भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

# INSUNEWS

Weekly e-Newsletter

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## QUOTE OF THE WEEK

**"In order to carry a positive action we must develop here a positive vision."**

**Dalai Lama**

## INSIDE THE ISSUE

## INSURANCE TERM FOR THE WEEK

***Reinsurance Broker***

Put simply, a reinsurance broker acts just like an insurance broker. But instead of working with members of the public selling them insurance, reinsurance brokers work with insurers to sell reinsurance.

A reinsurance broker is an intermediary individual or firm who is paid a fee or commission to find and place new business on behalf of both the insured client and insurer. This can involve negotiating rates or contracts while sourcing the best-suited policies on the market.

In the case of reinsurance, the insured client is an insurance company looking to acquire protection or reinsurance from another larger insurance company for a specific risk or class of risks.

Generally, these insurers purchase reinsurance for the following reasons:
To limit liability on a specific risk.
To stabilize their losses.
To protect themselves against catastrophes.
To free up cash flow.
To offer more diverse coverage.
To increase their capacity to take on new clients.

When multiple insurance companies purchase insurance policies from the same reinsurer they share the risk and limit their own total losses in the case of a specific event or disaster. Brokers recommend policies that are the best solution and coverage for the potential loss at the most affordable premiums due to their vast knowledge of the current reinsurance market.

## LIFE INSURANCE

***Term Insurance Plans with Return of Premium: Best for people looking for investment element in life insurance – Financial Express – 24th April 2019***

The uncertainty and unpredictability of events in life are enough reasons for one to buy a life insurance policy. Life insurance, apart from protecting your family from the unexpected financial disasters due to instances such as accidents and critical illnesses, gives them a financial stability from the eventuality of death of the bread winner. Essentially, life insurance is there to give your dependents financial protection if you die, usually as a lump sum or staggered payout depending upon your specific needs and requirements.

With the significant economic growth, the incomes of people may have gone up multiple times but the expenses have also shown a sudden splurge due to discretionary spending. In addition, increased liabilities and dependents have also forced people to invest in term plans as the usual profile of people seeking such a cover is that they either have kids or liabilities like unpaid debts. Most importantly, a term plan is the only kind of insurance policy that you need to have because it gives you the maximum cover for the lowest cost. Moreover, now you can buy term insurance even till the age of 99+ years which was not possible to do till a few years back.

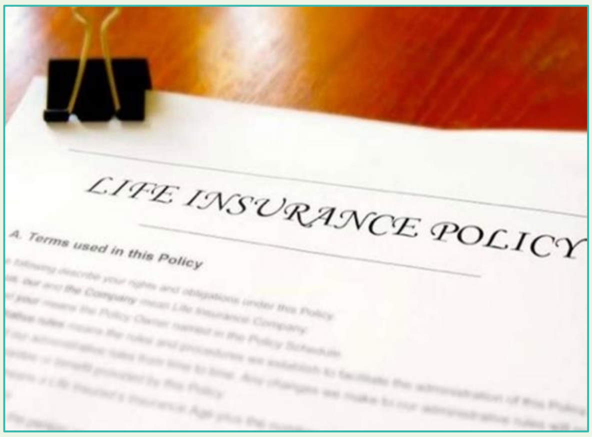
**Here's what you should know about term insurance riders – Live Mint – 16th March 2022**
A term insurance rider provides additional protection or extra cover to a term insurance policy that comes at an added cost. These riders come with additional benefits that can help the insured in many cases. However, it is not always essential that all such riders are suitable or needed by everyone. This piece examines the importance of such riders and what needs to be done before you can opt for one. Rakesh Goyal, director, Probus Insurance, said, "Riders such as accidental death benefits would be ideal for someone whose work profile or daily routine involves greater danger due to accidents. However, the basic sum assured, which is applicable under the insured's term plan, would be valuable even if the policyholder does not avail of this rider." "On the other hand, disability riders and waiver of premium riders could benefit only those under minimum or moderate risks pertaining to accidents and disabilities arising out of these. Critical illness riders are for those who might be at a higher risk of getting such diseases. These riders provide benefits and limited lump sum amount that the dependents or other family members can utilize in non-working situations due to illness," added Goyal. The options: You must always compare the available rider options to ensure that the benefits align with your expectations or needs. Go with the rider that helps you in the best way possible during the time of need.

Sajja Praveen Chowdary, head, term life insurance, Policybazaar.com, said, "A rider comes into action when the specified event for which you purchased the term insurance rider occurs. As a policyholder, you must select the appropriate rider in order to receive the required benefits on time." The exclusions: There can be situations where the rider may not provide coverage for specific diseases or illnesses. Hence, you must read the policy documents carefully and wisely choose any rider to avoid any unpleasant surprises during the claim process. "Some exclusions are consumption of alcohol and drugs, death owing to a pre-existing illness, critical illness arising out of internal and external congenital disorders, self-inflicted injuries, hormone replacement surgery, any dental or cosmetic surgery and so on," said Ankit Agarwal, CEO and co-founder of InsuranceDekho. Tax benefits: When you buy term insurance, you get tax benefits. Hence, while availing these sops, make sure you verify the tax benefits available when adding any rider to your actual term plan. Agarwal said, "The maximum amount you can claim under Section 80C is ₹1.5 lakh in a year. The limit includes other eligible investments. Besides, you can avail of tax benefits under section 80D of the Income Tax Act for health insurance plans that includes plans with critical illness benefits".

***(The writer is Navneet Dubey.)***

**TOP**

***Life insurance: Single premium policies come at a steep price – Financial Express – 14th March 2022***




As people look for protection amid financial uncertainty, there has been a spike in sales of single premium policies of life insurance companies. These policies save one from the hassles of paying renewal premiums every year and are popular with people who do not have a regular cash flow. They are also popular with those who use it as a last resort to save taxes at the end of the financial year and even for those who have received a lump sum such as a yearly bonus, an investment pay-out, or even a family inheritance.

