CEO, Universal Sompo General Insurance
There is a need to protect MSMEs from industrial professional and commercial risks which could be done by incentivising for covering such risks through insurance. In the last ten years not a single life insurance licence has been issued as no one has come forward for it. The life insurance contract is a long-term contract and the profitability is not quick. The government can play a role till such time there is awareness of buying health insurance and give relaxation by increasing reductions.

The cost of living is increasing rapidly and the returns which banks offer to their depositors barely cover the inflation rate so investors see pension and annuity products to protect their future or retirement requirements. If such products continue to be taxable in the hands of the investors, it is likely to take away the major chunk of the proceeds so the government should consider making pension and annuity products tax-free.

Shyamsundar Baliga, CEO, Kotak Pension Fund
The EPFO registration which is mandatory for companies with more than 20 employees can be made more flexible by allowing a choice between EPFO and NPS. The government, the regulator and the industry need to increase the outreach to employers as well as employees and the public in general to increase the awareness of pension products. Pension as a product or a service should get a common platform across industries so whether it is offered by PFRDA, a regulated entity or an insurance company it should be at par in terms of tax treatment.

Vighnesh Shahane, MD & CEO, Ageas Federal Life Insurance
The insurance sector funds infrastructure growth, and to kickstart the economy and generate employment, which is the need of the hour, the sector will play a very important role. The bucket of 80CCC is very cluttered it's got EPF, PF, interest on housing loans and nationalised deposits. Section 80CCC should be decluttered to some extent and the limit increased as big chunk gets taken up by uh the PF contributions, especially for salary individuals. The government can carve out a separate section for life insurance. Since there's a huge protection gap which has been exposed by Covid, there is a need for a

separate section for protection products. Taxes do play a modern role in creating that nudge in creating incentives and creating the initial stimulus for a person to buy insurance.

Nilesh Sathe, former member, IRDAI
The insurance companies are taxed on surplus at 12 per cent. The rate has been the same when the corporate tax used to be at 70 per cent. Now the corporate tax has been reduced to 25 or 30 per cent it is quite prudent that this 12 per cent should be reduced to six per cent. This is impacting the profitability of insurance companies. The NPS is given the Rs 50,000 exclusive benefit above the 80C limit, which should be given to insurance companies also. There should be a uniform structure. Health or term insurance is a necessity and should be kept out of GST or maybe some nominal tax can be levied. The government should liberalise the investment pattern of insurance companies as the rate of interest on government securities is coming down to make insurance products attractive.

TOP

India: Government can gain from establishing insurance captives – Asia Insurance Review

In India, like large corporations and cooperatives, the government too can benefit from the use of insurance captives for public programmes like the Pradhan Mantri Fasal Bima Yojana (PMFBY) and Pradhan Mantri Jan Arogya Yojana (PMJAY), says Mr Ankur Nijhawan, CEO of AXA France Vie India Reinsurance Branch.

In India, captives have tremendous growth potential if they register within low-tax jurisdictions such as the GIFT City (Gujarat International Finance Tec-City). Given its tax incentives, GIFT City can emerge as a hub for captives for the entire Indian subcontinent.

The introduction of the insurance captive concept is a winning proposition as it widens the choices for insureds providing greater flexibility and coverage for niche risks and also has the potential to revamp the implementation of self-insured government welfare schemes.

The Indian Finance Ministry has proposed that the country’s insurance law be amended to introduce the concept of captive insurers.

In the absence of a legislative framework for captives, many big public-sector units as well as private entities have created their self-insured pools (akin to captives) to insure their businesses.

TOP

Transactions worth Rs 12,000 Crore by insurers under taxman's lens - The Economic Times – 24th January 2023

Transactions of more than ₹12,000 crore are under the scanner of the income-tax department that is probing several commission agents of insurance companies over alleged tax evasion, people in the know said. These transactions were made by alleged shell companies that insurance companies allegedly used to pay much higher commissions to agents than the cap set by the insurance regulator, they said. In November last year, the department had conducted searches on premises linked to the agents after goods & services tax (GST) authorities informed the insurance regulator about alleged malpractices by more than a dozen insurance companies while allocating commissions to their agents. The Directorate General of GST Intelligence (DGGI) has been investigating these companies for allegedly floating shell companies to pay high commissions to agents and accounting for these payments under other heads to reduce tax outgo.

These companies, which include both life and non-life insurers, are under the scanner of the tax authorities for allegedly showing bogus expenses made to shell entities to pay the excess commissions, a senior government official said. "So, while nearly 15 percent was paid through legitimate channels, the extra amount was routed to firms and showed as marketing or advertising expenses. These companies raised fake invoices, and GST is the only law which treats a fake invoice as a document," the official alleged. "The findings are on searches (by the I-T department) on the commission agents. Once they are investigated, depending on the probe findings, the (insurance) companies will also be asked to explain," the person added. Another person privy to the probe claimed, "These shell entities were probed and in certain cases they have confessed that they had not provided any advertisement or promotional service. The investigation of these expenses revealed that these were bogus expenses and nothing but accommodative entries. The statements are part of the ongoing investigations."

In the GST case, insurance industry executives claimed that the authorities had wrongly interpreted marketing and sales-related expenses as commission on services and were seeking tax. Some of these insurance companies had approached the finance ministry, seeking a resolution to what they view as legal differences on the interpretation of the GST statute, industry insiders had said. The Mumbai unit of DGGI had conducted inspections on some companies and summoned their executives, as ET reported on November 12, 2022, citing people in the know.

(The writer is Rashmi Rajput.)

TOP

Budget 2023: What's next for the insurance sector in India? - Financial Express - 24th January 2023

2022 has been a dynamic year for the Indian insurance sector. A lot of the reforms introduced by the IRDAI to support the industry were progressive and forward-looking. Both the IRDAI and the government implemented several changes to open up the sector and make it more conducive for insurance providers and policyholders to access a wider choice of options. Last year we saw the Union Budget raising FDI limits to 74 percent, compared to 49 percent in 2015, which was a major step forward in facilitating ease of business overseas. Increasing tie-up limits in life, health, and general insurance, each, from 3 to 9 for corporate agents helped reach out to the last mile consumer by maximizing tie-ups with distribution channels. Allowing the 'file and use' procedure for all health and general insurance products reduced compliances and time for new product launches to a great extent. Introducing 'Bima Sugam Yojana' has been an encouraging step to promote digitalization in India and simplify the insurance process.

This year again, we expect the government to make amendments to open up the insurance sector, simplify regulations, and widen the reach of penetration in the country. Continued revisions and amendments under The Insurance Act of 1938 and the Insurance Regulatory and Development Act of 1999 will help the sector to accelerate growth and development. Some of these are issuing composite licenses to the insurer, abolishing or modifying certain existing caps on health and life insurance, and making health insurance mandatory like motor insurance and so on.

Taking a closer look at the industrial expectations on tax deductions for 2023 in the union budget is as follows:

- The GST applicable on Health and Life insurance is to be reduced from 18% to 5%, in an attempt to minimize the cost burden on the customer. This will encourage more people to buy insurance, boosting penetration in the market.
- Increase deduction limits under section 80CCC from Rs.1.5 lakhs to 2.5 lakhs, which offers cumulative tax deductions for contributions made in certain PPF, life, and pension funds.
- Health insurance deduction limit under sec 80D of the Income Tax to be increased to Rs. 1 lakh from the current provision of Rs. 25000. This will act as an impetus to improve penetration in the market as well as push the customer to get the right sum insured value.

- Currently under section 80CCD, a deduction of Rs. 50,000 is allowed for investments in the National Pension Scheme. If the government extends this investment limit to every other pension scheme under life insurance, it will help promote investment in annuities and contribute towards social security for the elderly.

- Currently, ULIP investments exceeding Rs. 2.5 lakhs are taxed, if this amount is increased further, investing in large-size ULIPs will become a comforting factor for the customers.

These changes can help bridge the large protection gap that we see in India. Despite the low premium rates in the country, compared to the US, Singapore, or Dubai, our penetration rate is way lower than in these developed countries. India has the highest protection margins in the Asia Pacific region at 92.2 percent. This means for every Rs.100 needed for protection, people only have access to Rs. 7.8, leaving a protection gap of Rs. 92.2.

Today, while the concept of investment is becoming increasingly clear to people, where it's a high-risk, high-return kind of situation. A lot needs to be done around insurance to make it readily available and acceptable for people. Our aim is to raise the level of awareness to such a degree that buying insurance becomes second nature to people. Thus, the Union Budget is of importance to the industry to act as a catalyst to grow the sector further and create avenues for the customer to get insured.

(The writer is Sanjib Jha.)

TOP

Seven key areas likely to propel 'Insurance for All' in India - The Economic Times – 21st January 2023

Over the previous two decades, India's insurance market has grown by double digits, attributable to large private bank-backed insurers and considerable advances in distribution and operational skills. Despite low levels of insurance penetration and density, India is one of the top 15 insurance markets in the world, highlighted a latest report by KPMG and CII.

According to the report, insurance market in India stands at INR 9.1 trillion with life insurance at about INR6.9 trillion or 76 percent of the overall industry, and non-life insurance at INR 2.2 trillion.

"As India embarks on a mission of 'insurance for all', it is critical that every Indian has proper insurance coverage and for these programmes to be effective it requires widespread involvement and coordination from all stakeholders, including insurers, regulators, and customers," the report titled Personalisation and transformation: Enabling 'Insurance for all' stated.

As more money flows into the insurance industry in the form of premiums in various insurance categories such as life, health, and auto, it will trickle downstream into important drivers of economic growth, physical infrastructure, healthcare facilities, and hospitals, among other things, it added. As anticipated legislative improvements and macroeconomic considerations have a beneficial influence on the sector, the industry in India appears to have a bright future in the next years, said Sanjay Doshi, Partner and Head, Financial Services Advisory, KPMG in India.

The report also talks about the emerging Digital commerce model, giving access to untapped markets by targeting digitally savvy customers preferring 'Do it yourself' (DIY) methods. Over the next few years, digital commerce in insurance is expected to grow at a double-digit CAGR, as insurers explore new business segments and deepen existing customer relationships, it said.