In February this year, the share of single premium collections to total premium collections was 69%, up from 56% in December last year, a report from Kotak Institutional Equities Research shows. This indicates that many people are preferring bullet payment for life insurance as they are unsure about fulfilling any commitments for recurring premiums. The share of single premium for private players increased to 47% in February this year from 41% in January last year.
**How do the policies work?**

In a single premium term insurance policy, the minimum sum insured will be 1.25 times the amount of the single premium and the maximum amount insured will be 10 times the single premium. These policies are valid till the entire term of the policy and do not lapse as there is no renewal. The maturity benefit is provided to the policyholder at the end of the tenure if the policyholder survives for the tenure of the policy. If the policyholder meets with an early death, then the nominee will get the proceeds.

**No flexibility, higher costs**

Is it worth buying a single premium policy? Experts say these are not ideal to protect the financial needs of the family. As costs are higher in single premium policies, check the cost structure first. Moreover, these policies do not allow you to increase the sum assured.

Even tax benefits are only for one year and not all policies come with tax benefits. The proceeds from maturity of a single premium policy issued after April 2012 are tax-free under Section 10 (10D) if the minimum sum assured in the policy is 10 times the single premium amount paid. In case of a death claim, the proceeds will be tax-free.

Tushar Chatterjee, a life insurance expert, says individuals should opt for a term life policy for protection needs and renew the premium. "They are most cost-effective and take care of the financial needs arising from unexpected tragedies of life," he says. Moreover, a policyholder can customise the term plan to include critical illness cover, return of premium option, whole life cover and cover for spouse and child education cover among others, which is not possible in a single premium policy.

***(The writer is Saikat Neogi.)***

***TOP***

## *Insurance Agents' Federation plea to remove GST on insurance products – The Hindu – 14th March 2022*


The Life Insurance Agents' Federation of India has appealed to Basavaraj S. Bommai, Chief Minister of Karnataka, who is also Leader of the Ministerial Panel on GST Council, to consider removal of the Goods and Services Tax (GST) on life insurance and health insurance products.

In a letter to Mr. Bommai, Federation secretary general N. Gajapathi Rao said that the 18% GST on insurance premium was reducing the net yield to the customer, making it less attractive, compared to bank fixed deposits (FDs), post office schemes and mutual funds as GST was not being levied on them.

"The most popular savings instruments available in India are: Insurance, bank deposits, post office schemes and mutual funds. When it comes to savings, the customer will compare the product of one sector to that of the other. The insurance penetration of 20% to 22% of the insurable population in India is very less compared to developed countries. The 18% GST is further discouraging the public to opt for insurance," Mr. Gajapathi Rao said.

A vast majority of the customers are interested in returns rather than the death cover, making insurance schemes less attractive compared to schemes offered by other sectors, Mr. Gajapathi Rao said, adding that the insurance products should be more customer-friendly and agent-friendly to ensure that they reach the last eligible individual. "The 18% GST is an impediment in realising the government's dream of providing insurance cover to all eligible individuals," he said, underlining the contribution of the insurance industry to the national economy and nation-building.

The GST being imposed on life insurance is of three types: on insurance risk premium, on late fee and delayed loan interest paid due to delay in payment of premium and interest on time and on annuity policies, which doesn't contain any risk premium. GST is not collected on investment in banks and post office savings schemes. It is an irony that GST is not imposed on liquor but imposed on health insurance. The GST on diamonds is 0.25%, 1.5% on gold and 12% on clothes, he said. He appealed to the GST Ministerial Panel to consider removal of GST on life and health insurance policies to give a fillip to the insurance industry.

***(The writer is B Madhu Gopal.)***

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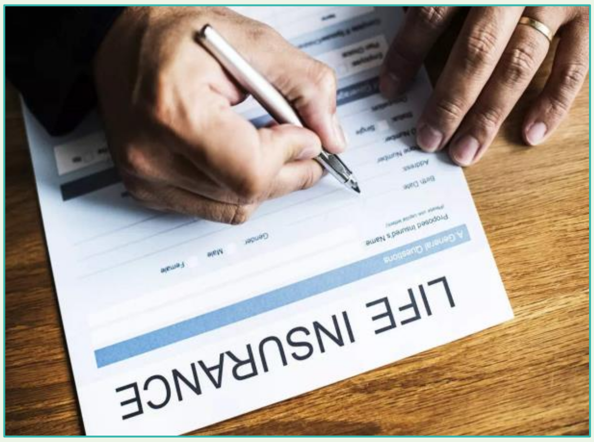
## *15 terms to know before buying a life insurance policy - The Economic Times – 14th March 2022*




Many hesitate to buy a life insurance policy because of the jargons that are used in the life insurance space.

Since life insurance plays an important role in today's day, especially after the outbreak of COVID-19, ETBFSI has compiled a list of 15 terms, and explained their meanings.

Here's the list:
**Policyholder**
The individual who buys a life insurance policy, and who pays its premium. In some cases, the policyholder may own the policy, but may or may not be the life that is being assured.

**Life assured**
It is important to understand the difference between a policyholder and life assured. Life assured is the one for whom the life insurance plan is purchased for, and the policy covers the risk of the untimely death of the life assured.

**Policy tenure**
Policy tenure, also referred to as policy term or policy duration, is the duration for which the policy provides life insurance coverage. It can range from 1 year to 100 years or whole life, depending on the type of life insurance plan.

**Premium**
Premium is the amount paid by the policyholder to keep the plan active. There are various options on how you can pay the premium – regular payment, limited payment term, single payment. In case you are unable to pay the premium amount, either before its due date or within the grace period, the policy can terminate.

**Nominee**
the nominee is the legal heir nominated by the policyholder to whom the sum assured, along with other benefits, will be paid to in case of an unfortunate event.

**Sum assured**
Sum assured is the guaranteed amount the nominee will receive in case of unfortunate death of the life assured, or any other event that comes within the plan. The policyholder can choose this amount at the time of purchasing the policy.

**Claim process**
this referred to the process the nominee gets into, after the death of the life assured, and claim to receive the death benefit.