Further it presses on the role of InsurTechs in the ecosystem and how the segment is disrupting the ways in which Insurance is seen today.

Here are the Top 7 important areas, according to the report that would propel 'insurance for all':

1) Customer – the 'key' stakeholder

Insurers are devising customer-centric strategies to deliver superior customer experiences to win as customer profiles and experience expectations are constantly evolving. Today's insurance customers expect journeys in clicks vs. days, compare prices before buying, and even read blogs, reviews to arrive at a decision.

Newer emerging segments like Gen-Z and tier-2/3 markets, amongst others, have a never-diminishing demand for personalisation and convenience in insurance transactions and if catered well, these segments have enormous potential to drive insurance penetration and growth.

2) Building integrated product solutions

Insurance products, which have traditionally been dictated by macroeconomic, demographic and regulatory setting, are gradually transitioning to become more individualised and lifestyle-curated propositions. Insurers must re-define their role as advisors helping customers navigate the nuances of risks with flexible yet simplistic solutions, leveraging accommodative regulatory environment that allows more freedom to experiment with innovative product constructs, eventually paving the way for new growth segments for the sector.

3) Distribution

Insurance distribution is now being disrupted by the proliferation of digital: Traditional players are digitally transforming existing models, 'digital-first' insurtechs are emerging and challenging incumbents, online commerce and ecosystem partnerships are gaining prominence.

There is a pressing need to re-imagine distribution by leveraging opportunities to invest in and partner with insurtechs, digital ecosystems; and moving from omni-channel to channel-less model by embedding insurance within customer journeys.

4) Data and analytics

Insurers generally collect selective customer data but are laggards when it comes to monetising the data assets, focussing on activities such as reminder mails and campaigns devoid of personalisation. Many insurers are trying to become data-driven companies but are extremely cautious before investing to build data and analytics capabilities. However, they should reconsider their strategies to build and manage data and analytics assets to improve processes and personalise better for the customers.

5) Technology and digital

Emerging digital technologies and growing competition from innovative, new-age rivals are forcing insurers to transform their businesses, led by a modern technology architecture, and digitalisation of systems and processes, which would empower them to simplify operations, enhance customer and partner experiences, and take solutions to the market faster.

It trickles down to the fact that providing a top-notch customer experience along with customer convenience is a sure shot recipe for increasing the insurance penetration and this is possible when an insurer is equipped with state-of-the-art technology and a robust digitised mechanism.

6) Cyber security

Insurers, like all other businesses today, store and use large amounts of sensitive customer data, and that makes them a target for cyber criminals. As the industry embraces digital to create long-term customer relationships, offer new products, and expand services, the attacks against the insurers will continue to grow in frequency and severity.

Insurers are deploying creative strategies leveraging AI/ML and behavioural sciences to thwart such attacks. Considering the high levels of risk faced by the insurance industry, having abundant cybersecurity measures and solutions combined with an effective business model will create an environment of trust.

7) Insurance M&A

Supported by the strong macro environment, rising risk awareness, increasing wealth levels and the demographic dividend insurance sector in India is expected to witness higher growth rates thereby pushing India's economic growth and prosperity and driving parity with other major economies in Asia and elsewhere when it comes to insurance penetration.

The growth story in the insurance industry and a supportive regulatory regime have led to a slew of M&A activity and capital infusion in the sector in the recent past and this trend is expected to continue.

(The writer is Sheersh Kapoor.)

TOP

What the insurance industry expects from Budget 2023 - The Economic Times – 21st January 2023

The past three years have tested the endurance of economies across the world. Despite the unforgiving waves of the COVID-19 pandemic, the Indian economy has preserved and made an impressive recovery. This period has not only reinstilled one's faith in our growing economy but also accentuated the need for every Indian to take charge of their financial security.

The idea that being adequately insured is one's foremost responsibility has become indubitable at this juncture. This welcome change in the Indian mindset deserves to be cemented. The much awaited Budget 2023 can play a critical role in making this happen. Tax benefits continue to be a big motivator for potential buyers. Keeping this in mind, here are our recommendations for this year's budget:

Incentivizing term insurance through standalone deduction

The criticality of term insurance cannot be discussed enough. The COVID-19 pandemic has further underscored the need for individuals to have adequate life cover so that they can ensure their family's comfort and safety unconditionally. A product as crucial as this deserves to get an additional push that would nudge customers in the right direction. This is where the 2023 budget can help.

Currently, if one has invested in life insurance they can get a tax exemption under Section 80C. The catch is that this has a maximum limit of Rs 1,50,000. Other tax-saving options like public provident funds and housing loan repayment often make this exemption redundant. We recommend that for pure term insurance premium payments, a stand-alone, additional deduction of Rs 50,000 from taxable income be introduced. This can go a long way in enhancing India's insurance penetration.

Increasing tax exemption limit for health insurance plans

In the post-COVID-19 world, health insurance is an undeniable necessity necessity across families. The enhanced acceptance and adoption of health products in the post-COVID-19 world can be secured through meaningful tax benefits. At present, the deduction for self, spouse and dependent children is capped at Rs 25,000. Similarly, for parents under the age of 60, the limit is Rs 25,000 and for those above 60, it is Rs 50,000. We urge that these deduction limits be doubled and made Rs 50,000 in the first two scenarios and Rs 1,00,000 is the last one. This move will be just what the insurance industry needs to ensure that financial security is accessible across India and not limited to a few.

Promoting pension products through tax relaxations in annuity plans

Retirement planning is one of the most important parts of any financial portfolio. Investing in annuity plans is the most advisable option on this front but it is often met with one hurdle – currently, these plans are subject to taxation at the retiree's marginal tax rate. The entirety of an investor's annuity income is taxable even though the pension is a combination of principal and investment returns. In case of FDs or post office schemes, only the gain from the investment is taxable. We suggest that annuity income earned from pension products be made tax-free so that more people can choose pension products. Even today, the Indian market remains an under-penetrated one. The IRDAI has recently made some very positive changes and we believe that 2023 is set to be the year of insurance. The new budget can be just the extra push that the insurance sector needs for greater and more widespread adoption.

(The writer is Sarbvir Singh.)

TOP

INSURANCE REGULATION

Insurance sector needs Rs 50k crore per year: Irdai chief - Financial Express – 21st January 2023

The insurance industry requires capital infusion of Rs 50,000 crore a year to double penetration in the next five years, said Debasish Panda, chairman of the Insurance Regulatory Development Authority of India (Irdai), on Friday. Speaking at the CII-organised insurance and pension summit, Panda called upon corporates to pump in funds into the sector. "If we have to double the penetration, there is a need to infuse an additional Rs 50,000 crore every year," said Panda. He plans to meet the heads of insurance companies after March to plan for the same.

According to him, insurers need to raise their game beyond the present distribution arrangements with scheduled commercial banks, and have bancassurance arrangements with non-bank lenders, co-operative banks, as well as payment aggregators — calling upon the industry to widen its horizon. Panda pointed out that return on equity stood at a healthy 14% for life insurers and 16% for non-life ones. He said it was even 20% in the case of top five companies. The industry needs to innovate as regards protection plans, instead of being content with traditional offerings.

Panda batted for making property insurance mandatory, and urged companies to take up the matter with housing regulators, and impress the need for the same with the Union housing ministry. Speaking to a TV channel, Panda said with respect to the Budget 2023, he hopes insurance amendments get approved in Parliament. "This could prove to be a shot in the arm for insurance companies." Panda told the channel that enthusiasm could be seen from foreign investors in the Indian insurance space, and that insurers should partner all kinds of banks for distribution.

Speaking at the CII event, Manoj Anand, whole time member of Pension Fund Regulatory and Development Authority, said insurers should offer annuity plans offering protection from inflation. He pegged the amount seen flowing into annuity plans floated by insurers at Rs 11,000 crore in the next five years.

TOP

Plaint redressal must not revert to claim rejectors: Irdai chief's proposal – The Times of India – 21st January 2023

The Insurance Regulatory and Development Authority of India (Irdai) has asked companies to have a separate vertical to review complaints with respect to rejected claims.

"A grievance redressal which comes to the Bima Bharosa portal, goes to the company, and it goes to the same person who has rejected. I would request each company to set up a vertical to look into grievances, otherwise it does not make sense for a complaint to go back in the same direction," said Irdai chairman Debasish Panda. He was speaking at the 24th insurance and pensions seminar organised by the Confederation of Indian Industry (CII).

The Bima Bharosa is a centralised grievance redressal portal set up by the insurance regulator. Besides asking companies to escalate the level at which grievances are reviewed, the regulator has suggested that companies issue simplified policy documents and offer parametric covers where an event triggers the claim payout and there is not much adjustment required to be done by the insurer.

To increase insurance penetration in the country, Panda suggested that the insurance industry could approach the real estate regulator to ensure that homebuyers purchase property insurance when they buy a house. In his speech, Panda said that the industry would need Rs 50,000 crore of capital infusion every year if the goal of doubling insurance penetration in the country is to be achieved. While part of this would come by ploughing back profits industry would also need to step up investment. Panda said that he would meet with insurance company chiefs after March to speak about fund infusion.

He said that the regulator had taken several steps to improve the ease of doing business in the country, including the doing away of 79 circulars and allowing companies to use and file products. "Capital-raising norms have been eased with respect to private equity and subordinated debt. Up to December 2022, the industry has grown 19% this year as against CAGR of 11% for the last five years. But a lot remains to be done," he said. He asked insurance companies to look beyond banks for insurance distribution as there were numerous players in the financial ecosystem, including small finance banks, non-banking finance companies that could be tapped for distribution.

Panda said that the regulator was meeting with reinsurance companies to revise guidelines so that both life and non-life companies can get required reinsurance.

TOP

LIFE INSURANCE

Benefits of Having a Life Insurance Term Plan – Live Mint – 23rs January 2023

Given the uncertain times we live in, life insurance is necessary for all. It allows you to secure your family's financial future. While different types of life insurance policies are available in the market, many people prefer buying a term life insurance policy as it offers high coverage at an affordable premium. Let us look at the benefits of term life insurance.

The simplest form of life insurance policy
Term life insurance plans, which are also commonly referred to as pure-benefit plans, are easy to understand for all. They have simple terms and conditions and provide you with only life cover for a limited period, i.e., as long you pay the premiums.

Unlike other life insurance policies like ULIPs, assured savings plans or endowment policies, they don't have any investment or savings components. So, you need not be worried about the complexities of the policy. Term insurance has clear and simple terms and conditions for policy renewal, claim settlement and premium payment, and they remain the same throughout the policy tenure.

Affordable premiums
One of the most significant benefits of term life insurance is that it has the most affordable premium; it is the lowest among all other life insurance policies. Insurance companies typically determine the premium based on age, health condition, and profession.

The sooner you purchase the policy, the lower the premium will be. Once the insurer fixes the premium at the time of buying the policy, it remains unchanged throughout the policy tenure.

Flexibility to choose the payout option
In the event of your unfortunate demise during your policy period, your financial responsibilities, like home loans, utility bills, etc., will fall onto your family. To prevent such situations, you can appoint a family member as the nominee while buying the policy to receive a lump sum amount.

Some insurers also allow you to receive the sum insured in instalments over a period. The amount can serve as a regular income and help your family meet their everyday expenses and maintain their lifestyle.

Additional protection with riders
Term plans allow you to purchase riders along with your base plan to extend the coverage scope. You can add these riders to your standard policy by paying a nominal premium and get additional financial protection. However, you must assess your insurance needs and choose the riders prudently. Some of the most common riders people buy with term insurance include –

- Premium waiver rider
- Permanent disability rider
- Critical illness rider
- Accidental death benefit rider

Return of premium option
Over the years, with the evolving insurance needs of the people, term insurance has evolved too. Today, many insurance companies offer a variety of term plans with innovative features and benefits. One such unique term plan is the term plan with a return of premium option.

As the name suggests, if you purchase term insurance with the return of premium option, the insurer pays back the premium you pay at the end of the policy term, i.e., after your plan expires or matures. This acts as a maturity benefit, which you don't get with standard term insurance policies.

Income Tax Benefits
Apart from securing your family's financial future, term insurance allows you to get tax benefits. The premium you pay for the policy is eligible for tax benefits up to Rs. 1.5 lakhs in a financial year under Section 80C of the Indian Income Tax Act, 1961.

In addition, the death benefits your family receives from the insurer after your demise is entirely tax-free under Section 10(10D) of the IT Act. Thus, by buying term insurance, you can have peace of mind knowing that your family will never face financial hardship and, at the same time, get valuable tax savings every year.

Final Word
Now that you know the various benefits of a life insurance term plan, make sure you purchase the best plan today and secure your family's future.

TOP

GENERAL INSURANCE

Non-life insurance industry grows 16 per cent in April-December 2022 - The New Indian Express – 27th January 2023

The non-life insurance industry has delivered a strong performance as it grew 16.2% in the first nine months of the current financial year compared to 11.2% in the same period last year, according to a report by Care Ratings.

Health and motor insurance were the main drivers of growth, said the report. The gross direct premium underwritten reached Rs 1.87 lakh crore during the nine months of FY23, as against Rs 1.61 lakh crore in the same period in FY22. The non-life insurance industry continued to report double-digit growth in December 2022 after reporting near-flat growth in September 2022. The industry reached Rs 21,871.6 crore in December 2022, a 14.5% growth year-on-year.

"General Insurers' December 2022 numbers were up by 13.5%, as against an increase of 4.2% in December 2021, while for year-to-date FY23, the growth driven by the group health and motor segments, has been nearly 1.7 times that was witnessed last year," said the report.

Standalone private health insurers continued their growth path as December 2022 numbers reached Rs 2,307.7 crore, up sequentially from Rs 2,026.3 crore in November 2022, and up from Rs 1,880.1 crore in December 2021. This monthly growth of 22.7% was significantly slower than the 41.9% reported in December 2021. Health insurance premiums have been the primary growth lever of the non-life insurance industry since the commencement of the Covid-19 pandemic. This has resulted in the segment increasing its market share from 29.1% for YTD FY21 to 35% for YTDFY23.

TOP

India enters green bond market with $1 billion debut auction – Moneycontrol - 25th January 2023

India's first sovereign green bond will go to auction January 25, and policy makers have laid the groundwork to ensure a successful debut. Authorities have promoted the 80 billion rupee ($984 million) issue to the country's biggest domestic asset managers, including state-run insurers and pension funds as well as foreign investors.

The insurance industry regulator will allow the bonds to count toward insurers' required infrastructure investments. Banks can use it toward mandatory government holdings, and there's no limit for foreign buyers. "We expect strong demand for India's first issuance of sovereign green debt from both domestic as well as foreign portfolio investors," said Parul Mittal Sinha, head of India financial markets at Standard Chartered Plc in Mumbai. Nomura Holdings Plc and Barclays Plc said the same.

This offering will be sold in 5-year and 10-year tenors via a uniform price auction on Jan. 25; a second, similar offering is set for Feb. 9. Its proceeds will be used for unspecified projects that align with India's green bond framework. Together, they make a modest trial balloon for the country's broader goals for green finance. Prime Minister Narendra Modi has ambitious plans for renewable energy and projects that bolster the country's resilience to extreme weather and higher temperatures, and India has said it hopes issuing green bonds will enable it to raise money at relatively lower costs.

That will be more challenging. Greeniums — discounted rates for environmental projects — have been shrinking globally. Thailand's sustainable bond issuance in September was priced at a coupon 8 basis points lower than comparable Thai bonds. Bank analysts, along with traders interviewed by Bloomberg, expect India's inaugural sale to yield a smaller greenium of 2-3 basis points. Part of the reason may be a tepid reaction from the global market. The bonds will be issued under the "Fully Accessible Route," which allows unlimited holdings by foreigners, but some foreign investors may be put off by currency risks. The Indian issue also allows proceeds to be used for compressed natural gas in public transport, which may limit appeal to some green investors.

Asia's third largest economy will need to lean more on local investors, who may be unwilling to pay extra for a green issuance. The South Asian nation doesn't have any domestic green-dedicated debt funds. "There is no ready mandate for domestic entities to buy green bonds and there is a need to create awareness about it," said Naveen Singh, head of trading at ICICI Securities Primary Dealership Ltd. Indian companies typically issue green bonds on the offshore market, where demand has been robust. A recent $1 billion issue by the Export-Import Bank of India was oversubscribed by more than 100%.

"We expect demand from foreign portfolio investors (FPI) to increase over time as more ESG non-resident funds get set up with local currency mandates, and obtain FPI license to invest in debt markets in India," StanChart's Sinha said. If this sovereign auction is over-subscribed and the cutoff yield materially lower than regular government bonds, it would encourage larger green issuance next year. "The government is testing waters by issuing a rupee green bond," said Ashhish Vaidya, head of treasury at DBS Bank in Mumbai. "It will be interesting to see whether the global green pool of funds are willing to invest in a INR issue."

TOP

Budget 2023 may unveil a new universal livestock insurance scheme - The Economic Times – 25th January 2023

The central government is considering introducing a universal livestock insurance scheme that would cover all types of cattle, including indigenous and cross-bred breeds, as well as yak. The scheme could be modelled after the Pradhan Mantri Fasal Bima Yojana, which is already in place for the crop sector, according to reports. This could provide relief to millions of cattle farmers in India who have suffered significant losses due to animal diseases. The scheme could be announced in the upcoming Budget and the cost for the first year may be scaled up later depending on take-up of the scheme. The scheme may be structured in such a way that farmers would pay a low premium and the remaining premium would be shared by the state and the central government.

Contours of the scheme

The scheme would have a low premium for farmers, with the remaining premium shared by the state and central government. This aligns with the government's "cow protection" initiative. Currently, many insurance companies offer their own cattle insurance products. The government has also previously run a centrally sponsored scheme called the Livestock Insurance Scheme on a pilot basis in certain districts. This scheme only covered cross-bred and high-yielding cattle and buffaloes, with a subsidised premium and a maximum of two animals per beneficiary for a policy of three years. The ultimate goal of the scheme is to provide protection for farmers and those in cattle rearing and improve the quality of livestock and their products. India has one of the largest cattle populations in the world, with a lower milk yield per indigenous animal compared to cross-bred or buffaloes.

TOP

More capital for state-owned insurance companies on way – Live Mint – 24th January 2023

The government may infuse ₹4,000-5,000 crore in three loss-making, state-owned general insurers after the budget to help them meet regulatory requirements in preparation for planned listing and privatisation. According to two persons privy to the development, the capital provision would be made in the current year's budget for which Parliamentary approval is expected to be taken through the last supplementary demand for grants for FY23 later in March.

The government had already enhanced the authorised capital keeping further fund infusion in mind. The budget may also provide token capital for insurance companies that would be validated only after fresh requirement is assessed post the restructuring of the general insurance companies, one of the two people said. The capital infusion would help improve the financial health of the three firms—National Insurance Company Limited, Oriental Insurance Company Limited and United India Insurance Company. It will also help improve their solvency ratio, a key parameter that indicates financial buffer to settle all claims in extreme situations.

According to insurance industry experts, the solvency ratio of the three public sector insurers is well below a ratio of 1 while insurance regulator IRDAI mandates that the minimum solvency ratio insurance companies must maintain is 1.5 to lower risks. In terms of solvency margin, the required value is 150 percent. Solvency margin is the extra capital companies must hold over and above the claim amounts they are likely to incur. It acts as a financial backup in extreme situations, enabling the company to settle all claims. Among state-owned insurers, only New India Assurance is in the green.

The other three, United India Insurance, National Insurance Company, and Oriental Insurance Company, suffered losses of ₹6,926 crore in FY22. Even, New India Assurance's reported a dip in its profits during the September 2022 quarter. The people cited above said that Budget FY23 did not provide recapitalisation fund for the loss-making general insurance companies. But this will now be provided to ensure improved financial health of insurers in the next fiscal.