**Death benefit**
this is the amount that is paid to the nominee in case of death of the life assured during the policy period. It is important to note that it is not similar to the term 'sum assured'. Death benefit can be equal or higher than the sum assured, as it can include rider benefits.

**Riders**
Riders are additional benefits, which widen up the base of the policy. These vary from insurer to insurer, and can be bought along with the base plan at the time of purchase.

**Maturity benefit**
Maturity benefit is the amount paid to the policyholder when the life assured outlives the policy tenure.

**Lapsed policy**
A lapsed policy is when you can no longer avail the benefits under a policy. Once your policy lapses, you cannot use any feature of the policy, and you will lose the right to make a claim against it. A policy usually gets lapsed when the premium is not paid even after the grace period.

**Grace period**
If a policyholder is unable to pay the premium before the due date, the life insurance company gives an extension period after it, and it is usually 15 days in case of a monthly premium payment mode, and 30 days in case of annual premium payment mode.

**Revival period**
If the policyholder still wants to continue the policy after it lapses, the insurer can provide an option of re-activating it, after the grace period is over.

**Free-look period**
If the policyholder is not comfortable with the terms and conditions, they can return the new policy purchased within the free-look period. The insurer will refund the remaining premium after deducting the expenses incurred on medical examination, stamp duty charges, among others.

**Exclusions**
Exclusions are certain things that are not covered under a life insurance policy, and against which if claimed, the insurer will not pay any benefit.

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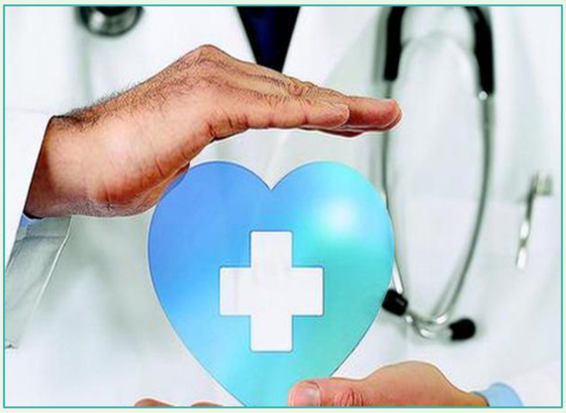
## HEALTH INSURANCE

### *Four notable improvements in health insurance post Covid – The Hindu Business Line – 16th March 2022*



The pandemic has brought about many changes for the better in the way policyholders experience a health insurance product. Here's enlisting them. Over the years, the scope of health insurance has grown to be more inclusive and comprehensive. For example, pre-existing diseases are clearly defined, and mental health is covered by all products. The health policies are now structured in a manner where there is an option to cover pre-existing illnesses right from day one. After the Covid outbreak, based on the changing needs and consumer behaviour, health insurance has also been redesigned to include domiciliary or homecare treatment and in some policies, OPD (Outpatient Department) related expenses. Further, a comprehensive set of day-care procedures and expenses incurred other than hospitalization are also covered.

The entire process and purpose of buying an insurance policy ultimately boils down to the moment of truth - the time of claim settlement. The regulations from IRDAI in light of the pandemic have been an enabler for easier, faster and better claim settlement experience for customers. The regulations also direct insurers to pay interest for delayed claim settlement. The time spent in the tedious process and paperwork involved in claims processing has now been brought down to as low as 30 minutes with the assistance provided by InsurTechs. This is a huge step forward in addressing the main pain point of customers. While insurance provides affordability of healthcare coverage, it is equally important that the insurance also remains affordable enough for consumers to buy. Even though there has been a considerable rise in medical inflation after Covid with bills ranging as high as Rs 80 lakh to 1 crore, there has been a negligible rise in insurance premiums.

Comprehensive health policies come at an affordable and reasonable price. One can even get a super top-up of ₹90 lakh on an existing policy of ₹10 lakh and get total coverage of ₹1 crore. These plans have found acceptance in tier II and III cities as well where insurance penetration is much lower than metros. Policies with small deductibles and co-pay also bring another option to increase affordability of health insurance. In view of the pandemic, if the policyholder needed any assistance, mediums like chatbots or video and screen-sharing enabled interfaces began to be used more often, to provide contactless assistance effectively. Even the most crucial part of the process - claim settlement - can be filed, tracked and processed online. Further, a lesser-known aspect is that the authorities have also called for stricter norms to minimize cyber risks and crimes with respect to a sensitive product like insurance. There are now AI-enabled voice and behaviour analytics tools that minimize the risk of collusion and fraud and bring more transparency. Also, with the emergence of digital health lockers, all health records are safely maintained and recorded in one place, which further streamlines the process of health insurance.

***(The writer is Sarbvir Singh.)***

[TOP]

## *Boosting trans genders' health insurance: firms to spell out underwriting rules ensuring transparency - The Logical Indian – 16th March 2022*

The Insurance Regulatory and Development Authority of India (IRDAI) laid down rules for insurance companies around the country to spell out underwriting rules, specifically for transgender applicants. According to several experts, the move is being hailed for ensuring transparency and making such social security benefits inclusive and accessible for the community.

The circular was issued on March 8 by the regulatory body, asking insurers to provide complete and correct information to avoid any confusion in the future. Along with that, it aims to reduce bias towards the LGBTQIA+ community, who have struggled for time immemorial when it comes to availing life and health insurance in India until recently.

**Disclosing Necessary Information**
Under the IRDAI directive, the insurers will have to disclose important information regarding the health insurance, from risk assessment to premium determination, especially for the transgender community. "All the insurers are now instructed to publish on their respective websites the aspects of underwriting philosophy and approach about offering health insurance coverage to transgender persons so that they have the complete information on the philosophy adopted by the company," Money control quotes the circular.

The latest diktat is on the Transgender Persons (Protection of Rights) Act 2019, under which the government has to facilitate expenses through an insurance scheme that caters to the transgender community. The costs will cover processes such as sex reassignment surgery, hormonal therapy, laser therapy and the like. While some companies provide the necessary coverage, they do not disclose the underwriting details to the applicants, making it difficult for them to apply.