If the companies become profitable, the next exercise of listing and privatising at least one of them may begin. The four public sector firms had appointed EY to suggest restructuring of their operations to bring in profitable growth and employee development through performance and capability management. Based on initial inputs, a restructuring exercise like closure of offices and redeployment of staff is already being carried out by the insurers. The government had provided ₹12,450 crore to these three insurers in FY21 and ₹5,000 crore in the last month of FY22. No provision for capital has so far been made for FY23. "No capital provision has been provided for insurers in budget 2022-23. So this money infusion would test their ability to strengthen operations. Also, after this, work on privatising one of the public sector insurers could be started soon," said the official quoted earlier.

Questions mailed to finance ministry and secretary, department of financial services (DFS), the administrative body in charge of public sector insurers, remained unanswered at press time. The official said that the government may consider the stock exchange listing of National Insurance and Oriental Insurance after the capital infusion, while United India Insurance may be considered for privatisation. This could change if more capital is provided in FY24, meaning more time required for strengthening the financial health of insurers. The government had earlier indicated its intent to privatize at least one public sector general insurer. Privatization of insurance companies is easier to process for the government after the General Insurance Business Nationalisation Act was amended by Parliament in 2021 to enable transfer of ownership of companies and privatization. The amendment allows the government to dilute its stake in a general insurance company to below 51%.

Finance minister Nirmala Sitharaman in her Budget 2021 speech had proposed strategic divestment in two public sector banks and one insurance company. But the process is yet to move ahead. In the case of banks, the amendment to the Banking Regulation Act is yet to be passed by Parliament. This amendment is required before the government can dilute its stake and change management in public sector banks. United India Insurance is not in best of financial health, having reported losses in the past several quarters. Still, the insurer is considered the best candidate for privatisation as it is thought provide good value to the acquirer, with its nationwide presence and strong market share in various general insurance categories. Moreover, it's not listed, making the transaction process easier.

The Centre was earlier working on a proposal to merge public sector insurers. Under this, the plan was to merge National Insurance Company, United India Insurance Company and Oriental India Insurance into a single insurance entity, and subsequently list it on exchanges. However, in mid 2020, the government infused ₹12,450 crore in the three entities looking forward to their profitable growth as single entities.

The general insurance market in the country comprises 27 companies—including the four major PSU entities and 23 private players—plus six stand-alone health insurers. The insurance density in India (ratio of premium to total population) is $73 compared with 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

In a first, Centre planning a universal cattle insurance scheme - Business Standard – 23rd January 2023

After having introduced crop insurance, the Central government is planning a universal livestock insurance scheme, covering all kinds of indigenous and cross-bred cattle and, maybe, yaks and mithuns too. The broad contours of the cattle scheme could be spelt out in the Budget though this has not been independently confirmed. The cost for the Budget, in the first year, could be scaled up later, depending on the take-up of the scheme and so will not have a significant expenditure implication for next year. This could come as a big relief to millions of cattle farmers in India who had to suffer huge losses owing to animal diseases. in 2022, more than 150,000 cattle died due to the lumpy skin disease, most of whom were indigenous. The scheme could be formalised on the lines of the Pradhan Mantri Fasal Bima Yojana (PMFBY), which is for the crop sector, sources said. The maximum premium a farmer has to pay under the PMFBY is a flat 1.5 percent of the sum insured for kharif crops and 2 percent for rabi crops. For horticulture and cotton crops, the premium is capped at 5 percent.

Sources said just as in the case of the PMFBY, in the universal insurance scheme for cattle, the share of the premium paid by farmers might be kept significantly low and states and the Centre could share a portion of the premium subsidy. The proposal, some say, also blends into the “cow protection” drive of the ruling dispensation. Currently, most insurance companies have their own cattle insurance products. That apart, the Centre had run a centrally sponsored scheme called Livestock Insurance Scheme on a pilot basis in 2005-06 and 2006-07 of the 10th Five-Year Plan and 2007-08 of the 11th Five-Year Plan in 100 select districts. Thereafter, it was implemented on a regular basis from 2008-09 in 100 newly selected districts of the country. Under the scheme, only cross-bred and high-yielding cattle, and buffaloes are insured at the maximum of their current market price. The premium is subsidised to the tune of 50 percent. The cost of the subsidy is borne by the Central government.

The benefit of the subsidy is provided to a maximum of two animals per beneficiary for a policy of three years at the outside. According to an official document, the “Livestock Insurance Scheme” was formulated with the twin objectives of providing a protection mechanism to the farmers and those in cattle rearing against any loss of their animals due to death and to demonstrate the benefit of the insurance of livestock to the people and popularise it with the ultimate goal of attaining qualitative improvement in livestock and their products. India, at over 193 million, has one of the world’s largest cattle populations. The milk yield per indigenous animal is far less than that of the cross-bred ones or buffaloes.

(The writers are Sanjeeb Mukherjee & Subhomoy Bhattacharjee.)

TOP

Insurance policy for your gadgets: What is covered, premium charged - The Economic Times – 22nd January 2023

In 2021, Delhi-based Anwiti Singh’s washing machine broke down barely a month after the warranty expired. She had to pay Rs.10,000 out of her pocket to get the appliance repaired. Unwilling to face a repeat experience, Singh got all her expensive gadgets insured, including a smart remote worth Rs.4,000. Given our reliance on gadgets and appliances to keep our lives moving smoothly, a malfunctioning unit can be a major disruption. To make matters worse, repairs are not cheap. Enter pocket or sachet insurance, that covers everything from your air conditioner to your designer sunglasses for a small price. Like in a regular insurance cover, repair/ replacement costs are borne by the service providers, backed by general insurance companies. For instance, Bajaj Finservmarkets offers about 380 products under its pocket insurance segment. These include policies for wallets, handbags, watches and more.

The policies are underwritten by its general insurance partners, namely Bajaj Allianz General Insurance, Acko and HDFC ERGO General Insurance. Says T.A. Ramalingam, Senior President, Bajaj Allianz General Insurance, “Pocket insurance is very new. The segment has been created with the online shopping boom in mind. With premium being low, these require minimal underwriting. In fact, the segment does not contribute more than 1 percent to our entire business”.

But he expects the idea to catch on. Be it your fridge, laptop or phone, buying devices that are of better quality than your existing ones is a natural progression. That means more money spent and more the willingness to extend the device's shelf life. That's when having some insurance at the time of product purchase can help. UP-based Suryakant Sharma realised the benefits of pocket insurance when his smart TV broke down. Bought in 2020, the gadget came with a one-year warranty. Last year, he began encountering issues with the display. "Getting just the vision panel changed is extremely costly. But on purchase, I had insured this device for Rs.3,000. Thanks to that, I could get it replaced easily, without spending from my pocket," he says. However, not everyone's ride is easy. Loopholes and exclusions in policies, if overlooked, can hurt. Gurugram-based Anuj Agarwal was in for a frustrating time when he went to claim damage coverage for his refrigerator, which he had purchased for Rs.80,000.

Popular products covered under pocket insurance policies

Product	Average annual charges	What's covered (Standard Plan-1 year)	What's not covered (Standard Plan-1 year)
Mobile phones	₹1,000-5,000 covers 100% device in-voice value	• Accidental damage to screen/device • Damages due to liquids • 2 claims/year	• Theft • Manufacturing damages • Mechanical/electrical breakdowns
Laptop	₹5,000 usually covers 100% of device value	• Accidental physical and liquid damage • Electrical and mechanical breakdowns	• Negligence • Damage from unauthorized repair, accessories, cosmetic damages • Device purchased outside India
Television	₹2,700 covers 100% of device value	• Screen damage • Coverage for damaged parts	• Unauthorised repair • Failure due to physical damages, liquid spillage
Fitness wearables	₹250 for cover up to ₹20,000	• Accidental and liquid damage protection • Theft	• Negligence • Used smartwatch • Purchased BCCL India • Manufacturing defects

Figures, inclusion and exclusions as per Bajaj Finservmarkets, OneAssist websites. Assumed cost of TV, phone and laptop up to ₹50,000. Premium/charges calculated excluding deductibles.

"For an annual payment of Rs.1,250, I got a cover for Rs.50,000. But post-warranty, there were issues with the refrigerant. The first time, I called a local guy to fix it, since it was urgent and far quicker," he recalls. But when the fridge began malfunctioning again, Agarwal applied for a claim. However, his claim was rejected since the equipment had been damaged due to prior, unauthorized repair. On revisiting the policy document, he found that damages caused to the product due to repair, renovation and maintenance were excluded from any claims.

Companies like Bajaj Finservmarkets and OneAssist are among the active insurance providers in this segment. Says OneAssist CEO and co-founder Subrat Pani, "We work with many general life insurers in India for our offerings. At the backend, all our customer plans are linked to the corresponding policies of our partner general insurers."

According to Parthanil Ghosh, President, Retail Business, HDFC ERGO General Insurance Company Limited, popular products under pocket insurance would also include ticket cancellation, disease-specific covers, individual cyber protection cover, EMI Protect, accidental / liquid damage, extended warranty for white goods, flight delay protection, cycle insurance and spectacle insurance. As per OneAssist data, mobile phones remain the most-insured device. Around 60% of its customer base of 6.5 million opt for it. Last year, the company processed 3 lakh claims across all categories. "Having insurance for your products augurs well for its resale value. Timely and expert repairs can lengthen the product's life. But more than just vanilla insurance, what's needed is a proper resolution system in place," says Pani. However, experts call for caution. Says Mahavir Chopra, Founder, Beshak.org, an independent consumer awareness platform for insurance, "Generally, I do not recommend buying pocket/sachet insurance, simply because it's cheap. Their underlying objective is to simply upsell, and drive monetization and traffic for a platform. Most of these policies are only about maximizing prices and commissions for companies and contextualizing them for the consumer." He adds that viability of pocket insurance should be evaluated product-wise.