**Inclusive Approach**

Many experts are hailing this move as it is an inclusive approach. Founder of an insurance broking company, Nivesh.com, Anurag Garg, told the publication, "This is a positive step. Insurers will have to rethink their entire underwriting process and be transparent about it. So far, the philosophy has been vague." As Health Insurance is a basic necessity, the co-founder of an employee wellness company states that the transparent method will also ensure no bias or discrimination on a person's gender or sexual orientation.

Further, it will encourage the transgender community to buy health insurance. Over the years, several firms have discriminated against the community members. With this mandate, the people can come forward and ask for the necessary details before buying the essential policy.

***(The writer is Akanksha Saxena.)***

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## *Port your insurance policy to cover home care, consumables: Experts – Business Standard – 15th March 2022*

Customers are increasingly opting to port if they are dissatisfied with their current health insurance policies, as a recent pan-Indian survey by Policy Bazaar of 4,500 respondents shows. With new health policies offering enhanced features being launched at regular intervals, moving makes sense since customers don't lose out on the benefits accumulated in their old policies. The Policy Bazaar survey found that 63 percent customers had ported for a better price and higher sum insured, while the remaining 37 percent had ported for better features and services. Before porting, ensure you are moving to a policy with the right features. Amit Chhabra, head-health and travel insurance, PolicyBazaar, says, "The new policy must have a few crucial features — cashless hospitalisation, consumables cover, network hospitalisation, and ambulance cover." With cashless hospitalisation, you can get treated at any of the network hospitals without having to worry about cash in hand. Consumables cover reimburses the cost of PPE kits, masks, gloves, oxygen cylinders, ventilators, etc. With ambulance cover, you can avail of this service without a direct financial cost.

Buying a policy that covers home treatment is becoming crucial. M Barve, founder, MB Wealth Financial Solutions, says, "Stay-at-home treatment became very important during the pandemic. Ensure this feature is present in the new policy, as regular monitoring and treatment at home can also result in a hefty bill." Remember you can port only between similar health policies, say, from one basic cover to another basic cover, or from one top-up plan to another top-up plan. Around 54 percent customers in tier 1 cities, 18 percent in tier 2 cities, and 28 percent in tier 3 cities ported to a higher cover. How much cover you buy should depend on the city you live in and the grade of hospital you are likely to be admitted into. "Individuals living in cities can manage with a minimum Rs 15 lakh cover," says Barve. Buy a higher cover if your pocket allows. Instead of moving to a policy with a higher cover, customers have another option. Pankaj Mathpal, managing director, Optima Money Managers, says, "A policyholder can also buy a super top-up plan from the same or another insurer."

Do a cost-benefit analysis of the two options. While a super top-up is a good option, keep in mind that going for a separate policy could mean more paperwork at the time of making a claim. Approach your own insurer first if you wish to enhance your cover. "Only if you are dissatisfied with your existing insurer's services, or the existing policy doesn't have the features you want, should you port to another insurer," says Mathpal. In the PolicyBazaar survey, 68 percent customers moved from multi-year to single-year policy tenure, while 26 percent moved from single-year to multi-year policy tenure. If you pay the premium for multiple years, you can earn a discount. "Gig workers should, if possible, buy a multi-year policy. Those who have regular incomes can also avail of a discount by paying the premium for multiple years at one go," adds Mathpal. The survey found that 36 percent of customers had ported in seven days, 19 percent had ported in 15 days, and 48 percent had ported in 60 days before their policies expired. "Apply for porting well before the due date of expiration, so that the insurer gets enough time to review the application," says Chhabra. Finally, review the coverage of your existing policy, then assess the sum assured to see if it will be adequate to meet the goal of end-to-end treatment. An ideal health policy, says Barve, must reduce out-of-pocket expenses.

***(The writer is Bindisha Sarang.)***

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## *Transgender health insurance to get a boost; clear underwriting philosophy needed, regulator says – Money control – 11th March 2022*


India's insurance companies must spell out their underwriting philosophy for transgender applicants, a move that experts say will make it easier for members of the community to access information and encourage them to seek health insurance.

"All the insurers now are instructed to publish on their respective websites the aspects of underwriting philosophy and approach with regard to offering health insurance coverage to transgender persons so that the targeted population may have complete information on the philosophy that insurers adopt in this regard," the Insurance Regulatory and Development Authority of India said in a circular on March 8. Insurance companies will be required to broadly disclose how such health insurance proposals will be evaluated, risks assessed and premiums determined in the case of transgender applicants.

The objective of asking life, health and general insurance companies to publish their underwriting approach for evaluating health insurance applications on their portals is to ensure transparency and provide clarity to prospective transgender policyholders. IRDAI's directive makes it mandatory for all insurers to offer such coverage, leaving no scope for any confusion.

"Many insurers are providing coverage to the community. But once the industry is mandatorily required to disclose the philosophy, they have to offer the option," says Shrehith Karkera, cofounder of insurance platform Ditto Insurance.

**For all genders**

Current health insurance regulations require insurance companies to devise underwriting policies to offer coverage to other than 'standard' lives too. The insurance regulator's latest directive draws upon the Transgender Persons (Protection of Rights) Act, 2019, in recommending the disclosure of underwriting norms. This is in line with previous directives on lives that are not considered 'standard' by the industry – people with disability and those affected by HIV/AIDS and mental illnesses.

Some insurers offer coverage to trans genders as also the LGBTQ+ community, though the process is far from simple. The Life Insurance Corporation of India has had a 'third gender' option in its proposal forms since 2016. Bajaj Allianz General Insurance, too, offers coverage to the community.

"We have already been practising this since 2018. Our underwriting philosophy is no different for them. Our underwriting and acceptance of policy applications is free from any bias," says Gurdeep Singh Batra, head of retail underwriting at Bajaj Allianz General Insurance. However, some insurers don't offer this cover, citing lack of data to price risks. "They can always obtain the data if they make the effort, but some have chosen not to take the trouble," said an insurance intermediary who spoke on condition of anonymity.