TOP

Why personal health insurance is more critical than ever amidst layoffs - Financial Express - 26th January 2023

The past few months have been a difficult time for many individuals, with companies such as Google, Microsoft, Amazon, ShareChat, and Swiggy announcing layoffs. These layoffs have not only affected the employment status of thousands of individuals, but also their access to health insurance benefits provided by their former employers. This is a clear indication of how the present economic scenario is affecting the well-being of individuals, not just financially but also in terms of their health and well-being. It is a well-known fact that healthcare is a basic human right and access to healthcare should not be dependent on one's employment status. This highlights the importance of having a personal health insurance cover.

"A personal health insurance policy provides individuals with financial protection in the event of an unexpected illness or injury. With the ongoing COVID-19 pandemic, the need for personal health insurance has become even more crucial. Without a personal health insurance cover, these individuals and their families would be left to bear the financial burden of any medical expenses. This is a daunting prospect for anyone," says Sanjiv Bajaj, Jt. Chairman & MD, Bajaj Capital Ltd.

It is important to note that personal health insurance policies can vary greatly in terms of coverage. It is important for individuals to select a comprehensive and individualized policy that best suits their needs. This can include coverage for pre-existing conditions, hospitalization, and even alternative forms of treatment such as Ayurveda and homeopathy. It is important to remember that your health is your greatest asset and investing in a comprehensive personal health insurance policy is a wise decision.

"In addition to providing financial protection, personal health insurance also offers peace of mind. Knowing that you and your loved ones are protected in the event of an unexpected illness or injury can provide a sense of security and stability during difficult times. Moreover, personal health insurance can also provide access to better quality healthcare and a wider range of treatments," says Bajaj.

In conclusion, amidst the continuous layoffs, it is imperative that individuals consider obtaining a personal health insurance cover. With the ongoing layoff season, the need for personal health insurance has become even more crucial. A personal health insurance policy provides individuals with financial protection and peace of mind during difficult times.

However, it is important to select a comprehensive and individualized policy that best suits your needs, one that covers all your health-related needs and also takes care of your family. The present economic scenario is uncertain and the future is uncertain, but one thing that is certain is that your health should never be compromised. Investing in a personal health insurance policy is a small step towards ensuring that you and your loved ones are protected in the event of any medical emergency.

(The writer is Sanjeev Sinha.)

TOP

Health Insurance: Many well-known companies have done large-scale layoffs, so why is personal health insurance more important? - Financial Express - 26th January 2023

Why Personal Health Insurance is Critical: The announcement of layoffs in all big and well-known companies including Google (Google), Microsoft, Amazon, ShareChat and Swiggy has taken thousands of people away. In this layoff, the fired employees not only lost their jobs, but also the health insurance received from the employer was also taken away. In these circumstances, personal health coverage becomes even more important than ever for the fired employees.

Benefits of having a personal health insurance cover

Sanjeev Bajaj, Chairman and MD, Bajaj Capital Limited, JT, says, "Personal health insurance policies provide financial security to people in the event of a serious illness or injury. The need for personal health insurance has become even more important after the pandemic. It has become more challenging for those who have been laid off. Without personal health insurance cover, they will have to bear the burden of any medical expenses on their own." Knowing people are counting the benefits of taking personal health insurance because a personal health insurance policy provides financial protection to people during difficult times.

How to choose the best health insurance

It is most important to choose a health policy that is comprehensive and best suited to meet your needs. It is best to take the same health insurance that covers all your health-related needs and also takes care of your family. The current economic situation is in uncertainty and it is not clear what the future will be like, so it would be wise not to compromise on your health. Investing in a personal health insurance policy is a small step towards ensuring that you and your family are safe in the event of any health emergency.

TOP

Universal health cover may bring down costs - The Times of India – 23rd January 2023

India's uninsured population could get cover at Rs 2,000 for a sum insured of Rs 5 lakh if universal health insurance were to be introduced in line with the schemes of some state governments.

According to Bajaj Allianz CEO and CII National Committee on Insurance and Pensions chairman Tapan Singhel, such a scheme could help cover the 'missing middle' — the population not covered by any scheme for underprivileged, individual health policies or employer's group insurance cover.

"There are existing models like the universal health insurance in Rajasthan, which can be made available to the entire state population," said Singhel. He added that the government could open upthese schemes for subscriptions without any subsidy from the state, and the premium could be paid by employers, including those in the unorganised sector.

"One reason people slip below the poverty line is because of healthcare expenses they cannot pay. If such out-ofpocket expenses could be covered, it would add around 1. 2% to GDP. "We already have the Prime Minister health scheme for those below the poverty line, the average premium is much lower compared to normal personal insurance cover," he said.

In October 2021, government think tank Niti Aayog had released a report on the 'missing middle', highlighting the need to design a lowcost comprehensive health insurance product for this segment. According to the report, at least 30% of the population or 40 crore individuals, are devoid of any financial protection for health. The report proposed wider industry and government stakeholder consultations and discussions with consumer groups.

Singhel said that bringing the 'missing middle' under the universal insurance coverage either through participation in a paid group scheme or funded by employers would bring in Rs 80,000 crore of premiums which would help increase healthcare capacity. The universalisation of health insurance would also address the issue of adverse selection — a situation where healthy people drop out to avoid paying a higher premium and unwell people continue buying insurance. Singhel said this would also add to the country's GDP as there is a clear link between insurance penetration and GDP growth.

TOP

Why employers and not individuals hold the key to solve India's health insurance gap - The Economic Times – 21st January 2023

More than 60 percent of India's population is not covered through any form of health insurance. And even with the percentage that is covered, a sizeable portion is attributable to government schemes like Ayushman Bharat and ESIC. For comparison, the US has less than 10 percent of its population without health insurance. So, despite all the efforts on creating awareness, the pandemic, the presence of multiple insurance companies, a large insurance agent distribution networks, India still lags behind heavily for health insurance coverage.

The answer to the problem may not actually lie with promoting personal insurance, but to incentivize a completely different stakeholder to provide insurance for the masses. There are more than 100 million organizations in the country employing more than 500 million people. It would be easier to empower these organizations to provide a health insurance to their workforce and their families than depend on people to actively look to buy insurance. Employers can buy a group health insurance plan for their employees that is generally cheaper than a personal insurance plan.

There are benchmarks across the world that indicate that such an approach works. The US insurance market is dominated by group health insurance subscribed by employers. Employers need to pay a penalty if they do not cover their employees and their dependants with a health insurance plan. As a result, employers in US generally tend to sponsor health insurance for their employees that has resulted in a higher health insurance penetration. Small employers are excluded from the penalties of course, but the system has become so ingrained that even these small firms tend to provide insurance for their employees.

There are certain advantages of having an employer provided insurance too. Employer sponsored group health insurance is typically less expensive than individual health insurance because it is based on the pooled risk of the group, rather than the individual risk of one person. Organizations can customize their group health insurance plans as per their needs and budget. For example, corporate buffers can be added to the insurance policy, that lets the corporate access healthcare even if their sum insured is exhausted and the employer can give the employee additional coverage. It makes it easier for individuals to get coverage, as they don't have to go through the process of finding and purchasing a policy on their own. Personal insurance policies sometimes require the insured to undergo pre-medical screening and can even be rejected. This is not the case with group health insurance as all members are covered by default. All pre-existing diseases and exclusions which are subject to waiting period clauses under retail health policies, are covered from Day 1 under group health insurance. Even maternity benefits that are not covered under personal policies are covered. Claims too are settled in a speedy and hassle-free manner as there are no debates around pre-existing diseases and waiting periods and mostly everything is covered from day 1.

India's health Insurance market in 2022 stands at Rs 80,000+ Crores and is currently growing at around 25% annually. What is interesting about the market is that nearly 2/3 rd of the market is dominated by group health insurance has received over the last few years, group health insurance continues be larger. But a good part of this group market is currently dominated by India's large-scale employers and enterprises that tend to look after and care for their workforce. To bring about a change in the millions of smaller organizations would need a significant push.

There are some simple strategies that the government can adopt to empower organizations. There has been a long-standing debate on non-availability of GST credit on group insurance premium. This is not in the best interests of social welfare to disallow such credit. Simply letting businesses take credit would create a favourable perception towards employee insurance. The government can also look at tax incentives for organizations providing an insurance cover. However, the government can simply make health insurance cover mandatory for organizations to subscribe for their employees above a certain limit. We could perhaps see an overnight medical security for most of the country.

Insurance companies too need to realize that currently, group health insurance is complicated to subscribe for. Coming up with simple products that come with added features like monthly premiums could go a long way to make it more accessible and affordable. The distribution network of agents and brokers too could be incentivized and trained to sell to even smaller organizations that they generally tend to avoid.

But at the end of the day, employers must see that having group health insurance in the organization increases the credibility of the organization as an employer and acts as a lever to attract and retain talent. Having a comprehensive health benefit plan creates a secure environment for employees and their dependents that ultimately makes employees free of worries. If the penetration in India is to increase, group platforms are much easier to promote and ensure equitable coverage. Passing on the responsibility to organizations for health insurance coverage, might well be what is needed to ensure social health security in India. This has worked wonders in certain developed economies, and it might be the time for India to adopt it as well.

(The writer is Sanil Basutkar.)

TOP

Health Insurance Companies Lure Millennials with Innovative Plans – The Times of India – 20th January 2023

Health insurance companies are developing interesting innovations to attract millennial customers. They are offering more flexible and customizable insurance plans, such as OPD coverage, maternity plans, and mental health coverage, to entice people to buy insurance. Siddharth Singhal, Business Head - Health Insurance, Policybazaar.com, is sharing those innovative ideas with ET Now.

Health insurance companies have realized that young adults, particularly those under the age of 35-40, make up a large segment of potential customers. To target this demographic, many insurance companies have developed specific "millennial" products that offer unique value propositions and are tailored to the needs of this age group. If you are a customer under the age of 40-45, you may have different health insurance needs compared to older individuals. At this age, people are generally considered to be in good health and may not require as much coverage for pre-existing conditions or chronic illnesses. As a result, health insurance companies may offer plans with lower monthly premiums and higher deductibles that are more affordable for young adults.