In India, the population of those who identify themselves neither as male nor female is close to half a million, as per Census 2011. This includes trans genders, though Census 2011 does not have data specifically on the community. The Transgender Persons (Protection of Rights) Act, 2019, requires the government to facilitate the coverage of medical expenses through an insurance scheme for sex reassignment surgery, hormonal therapy, laser therapy or "any other health issues of transgender persons." In addition, they face several health risks. "The transgender community faces emotional and psychological abuse, physical and sexual violence, sexually transmitted infections, viral hepatitis and HIV. They are also constantly grappling with mental health problems, such as depression, anxiety and suicidal thoughts," says Saransh Garg, co-founder of Nova Benefits, which provides services in the employee wellness and benefits space.

Unlike in life insurance, where gender determines premium – and women pay lower premium – the pricing of health insurance is not linked to gender. "Premiums in health insurance are based on age and not gender," says Batra. Pricing is also influenced by lifestyle choices, health status and history, irrespective of gender.

**Greater clarity**

The regulator's latest circular will ensure uniformity across insurers and provide more clarity, industry executives said. "This is a positive step. Insurers will have to rethink their entire underwriting process and be transparent about their underwriting. So far, the philosophy was vague in case of some insurers," says Anurag Garg, founder of Nivesh.com, an insurance broking company. IRDAI's diktat will reduce the bias that the transgender community often encounters. "Health insurance is a basic ask... and this move will help introduce transparency and a sense of inclusivity in the system, thus providing equal access, with no discrimination on the grounds of sexual orientation or gender identity," says Saransh Garg.

Once insurance companies start putting out their underwriting guidelines specifically for trans genders, the community will find it easier to access information and seek health insurance. "The community needs to come out and look to insure themselves. Insurers are open to accepting their proposals, without any bias in any aspect," says Batra.

*TOP*

## *Do you visit doctors frequently? Buy a health plan with OPD cover - Business Standard – 11th March 2022*

While a large portion of healthcare expenses are incurred on out-patient department (OPD) treatments, most traditional health insurance plans didn't cover the cost of these treatments. However, several health insurance policies launched in recent times offer coverage for OPD treatments. Some insurers offer this coverage as a rider. A few standalone OPD covers are also available. OPD covers have gained in popularity after the three waves of Covid-19. "The demand for OPD covers has risen significantly, especially after the third wave, as the pandemic had after-effects on people's health. Such people want to consult their doctors regularly. Since such check-ups don't require hospitalisation, an OPD cover becomes vital for them," says Naval Goel, founder and CEO, PolicyX.com.

The growing preference for telemedicine has also provided a fillip to demand. "Post Covid, more customers prefer products that cover online OPD and e-consultations," says Amit Chhabra, head-health and travel insurance, Policybazaar.com.

**Premiums are for a sum insured of Rs 25 lakh for a 35-year-old**

| Insurer | Plan | Annual benefits (Rs) | Monthly premium (Rs) | Annual premium (Rs) |
|---|---|---|---|---|
| Care | Care Plus | 2,500 for OPD and 2,500 for dental treatment | 1434 | 17197 |
| Nive Bupa | Go Activ | Up to 2,500 | 1045 | 12538 |
| Star Health Insurance | Star Comprehensive | Up to 3,300 | 1502 | 18013 |
| Aditya Birla | Activ Health Platinum Enhanced | Up to 1,000 | 1109 | 13301 |

Source: Policybazaar.com

This cover reimburses OPD expenses such as doctor's fee, cost of medicines, costs of diagnostic tests, and other treatments that don't require hospitalisation. For example, if the insured person meets with an accident and suffers a fracture, this policy will pay the doctor's consultation fee, cost of plastering the limb, and the cost of medicines. A standard health insurance policy won't cover a fracture caused by an accident if the patient does not get hospitalised. These policies also come in handy when the insured undergoes dental treatment. "Health insurance policies usually don't cover medical costs incurred on dental treatments like fillings, root canal, tooth extraction, etc. In fact, even those policies that cover a few listed day-care treatments, don't cover dental treatments. However, many of the recently launched health insurance plans that come with OPD covers provide protection against dental issues as well, including the cost of dentures up to a certain limit," says Chhabra.

OPD policies don't cover the cost of cosmetic procedures, vitamins and supplements, and physiotherapy sessions. "The exclusions for OPD covers are similar to those for health insurance plans where the facilities, services or treatments availed for rejuvenation, pleasure, beauty, spectacles, lenses, implants, hearing aids, prosthetic devices and braces are not covered," says Goel. Read the policy wordings carefully to understand the exclusions. OPD covers also have a waiting period. "Some of the standalone OPD plans that have been launched recently come with merely 90 days or lower waiting period," says Goel. Many of these policies also don't have any sub-limits. No standard OPD product is available, so buyers should take into account both the benefits offered and the sum insured while comparing premiums. Premiums are on the higher side for these policies. "Since OPD charges are high and are incurred frequently, health insurance plans that include OPD coverage are relatively expensive," says Goel.

***(The writer is Sarbajeet K Sen.)***

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## MOTOR INSURANCE

### *Third-party motor insurance rates likely to increase from this date – DNA – 16TH March 2022*

Third-party motor insurance rates are likely to increase from April 1 as the Ministry of Road Transport has proposed a hike in the same for various categories of vehicles. If the proposal is accepted by the relevant stakeholders, then insurance premiums could see an increase of up to 23% from the next financial year (2022-23).

The last change in the premium was done in 2019, but after the Covid-19 hit India in 2020, premiums have not been revised since then. According to the proposed revised rates, private cars with 1,000 cubic capacity (cc) will attract rates of Rs 2,094 compared to Rs 2,072 in 2019-20. While private cars with 1,000 cc to 1,500 cc will attract rates of Rs 3,416 compared to Rs 3,221.

Two-wheelers with 150 cc and less than 350 cc engines, will attract a premium of Rs 1,366. Whereas, two-wheelers with over 350 cc engine, will attract a premium of Rs 2,804. However, a discount of 15% is proposed for electric private cars, electric two-wheelers, electric goods carrying commercial Vehicles and electric passenger-carrying Vehicles.