Insurance companies take into account various factors, including age, when determining premiums for health insurance policies. Younger people are generally considered to have a lower propensity to make claims, so their premiums may be lower.

Additionally, insurance companies may offer different types of coverage, such as OPD coverage, which can be useful for people who may need to visit a doctor or specialist frequently but do not require hospitalization. Some insurance companies also offer coverage for maternity expenses, which may be important for younger customers who are planning to start a family.

The other innovation in the health insurance policies is that they have begun to focus on promoting wellness care. Many insurance providers now offer incentives, such as rewards or discounts, to policyholders who engage in healthy behaviors, such as exercising regularly or maintaining a healthy weight. These incentives are intended to encourage policyholders to take an active role in managing their own health. And these wellness benefits can go up to as high as 100%. So, if you walk 10,000 steps per day, your next year's policy could be free.

Maternity insurance covers pregnancy-related medical expenses. Another approach for businesses to encourage customers is by offering a discount or other incentive to those who purchase a product or service early. This can be especially effective with younger consumers, who may be more likely to be early adopters of new products and services.

It is important for policyholders to stay informed about what is available in the market and to compare their current policy with new options at the time of renewal. By doing so, they can ensure that they have a policy that meets their specific needs and provides the best value.

It's also a good idea to consider porting your policy. Policyholders can switch insurance providers while keeping the waiting periods they have already served, which is useful if they have a pre-existing condition. Porting can also provide access to a wider range of options and better benefits.

TOP

REINSURANCE

Indian insurers may have to tackle pricey reinsurance amidst global crises – Business Standard - 26th January 2023

The Indian insurance market in April is likely to feel the heat of higher reinsurance rates that have shot up globally due to adverse weather events, the war in Ukraine and macroeconomic shocks, said experts tracking the trend. Primary insurers generally transfer a portion of their risk portfolios to reinsurers by paying a premium to reduce the likelihood of having to make a large obligation in the form of a claim. Globally, primary insurers and reinsurers renew contracts between them in January. Reports say that reinsurance rates this season have touched multi-year highs. In India, renewals take place in April. Industry insiders believe the country’s insurance market will see an impact of the hardening of reinsurance rates globally. The extent of the cost rise may not be of global levels, as India did not suffer major losses in natural catastrophes in 2022. “Prices will go up for Indian insurers but the quantum of increase is difficult to ascertain so early,” said a source. “Yes, rates could harden for Indian insurers. The Indian reinsurers also seek protection globally. So, if the global prices go up, it will also have an impact in India. But the impact should ideally vary on the experience of the company,” said the chief executive officer (CEO) of a private sector general insurance company.

Reinsurers, while insuring primary insurers against risks, are dependent on retrocession capacity. Retrocession is a process where a reinsurance company purchases an insurance scheme from another reinsurance company to cover risks. The process offers additional capacity to the original reinsurer, helping it prepare for crises. “The retrocession market globally has seen rate hardening in the range of 30-50 percent on a risk-adjusted basis in different parts of the world at the 1st January renewal,” said Nymphea Batra, managing director and CEO of Guy Carpenter India, a composite broking company and a division of Marsh India Insurance Brokers. The reinsurance capital supply is composed of traditional reinsurance capital and third-party capital. In 2022, the traditional dedicated reinsurance capital was $435 billion, an 8 percent decrease from end 2021. A sharp rise in interest rates since then and the risk of recession has caused asset values to deteriorate, creating additional downward pressure on capital levels, said Batra.

The key factors for rates hardening in the retro market include heightened catastrophe losses, high inflation coupled with macroeconomic uncertainty and soaring interest rates, which resulted in an increase in margin cost of capital, experts said. “The impact of all these on the Asian market was also felt on January 1 renewals. The Indian market has not witnessed significant natural catastrophe (Nat Cat) or risk losses in 2022, however the global market conditions would definitely have an impact on the Indian April 1 renewals. Japan, which has also not seen major losses, is expected to see a hardening of rates in the range of 10-15 percent on a risk-adjusted basis at upcoming April 1 renewals,” Batra said. According to a senior executive at a private general insurance company, the Indian market expects a hike in reinsurance rates despite the property market doing well. Nevertheless, there could be a 10-15 percent hike in reinsurance cost, he said on the condition of anonymity. “How much of the global hardening of rates will impact India is slightly difficult to predict. Because, we did not have any major natural catastrophe events in the last 1-2 years. To that extent, I am not sure if reinsurers will take a view on India based on their global experience. So far, there has been no direct communication from the reinsurers. We will come to know about it in March,” said another executive of a private sector general insurance firm on the condition of anonymity.

The writer is Subrata Panda.

TOP

SURVEY & REPORTS

Life insurance ownership up significantly among working women: Study – Live Mint – 26th January 2023

The India Protection Quotient survey by Max Life Insurance Company has found men leading in term insurance plan ownership, and uptake among women also witnessing a sharp increase. “Beginning with a Protection Quotient of 35 in 2019, India has come a long way. As per the latest edition of the survey, urban India showcased a positive movement, climbing up 8 points on the Protection Quotient to 43 (as per IPQ 5.0) from IPQ 1.0 – signaling steady progress in the country’s overall financial protection levels," according to the survey conducted in partnership with Kantar. First launched in 2019, the study was also conducted in the most uncertain and challenging times during the covid-19 pandemic, and has so far reached out to more than 30,000 respondents in seven different surveys.

The survey also revealed that the degree to which urban Indians are aware about life insurance products or the knowledge index moved up from 39 (in IPQ 1.0) in 2019 to 57 and life insurance ownership Levels increased by 800 bps from 2019 (IPQ 1.0) to 73 percent. Against the backdrop of a waning pandemic, the survey highlights a massive recovery in Security Levels; it is observed to be steadily coming back to pre-pandemic levels- starting from 66 percent in IPQ 1.0 to an all-time– low of 57 percent during the pandemic, and back to 63 percent in this edition. According to IPQ 5.0, with respite from health-related worries, urban India has begun reprioritizing investments in savings plans for life insurance showcasing sustained growth in ownership – up from 24 percent in IPQ 1.0. to 38 percent in IPQ 5.0, while term plan1 adoption rates have grown ~50 percent in 5 years

Prashant Tripathy, Managing Director and CEO, Max Life Insurance said, “We initiated the India Protection Quotient survey five years ago with the endeavor to understand India’s behavior and outlook towards financial protection – an important metric in determining the resilience of the nation. Since then, the India Protection Quotient survey has evolved into a financial health indicator, effectively enabling Max Life and the life insurance sector uncover the pulse of the nation on financial preparedness."

He further commented, “This year, we see urban India transition to a more secure space, as health anxieties take a backseat. Additionally, while India has begun recognizing the real value of term insurance, ownership remains an area of challenge that the life insurance industry will need to work hard to address. While the current findings of study instill confidence in India’s trajectory towards financial independence, a challenging journey lies ahead of us, one that will be marked by the lessons of the past as well as insights that will shape the future of the country’s life insurance sector."

India Protection Quotient 5.0: witnessed a marked increase in the Protection Quotient for women, from 36 in IPQ 3.0 to 40 in IPQ 5.0

While men lead in term plan ownership, uptake among women witnessed a sharp increase

While life insurance ownership stood at 74% for men and 71% for women, men continue to take the lead over women in term insurance with 31% ownership. However, women are quickly catching up with heightened awareness of term plans – up from 52% in IPQ 3.0. to 58% coupled with increased term insurance ownership - up from 22% in IPQ 3.0. to 27% in IPQ 5.0.

The Protection Quotient of millennials was at par with non-millennials at 43. Additionally, the awareness of life insurance products was equal between the two cohorts, standing at 57%. As non- millennials transition towards crucial life stages, their focus on financial protection solidifies with life insurance ownership rate shooting up from 73% to 77% - overtaking adoption rates of millennials, that stood at 71%.

IPQ 5.0. reveals that almost 50% of urban Indians are still not confident about the adequacy of their term insurance coverage when it comes to protecting their loved ones from life's uncertainties. However, feeling of insufficiency is observed to be the lowest in 5 years on the back of rising Security Levels.

For the first time in IPQ's history of five years, Tier 1 cities demonstrate the highest term insurance ownership at 38%, an impressive 8%-point increase from IPQ 3.0, outpacing the term ownership rate of metros that stood at 29%. Metro term ownership witnessed a decline of 4%-point from IPQ 3.0 – indicating room for improvement. The study is conducted in top 25 Urban metro, Tier 1 and Tier 2 cities; hence, its findings are representative of metro, Tier 1 and Tier 2 cities of Urban India only.

TOP

India's retail health insurance could be a $25 bn market in 5 yrs: Report - Business Standard – 25th January 2023

Buoyed by the Covid-19 pandemic and the increased awareness about protection, India's retail health insurance segment could possibly become a $25 billion market in the next five years, said a report produced by Avendus Capital. Health insurance, which has been driving growth in the non-life insurance market, became the largest business segment for non-life insurers in FY22. Low penetration coupled with rising disposable incomes, and product innovation being undertaken by insurers, could act as catalysts for the retail health insurance segment, giving it a clear runway for growth in the coming years.

According to the report, "…the segment has the potential to catapult to $25 billion in next five years. In addition to this, the ability to generate consistently high profits and return on equity of over 20 per cent would account for sustained investor appetite due to limited opportunities in companies which focus purely on the retail health segment". There are many reasons why health insurance is exhibiting such potential. For starters, the segment has a huge head room for growth. Also, declining auto sales growth and slow pace of manufacturing activity makes motor and fire have smaller addressable markets.

Further, Indians pay a huge chunk of their healthcare costs from their pockets as they do not have adequate health cover. This could see a change with rise in disposable income and corporate profits because this would then increase the target market of insurers and make insurance more affordable for consumers, the report said. Also, looking at the growth potential, a number of private equity players have increasingly started investing in the health insurance companies, which gives these companies the much-needed firepower to invest in innovation and distribution.