Every year, the third-party insurance premium rates are revised by the Insurance Regulatory and Development Authority of India (IRDAI). But this time, the Ministry of Road Transport will notify the third party rates in consultation with the insurance regulator.

**Third-party insurance**
Third-party insurance is mandated by law and covers damage to others in a road accident alongside cover for own damage.

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## *How your motor insurance policy changes after installation of LPG/CNG kit - The Economic Times – 14th March 2022*


Car owners who look forward to saving on rising fuel costs, often consider installing an LPG or CNG kit in their car. This might involve a one-time installation expense but does bring down the recurring fuel expenses. However, one must remember that the change of fuel amounts to a significant change in the insurance policy of the car too. Here are the steps one needs to follow to make those necessary changes.

**Endorsement in vehicle RC**
Whenever a petrol/diesel car gets fitted with a CNG /LPG kit, the same needs to be endorsed in the registration certificate (RC) issued by the state transport authorities. Documents such as existing RC book, insurance policy copy, invoice for LPG/CNG kit, KYC documents of the vehicle owner need to be submitted to the RTO and a form needs to be filled in for the same. Once the authorities examine the vehicle and the documents, they will approve the application and endorse the RC book.

**Endorsement to insurance policy**
Next, an application for endorsement must be made to the insurance company where the vehicle is insured. Here, one needs to submit self-attested documents like endorsed RC book, invoice for LPG/CNG kit, along with the application. After the complete verification of the documents, the insurance company will make the necessary endorsement and share the endorsed insurance policy with the vehicle owner.

**Points to note**
It is advisable to install a government-approved CNG kit.
In addition to quality and safety, it will ensure that the endorsements to RC book as well as insurance policy are carried out hassle-free.

***TOP***

## *Registration, valid licence must for car insurance claim – The Tribune – 13th March 2022*

Two months back, I bought a new car. It was delivered with a temporary registration number, valid for a month. I was to get a new permanent registration before the expiry of the validity of the temporary licence but before I could apply, I fell sick with Covid-19. Meanwhile, my son took the car to a nearby market to pick up some fruits and when he returned, the car was missing. The car had a comprehensive insurance policy covering theft, but the insurance company is refusing to pay the insured amount on the ground that the car did not have a valid registration at the time of theft. Can I challenge this before the consumer court?


To your simple question on whether you can challenge this before the consumer court, I would say yes you can. You have every right to challenge the decision of the insurance company in repudiating your claim, if you feel it is unfair. You can do so before the consumer court or even the insurance ombudsman. However, I regret to say that your chances of winning the case and getting the insured money are thin.

**On what basis are you saying this?**

First and foremost, I must emphasise that driving a vehicle in a public place without registration and display of that registration is a violation of the Motor Vehicles Act. Section 39 of the Act casts a responsibility on the owner of the vehicle to ensure that no one drives his vehicle in a public place or anywhere else unless it is registered and the vehicle carries a registration mark displayed in the prescribed manner.

Recently, the Supreme Court reiterated that plying a vehicle without a certification of registration is not only a violation of the Motor Vehicles Act, but also a fundamental breach of the insurance policy condition and one cannot find fault with the insurer for repudiating such claims. (United India Insurance Co Vs. Sushil Kumar Godara -CA No 58879 of 2021, order: September 30, 2021)

Here the complainant's new car had a temporary registration for a month from June 20, 2011, to July 19, 2011, and also an insurance cover for Rs 6, 17,800. On July 28, the complainant drove to Jodhpur on work, stayed at a guest house and parked his car outside the guest house. Next morning, he found the car missing. The insurance company repudiated his claim for indemnification of loss on three grounds: (a) that the car did not have a registration; (b) Intimation of the theft was given to the insurer after a delay — again a violation of the policy condition; and (c) he had left the vehicle unattended outside the guest house — another breach.

Both the State Commission and the National Disputes Redressal Commission directed the insurer to pay. The Supreme Court, however, deferred and set aside the order. While doing so, it pointed out that after the expiry of the vehicle's temporary registration, the consumer not only drove it in a public place, but also went to another city and parked it overnight in a place other than his premises. And there was nothing on record to show that he had applied for permanent registration and was awaiting registration. The Supreme Court also said it was of no consequence that at the time the theft took place, it was not plying on the road. The material fact was that it was driven to a place from where it was stolen, after the expiry of the temporary registration.

The Supreme Court in this case also referred to its binding judgment in Narinder Singh Vs. New India Assurance Company (CA No 8463 of 2014) wherein it had dealt with a similar case, except for the fact that in that case the vehicle had met with an accident. Observing that the National Commission should not have overlooked and disregarded its binding order in Narinder Singh case, the Supreme Court reiterated: "...when an insurable incident that potentially results in liability occurs, there should be no fundamental breach of the conditions contained in the contract of insurance." I would like to remind all consumers not to ever use their vehicles without registration, insurance cover and a valid driving licence. And always renew your insurance well in time.

***(The writer is Pushpa Girimaji.)***

TOP

## *Useful Car Insurance Add-on covers that can boost protection for your vehicle – Financial Express – 11th March 2022*

Car insurance is considered an effective tool to financially protect your car from risks such as road accidents, vehicle theft or third-party liabilities that may occur while driving. While having a valid third-party (TP) car insurance is mandatory for all vehicles plying on Indian roads, experts say few owners are aware that in standard comprehensive car insurance only an own damage (OD) cover is payable.

Rakesh Jain, CEO of Reliance General Insurance says, "Other losses like engine damage due to floods or depreciation on the value of parts replaced are not covered in own damage cover, which can significantly increase the owner's liability in many scenarios."

There are a few indispensable car insurance add-on covers that are recommended by experts to enhance the overall financial protection for your car and to ensure you enjoy a stress-free ownership experience.

**Nil Depreciation Cover**
As your car ages, its value depreciates with time, and you may not be able to recover the full cost of replacement of car parts. At the time of insurance claim, this results in partial recovery of the cost of parts replaced and can lead to substantial liability in case of medium to major damages.

Jain says, "A Nil Depreciation add-on cover protects one from this depreciation and expands coverage of repair costs to the fullest extent possible."

**Engine Protection Cover**
While modern cars are considered to be highly reliable, industry experts say, there are susceptible to hydrostatic lock-related damages when the car is driven through flooded areas which can lead to huge expenses. Jain explains, "Choosing an engine protection add-on cover assists in recovering the cost of repairs to one's car's engine in such situations and also includes scenarios where engine damage arises out of leakage of lubricant oil in case of underbody vehicle damage."

**Return to Invoice**
If your car is stolen or damaged beyond repair, it will cause not only a lot of mental stress but also burn a big hole in your pocket. Therefore, having a Return to Invoice Cover (RTI) add-on cover will provide full reimbursement of the final invoice value of the car in such situations. In addition to the above add-ons, other important covers include EMI protection, Consumable cover, No Claim Bonus Protection cover, Tyre, Key and Rim protection cover. Jain adds, "It is advisable to compare car insurance policies on more than cost grounds and opt for these add-on covers as per the car's requirement and protect oneself from myriad expenses that can occur in different driving conditions."

***(The writer is Priyadarshini Maji.)***

***TOP***

## *Important terms in your motor insurance policy that you should know about – The Indian Express – 11th March 2022*

For most car owners, their vehicle holds a special place in their hearts as it is a consequential part of their everyday life. Right from quick outings to long road trips – your car accompanies you everywhere you go. Hence, it's only fair that you should also know how to take good care of it and protect it from any unforeseen event like an accident or theft, by going for a comprehensive motor insurance policy. The NCRB data suggests that Indian roads witnessed around 3.5 lakh accidents in 2020. Moreover, around 2.5 lakh vehicles get stolen every year, of which only around 25 per cent are ever recovered. This makes vehicle insurance an absolute necessity. However, before you buy a motor insurance for your vehicle, you must know all about the important terms associated with it. Here are some lesser-known terms in your policy that you should know about.

**IDV:** Insured Declared Value, or IDV, of a motor vehicle, is basically the maximum amount of money that the insurance company is liable to pay in case of a total loss of the vehicle, or if the vehicle is stolen. The insurance premium that one needs to pay is directly proportional to the IDV. So while one can get a lower quote on the premium by setting a lower IDV, one should avoid this mistake. IDV should be carefully calculated while purchasing the policy and should be close to the market value of the vehicle so you don't face any issue while filing a claim. Here, you need to remember that the vehicle's current IDV should be a maximum of 90 per cent of the last year's IDV as per regulations. Taking a higher IDV than that would lead to extra spending. However, in case of a total loss claim, the pay-out would be only at 90 per cent of last year's IDV. Hence, it is best to keep the IDV at the regulated amount and avoid spending extra on premium by choosing an IDV higher than last year.

**NCB:** No claim bonus, or NCB, is a discount on the insurance premium that you get if you ride carefully during the policy year and do not have to make an insurance claim. Moreover, the NCB gets accumulated year over year and can go even up to 50 per cent of the entire year's premium, if you do not make a claim for consecutive years. Essentially, the more you ride without an accident, and without making an insurance claim, the higher is the no claim bonus that you get. It is also noteworthy that NCB is not vehicle-specific. So even if you sell your vehicle after using it for, say, five years without making any insurance claim, you can get up to 50 per cent NCB discount on the insurance policy of your new vehicle.

**Third-party vs Comprehensive cover:** When you buy an insurance policy for your motor vehicle, you have the option to go for only the mandatory third-party cover, or a comprehensive policy. The difference is that a third-party policy only covers the cost of the damages that a third party may incur which has been involved in an accident with your vehicle. It does not cover the risk of damage to the insured's own vehicle, nor does it protect the vehicle against theft. A comprehensive policy, on the other hand, provides full protection against damages to all parties involved in an accident including your own vehicle, the driver and passenger, as well as the third-party vehicle and its driver. Moreover, it also covers the vehicle against theft and damage due to natural and man-made disasters. You need to remember that it is mandatory by law for new car owners to have a one-year comprehensive+ 3-year third-party insurance policy at the time of purchasing the car. However, for the second and third years, the owner is only required to purchase a standalone own damage policy.

**Deductible:** A deductible is that part of an insurance claim that has to be paid out-of-pocket by the policyholder before the policy kicks in to pay the rest. There is a compulsory deductible fixed by the insurer which has to be mandatorily paid by the policyholder while making a claim. On the other hand, there is also an option to go for a voluntary deductible over and above the compulsory one. A policyholder can opt for this to reduce the premium of the policy. Higher the level of voluntary deductible lower would be the annual premium of the policy.

**Riders:** Riders, also called add-ons, are additional covers that you can opt for to get extra protection for your vehicle. These riders cost extra, but can be used to customise the motor insurance policy to meet your specific needs. There are various riders available to choose from. One can go for a "Zero Depreciation" rider, which protects your vehicle's value — with respect to its insurance coverage — against age and obsolescence. There are also riders available to protect the engine, gearbox, and even to cover the key and lock replacement, 24×7 roadside assistance, etc., which are not covered in a standard policy.

By knowing all these terms that you would come across in policy documents and brochures, you would be able to make an informed decision while choosing a motor insurance policy. After all, an aware consumer is an empowered consumer.

***(The writer is Ashwini Dubey.)***

***TOP***

## *Human intervention is still relevant for health, term insurance purchase: survey – Live Mint – 16th March 2022*


Health and term insurance providers are pivoting towards technology to sell their products and offer seamless customer service. But policy buyers appear to be taking time to adopt to new-age technologies promise do away with human intervention and invasion of privacy, as per PolicyX.com Health & Term Technology Survey 2022.

The Indian insurance industry has always been led with a physical touch where agents have played an imperative role in marketing different insurance companies and their plans. Even with widespread digitization in the industry, dealing through an agent is preferred by policyholders at different stages of insurance proceeds, as per a latest survey conducted by PolicyX.com, a web insurance aggregator. The study found that majority of respondents want human assistance at different stages of insurance dealings including purchase, filing of claims, among others.