"Retail Health Insurance will continue to be one of the most exciting segments within the overall non-Life Insurance space. Its unique characteristics such as high persistency of 90 per cent, pricing power, relatively low loss ratio and headroom for growth due to low penetration would see significant investments being done in this space to capture incremental market share", said Anshul Agarwal, MD & Co-head, Consumer, Financial Institutions Group (FIG) & Business Services, Avendus Capital.

TOP

Tier II cities beat metros in sale of term insurance products: Report - The Economic Times – 23rd January 2023

India's Tier II cities like Ludhiana, Jaipur, Patna and Pune beat metros in terms of buying term insurance or pure insurance products, as per a report. According to India Protection Quotient survey (IPQ) commissioned by Max Life Insurance, awareness about term insurance products has increased post COVID-19 pandemic. There has been steady progress seen in preference of online channels to purchase term insurance, while agents remain the top channel of purchase with 2 out of 3 urban Indians opting for it, it said. The latest study IPQ 5.0 was conducted among 3,500 respondents in top 25 cities.

As COVID-induced anxieties take a backseat, inflation has emerged as a predominant concern for urban Indians, it added. Beginning with a Protection Quotient of 35 in 2019, India has come a long way, it said, adding as per the latest edition of the survey, urban India showcased a positive movement, climbing up 8 points on the Protection Quotient to 43, signalling steady progress in the country's overall financial protection levels. The survey also revealed that the degree to which urban Indians are aware about life insurance products or the Knowledge Index moved up from 39 (in IPQ 1.0) in 2019 to 57 and life insurance Ownership Levels increased by 800 bps from 2019 (IPQ 1.0) to 73 percent.

According to IPQ 5.0, with respite from health-related worries, urban India has begun reprioritising investments in savings plans for life insurance. Max Life Insurance Managing Director Prashant Tripathy said, "We initiated the India Protection Quotient survey five years ago with the endeavor to understand India's behavior and outlook towards financial protection -- an important metric in determining the resilience of the nation." This year, he said, the study points out that urban India transition to a more secure space, as health anxieties take a backseat.

Additionally, he said, while India has begun recognising the real value of term insurance, ownership remains an area of challenge that the life insurance industry will need to work hard to address.

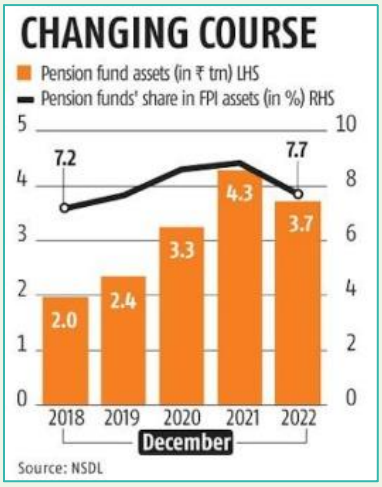
TOP

PENSION

Pension funds trim India bets, assets down nearly Rs 60,000 cr in 2022 – Business Standard – 26th January 2023

Pension funds, among the largest long-term sources of foreign portfolio inflows, scaled back their India bets in 2022. The value of their holdings has fallen by 13.3 percent or Rs 57,242 crore, from Rs 4.3 trillion at the end of 2021 to Rs 3.7 trillion when December closed in 2022, shows an analysis of the depository data. Overall equity investment by foreign portfolio investors (FPIs) in India dropped 0.5 percent from Rs 48.6 trillion to Rs 48.3 trillion in the same period. The benchmark S&P BSE Sensex gained 4.4 percent. A large part of the outflows happened in the first half of 2022, according to Rajnish Girdhar, chief executive officer, Mumbai-based Karma Capital, which provides investment management and advisory service to sovereign wealth funds and other global institutions. “A significant amount of money … came back into India from July onwards … till about the last two weeks of December, when we again saw outflows; and then … we saw outflows in January,” he said. India’s weighting went up as people turned negative on China in the second half of the year, and that has now reversed, he added. But the outlook for flows over the medium term remains positive, he added.

Sovereign wealth funds have seen their allocation increase in the same period by Rs 16,199 crore. Their share in the overall FPI pie has increased to 6.4 percent from 6 percent earlier. Pension funds and sovereign wealth funds saw their share in FPI assets fall to 14.1 percent by December 2022 compared to 14.9 percent in December 2021, driven largely by the fall in pension fund assets. Pension funds in the US may have taken money out to make up for fixed-income losses and poor domestic equity market performance in the US, according to a person who tracks the segment. Sovereign wealth funds from West Asia and of Nordic origin, which benefited from rising oil prices, stand to make higher allocations, the person added. Both kinds of institutions typically invest for long periods and are considered a source of stable foreign capital. While allocations fell in 2022, they are still higher than the 13.6 percent share in FPI assets as of December 2019, before the pandemic took hold globally. University-related endowment funds are another long-term player which has been increasing India allocations. Their equity investment in India rose to Rs 20,318 crore as of 2022-end, compared to Rs 18,810 crore in the previous year. They accounted for Rs 8,251 crore in December 2019.



Independent market analyst Anand Tandon said foreign investor inflows might not be as high as they were in the past, and much might depend on China. "(If) … China is open for business … the valuation there is so compelling right now that you will have to allocate more money there. If you don't allocate, to that extent India may not see major outflows," he said. The MSCI China index was trading at a price/earnings ratio of 10.43 compared to 21.42 for the MSCI India index as of December 2022. The price/earnings ratio is a valuation measure, and higher numbers indicate more expensive valuations. Foreign portfolio investors were net sellers to the tune of Rs 1.25 trillion in 2022. Domestic institutions were net buyers of Rs 2.8 trillion during the same period. They have also exceeded FPI outflows for January. Foreign investors net sold stocks worth over Rs 13,000 crore while domestic institutions bought more than Rs 19,000 crore.

(The writer is Sachin P Mampatta.)

TOP

Budget 2023 should bring tax parity between mutual funds and NPS - The Economic Times – 24th January 2023

The Budget 2023 has a lot of expectations from the market as it happens to be the last Budget before the 2024 general elections. Finance Minister Nirmala Sitharaman has indicated that the government will continue to work for the middle class in the upcoming Budget. Towards this aim, the government is focusing on job creation, building infrastructure, smart cities, among others, to fulfill the aspirations of India's workforce.

The past few years have been very challenging for the global economy as India. The country has emerged relatively better from the throes of pandemic and global headwinds as compared to other economies. Economists are predicting that the Indian economy is set to reach $ 7 trillion mark in seven years. Mutual fund industry plays an important role in channelizing savings towards the capital market. Indian households have embraced market linked products like mutual funds in a big way post demonetization as we enter into an era of financialization of savings.

It is heartening to see that the mutual fund industry has grown at a CAGR of 14% from Rs 21.26 lakh crore in December 2017 to reach Rs 40.76 lakh crore in December 2022. As of December 2022, the inflows from Systematic Investment Plans (SIPs) stand at Rs 13,573 crore with a record 6.12 crore SIP folios. Thus, it is clearly evident that Indians are preferring the mutual fund route to meet their long term goals.

To help mutual funds penetrate further into smaller towns and cater to investors long term goal like retirement, here are a few recommendations made by Association of Mutual Funds in India (AMFI) for the Budget 2023 which I would like to reiterate:

MF retirement Products with tax benefits
With the absence of any formal pension scheme for the private sector, many investors invest in mutual funds to meet their retirement goals. Currently, National Pension Scheme (NPS) is eligible for additional tax exemption of Rs 50,000 under Section 80CCD. The mutual fund industry has been long demanding that the tax treatment for NPS and Retirement/Pension oriented schemes launched by Mutual Funds

should be aligned by bringing the latter also under Section 80CCD of IT Act, 1961. This will bring parity of tax treatment for the pension schemes and ensure level playing field.

Mutual Funds should be allowed to launch Mutual Fund Linked Retirement Plan (MFLRP) akin to 401(k) Plan in the U.S. which would be eligible for tax benefits. Tax incentives are pivotal in channelizing long term savings. For instance, the U.S. mutual fund industry saw rapid growth when tax incentives were announced for retirement savings. The Indian mutual fund industry has provided support to the domestic market when we have seen record outflows from Foreign Institutional investors. Pension funds can emerge as sources of funds in infrastructure and other projects with a long gestation period. Pension funds can provide depth to the equity market (absorbing stocks arising out of disinvestment programs of the government).

Remove tax arbitrage
Furthermore, mutual funds offer many features like 'Income Distribution cum Capital Withdrawal (IDCW) formerly known as Dividend Plan, Growth option, direct and regular plans.

Mutual fund investors sometimes switch between Growth Option to Dividend Option (or vice-versa), and/or from Regular Plan to Direct Plan (or vice-versa). Currently, such switches as treated as “Transfer” under Sec. 47 of the Income Tax Act, 1961 and liable to capital gains tax. In such switches, the amount invested remains in the mutual fund scheme and there are no realized gains as the underlying securities/portfolio remains unchanged.

Unit Linked Insurance Plans on the other hand are not subject to capital gains tax for switching within a plan. To conclude, similar products should get similar tax treatment and hence this tax arbitrage needs to be done away with.

Flexible limit on international investing
In addition to these recommendations by AMFI, another area that I feel needs attention is that the government needs to provide clarity and some leeway in the International Fund of Funds category, which has gained immense traction lately. There is a cap of $7 billion on total investments by mutual funds in foreign funds. There is a separate limit of $1 billion to invest in foreign Exchange Traded Funds. The government should consider having an open limit to cap the total investments by mutual funds in foreign funds at 10% of equity assets of the industry given that demand for such funds is on the rise. International FoFs are an ideal vehicle for domestic investors to get international diversification, which can be up to 10% of investors’ portfolio allocation.

Lastly, Equity Fund of Funds should be treated on par with Domestic Equity Funds for taxation as equity FOFs (domestic and international) primarily invest in funds based in domestic or foreign countries where the underlying holdings are stocks. Currently, FOFs are treated as Debt Funds for taxation.

TOP

Insurers want NPS tax exemption for their pension schemes, too - The Economic Times – 23rd January 2023

The insurance industry is seeking a level-playing field with the National Pension System (NPS) with a tax exemption for annuity products of insurance companies to make them more competitive. Companies argue that a tax exemption for investments in pension schemes will increase their pull to investors, helping deepen insurance penetration as it can be bundled with a life cover. “There is a case to make pension plans from insurance companies on a par with NPS which has a separate limit. Globally, we have seen that separate tax saving limits for insurance goes a long way in increasing penetration and India is no exception,” said Tarun Chugh, CEO Bajaj Allianz Life Insurance. Industry executives argue that a separate tax exemption limit is needed for insurance because the ₹1. 5 lakh limit is too small and has not been revised for a long time.

“A separate category of term insurance for tax exemption needs to be introduced as the current ₹1. 5 lakh limit easily gets expended under other eligible deductions under Section 80C,” said Sarbvir Singh, CEO Policybazaar. com. "Further, the income generated from annuity plans should also be exempted from tax to incentivise the adoption of pension products," Singh said. Another long standing demand of the industry is the reduction of the goods and services tax (GST) from 18 percent to 5 percent on term insurance and health plans. Industry executives say a high rate of taxes disincentivises people from buying cover.

"GST on health insurance policies, at 18 percent, adds to the cost of health insurance. The industry has been seeking to lower the GST rate on these policies to 5 percent, which would improve the affordability and thereby penetration of health insurance," said Ritesh Kumar, CEO, HDFC Ergo General Insurance Co. Kumar also called for an increase in tax exemption limit on health insurance from the current ₹25,000 per annum. Policybazaar's Singh said the Section 80D deduction should increase to ₹1 lakh to incentivise people to get a health cover.

TOP

GLOBAL NEWS

Global: Calculation differences hinder comparisons of IFRS 17 results – Asia Insurance Review

Comparing insurers' IFRS 17 results will be difficult initially due to differences between companies' approaches under the accounting standard, Fitch Ratings says in a new report.

One aim of IFRS 17, which took effect for most insurers on 1 January 2023, was to improve comparability. But Fitch Ratings' analysis of 10 major European insurers' accounting policies and calculations has found major differences that can significantly affect the results.

Discount rates are not set consistently
The choice of discount rate can significantly affect IFRS 17 metrics, notably, the contractual service margin (CSM), which represents the unearned profit an insurer expects to earn as it provides services.

Some companies incorporate an illiquidity premium into their discount rates based on their own asset mix while others are using the illiquidity premium from their Solvency II calculations, which is based on a standard investment portfolio prescribed by the European Insurance and Occupational Pensions Authority. As a result, two companies with similar portfolios could report very different contractual service margins.

Lack of a standard definition
The lack of a standard definition under IFRS 17 for certain key metrics also hinders comparisons. For example, the market has not settled on a clear definition of 'operating result' or the 'non-life combined ratio'.

Shareholders' equity is typically slightly lower under IFRS 17 than under IFRS 4, particularly for insurers with life business, where profits previously recognised in shareholders' equity at contract inception are now partially accounted for in the CSM. But shareholders' equity plus CSM after tax is typically higher.

Shareholders' equity should become less volatile as liability values and asset values under IFRS 17 move similarly in response to interest rate changes, in contrast to IFRS 4. But net income will be more volatile as more assets are accounted for at fair value.

Despite the initial imperfections, IFRS 17 is an improvement on IFRS 4, making financial statements more transparent.

Fitch expects IFRS 17 results to become more (but not fully) comparable over the next two years, with insurers, analysts and investors gradually developing enough confidence in the new accounting standard to use it as a basis for decision-making. In the meantime, Fitch does not expect IFRS 17 to significantly affect insurers' business models – or their credit ratings.

TOP

Reinsurance: Sector introduces Open Exposure Data (OED) Standard for risk modelling - Asia Insurance Review

Aon, a leading global professional services firm, yesterday announced the implementation of the Open Exposure Data (OED) Standard for the risk modelling of property reinsurance placements.

Led by Aon and reinsurers RenaissanceRe, SCOR, Hannover Re and Swiss Re, and curated by Oasis, the OED Standard is a non-commercial venture designed to test and support the hypothesis that open data standards in risk modelling are more effective than proprietary and commercial standards in terms of improving operational efficiency, reducing costs and increasing transparency and consumer choice.

The OED Standard will also lower barriers of entry for model developers – including commercial vendors, third-party data providers and academia and other research institutions. Initial testing on reinsurance placement data for Japan, Australia and China has proved highly successful as the initiative broadens its area of focus, says Aon in a statement.

Mr Dan Dick, executive managing director and global head of property analytics for Aon's Reinsurance Solutions, said, "Aon is proud to be part of this important initiative, which will serve to help reduce volatility in data assumptions, improve consistency in modelled output and increase the operational resilience of our clients and markets. This announcement exemplifies the ways in which our industry is making a positive impact in our communities and for our fellow citizens, by collaborating and focusing on critical issues where we can apply our energy and expertise to make a meaningful difference by informing better decisions."

The re/insurance industry collaboration is designed to promote equality and inclusion when accessing critical risk information, allowing communities globally to become more risk-aware and risk-informed, while improving their resiliency and ability to save lives.

The OED Standard for property and extension to cyber and casualty risks, is helping to drive further innovation in the risk modelling space. Its benefits include:

- One consistent, community-owned market standard for catastrophe risk data.
- A significant reduction of resource strain in data processing and formatting.
- An improvement in high-quality data transfer between users of multiple models and systems.
- Better access to credible risk management data for underserved and disadvantaged communities.
- An overall enhancement in the digitalization of the insurance industry.
- Improved risk perspective through less reliance on any particular model developer.

Mr Paul Nunn, head of Sustainable Insurance, SCOR, commented, "The success of this data standards initiative typifies the enormous drive and desire of our commercial and non-commercial partners to invoke meaningful and positive change through greatly improved 'open' and 'easy' exchange of critical risk information. No doubt this will greatly advance our common goal of helping to continuously advance societal resilience globally."

The utilisation of an industry-wide standard for property risk reinsurance models aims to assist with solving the existing data and model interoperability challenges in the re/insurance market.

Mr Martin Bertogg, head of Cat Perils, Cyber and Geo at Swiss Re, said: “Globally shared data formats are an important step to overcome barriers for consistency, processing efficiency and a transparent cat risk dialogue. Our industry has an urgent need to take out non-value-adding friction from its production chain.”

Mr Jörg Steffensen, general manager, Group Risk Management at Hannover Re, added, “The new OED Standard enables not only a close interoperability between different risk stakeholders but also supports a wide field of open source projects in academia.” He added, “The new standard is a major step forward in creating more resilience to natural catastrophes around the world and closing the protection gap.”

Executive members of the OED Standard project comprise:

- Martin Bertogg, Head of Cat Perils, Cyber & Geo; Managing Director at Swiss Re Institute
- Ian Branagan, EVP & Group Chief Risk Officer at RenaissanceRe
- Peter Cheesman, Head of APAC Analytics – Reinsurance Solutions at Aon
- Sean Ringsted, EVP, Chief Digital Business Officer & Chief Risk Officer at Chubb Group
- Jörg Steffensen, General Manager, Group Risk Management – Modelling at Hannover Re
- Paul Nunn, Head of Sustainable Insurance, SCOR
- Dickie Whitaker, Chief Executive, Oasis Loss Modelling Framework

TOP

Vietnam: Insurance regulator pledges to continue with supporting policies to help insurers - Asia Insurance Review

The insurance regulator will continue to implement solutions to support the development of the insurance market in 2023 and beyond, according to Mr Ngo Viet Trung, director of the Insurance Management and Supervision Department of the Ministry of Finance.

Total assets of the insurance market were estimated at VND811,312bn ($34.6bn) as of 31 December 2022, up 14.51% compared to 12 months previously. Total insurance premium revenue in 2022 is estimated at VND251,306bn, up 15.09% over 2021; while insurance payouts are estimated at VND4,018bn, an increase of 23.29% compared to 12 months previously, reported Finance Magazine.

In 2022, Vietnam's insurance market still faced many difficulties and challenges due to the impact of the COVID-19 pandemic. But the government's supporting policies helped the insurance sector to maintain creditable growth.

In particular, the Law on Insurance Business 2022, effective from 1 January 2023, will result in fundamental changes that promote the safe, stable, and sustainable development of the insurance market.

On the part of customers, awareness of the importance and significance of life insurance and health insurance has increased significantly over the past years and especially during the COVID-19 pandemic. People are therefore more proactive and earlier in accessing and participating in insurance.

Mr Trung says that the Ministry of Finance continues to preside over perfecting the legal framework on insurance business activities. Among the tasks ahead, the regulator will continue to:

- Complete the legal system for insurance business;
- Develop and promulgate documents guiding the implementation of the Law on Insurance Business covering issues such as: risk-based capital, risk management, internal control, intervention measures;
- Guide the collection and management of data on a common and synchronous database for the insurance market;
- Review and finalise legal documents on the introduction of specific insurance products that have an impact on social security, investment promotion and socio-economic development, such as compulsory insurance, microinsurance, agricultural insurance, voluntary pension insurance,

investment-linked insurance, disaster insurance; commercial health insurance and social health insurance;

- Strengthen the financial capacity, risk management, corporate governance, customer service quality and publicity and transparency of insurers;
- Enhance the disclosure of complete, comprehensive and timely information to help insurance buyers and related organisations understand the organisational structure, business performance and financial situation of the insurance company;
- Develop a diversified range of insurance products;
- Diversify and professionalise insurance distribution channels;
- Develop and improve the quality of human resources;
- Raise insurance awareness;
- Promote the application of information technology in insurance business activities;
- Establish a mechanism to share information between insurers in order to prevent insurance fraud and provide legal support and advice, and settle claims;
- Promote transparency of management and supervision activities of the regulator;

Develop and implement an integration roadmap in the insurance business sector with ASEAN; meet international economic integration commitments in the insurance field.

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