Naval Goel, founder and CEO, PolicyX.com, said, "Insurance…has always been a push product where agents or advisers have played an instrumental role in bridging the gap between the insurance companies and customers. Therefore, the human touch will be essential from customers' standpoint as it is an important commodity for them this human intervention is required by them to ensure that they are investing in the right product plan and convenience in the following process".

Survey respondents included existing health insurance customers and term insurance customers, with 1,176 responses received.

**Take a closer look at survey findings:**
**Buying Insurance**: Majority of respondents (65.5%) expressed discomfort in purchasing health/term insurance through a website or mobile app without dealing with an agent or a representative. Wherein 29.1% of respondents seemed absolutely comfortable in buying insurance through a website or mobile app.

**Filing Claims**: The largest portion of respondents expressed that they won't be comfortable filing health or term insurance claim on a website or mobile app without an agent. Almost 67.3% of participants declined proceeding without a representative, 21.8% of participants agreed to be congenial with the complete digital transaction and 10.9% people seemed disorientated with their choice, as per the survey. While insurance companies are exploring new techniques and technologies to provide a seamless claim experience to the customers, policyholders are wary of the review of claims via artificial intelligence (AI) from start to end. About 72.7% of respondents said they won't be comfortable if a health/term insurance claim is reviewed completely by AI instead of an agent, while 23.6% said that they will be comfortable if health/term insurance claim is reviewed without any human interference.

**Privacy concerns over discounts**: Insurance companies have also explored a trade-off method to push the audience to become more receptive to new technologies incorporated by them. The insurance companies are asking for personal details or a tracking system in exchange for some discounts or coupons.

Survey participants are open to considering if the insurance company asks to share their food habits and healthy practices to track data through a website or mobile application in exchange for discounts in the premium. As much as 36.4% of respondents claimed to be okay, while 49.1% denied any such tracking and 14.5% seemed indifferent.

Customers' views on health monitoring gadgets like fitness band, etc. which collect health related data and help in assessing habits was also sought. About 21.8% of the respondents expressed comfort on connecting their smartwatch with an insurance website or app to collect their personal data if promised a lesser health insurance premium for the following year, while 58.2% respondents showcased their concern on sharing any such data. About 20% said their choice will depend on the affordability of the premium, as per the survey.

***(The writer is Navneet Dubey.)***

***TOP***

## *Covid has increased health insurance awareness among millennials: Study – Live Mint – 15th March 2022*


Covid-19 has led to heightened awareness and the need for buying a health insurance policy, especially among millennials. But there still seems to be resistance when it comes to actually buying one. There is a huge gap between realising the need and the actual action of buying one, according to a study by Edelweiss General Insurance that throws light on this glaring insurance protection gap.

EGI's multi-metro, qualitative study --A finger on the pulse-- brings to fore the financial, emotional, and psychological factors that encourage millennials to buy health insurance. The report covers a millennial's journey from fear to a sense of security. The study also identifies three interesting and distinct customer mind-sets within the millennial cohort and presents the health insurance purchase journey for each of them. They are:

Evaluator – Wants only the best policy, and hence will spend substantial time and effort in thoroughly researching and evaluating available options before making a choice. The agent is a source of information for him/her, not the expert he/she relies on. Reaches out to trusted sources offline and online to ensure that his/her choice of policy and brand is correct.

Outsourcer – Understands the value of health insurance and hence needs a policy that is adequate enough to cover him/her and his/her family. Since the category is confusing and flooded with too many options, he/she prefers to consult an agent to make his choice.

Tick the Box – Ease and convenience matters most to him/her and hence online purchase is his/her go to route. Believes in online research and will look up insurer and aggregator websites to make a choice. The fear of losing money due to heavy hospitalisation/ medical bills, etc., pushes him/her to buy health insurance. Is premium sensitive and works within a budget.

Shanai Ghosh, executive director & CEO, Edelweiss General Insurance, said, "Millennials will play a big role in improving India's health insurance penetration. If this generation is curious about health insurance, then why are they not buying? This was the premise of our study, and we took a step back to first try and understand this gap. The insights drawn from the research has only helped reiterate our belief that it is important to know and understand the customer, and offer them simple, easy, and convenient solutions that encourages them to one, trust the category and two, invest in it."

***TOP***

### *Most people feel life insurance is a necessity: Survey – The Hans – 13th March 2022*

Most people across all age groups in India consider life insurance as an important financial instrument, finds a survey conducted by Life Insurance Council, recently. The survey findings reiterate council's new public awareness campaign "Sabse Pehle Life Insurance," which highlights life insurance as a top priority for the earning members of a family. Most of the respondents highlighted the following reasons why they believed it is necessary to purchase life insurance - Protection in an unforeseen event, financial security for the future and achieving collective financial goals of the family.

Of the total respondents, as high as 70 per cent were willing to buy life insurance. In fact, due to the Covid-19 pandemic, a significant increase has been witnessed among people opting for life insurance. However, there is still a gap and a need to raise awareness about the importance of purchasing life insurance. While 91 per cent of the people consider it a necessity, only 70 per cent are willing to invest in the same.

The council conducted the survey across 40 cities with more than 12,000 people to understand the Indians' perception about life insurance. The southern belt in India has shown less interest in life insurance amongst all the cities surveyed with 64 per cent attaching importance to life insurance as compared to 78 per cent in the north. The reason for this could be the higher weightage given to other financial instruments such as post-office savings schemes.

The south depicted a lower level of ownership of life insurance as well compared to health insurance or post office (PO) savings scheme where the ownership was higher in comparison to other regions. "We conducted this survey to primarily understand the perception, awareness and familiarity about life insurance among Indian audience. Our aim is to ensure that every earning member of an Indian family makes life insurance a top priority, to secure a safe and healthy future for his or her family," said SN Bhattacharya, Secretary General, Life Insurance Council.

**TOP**

## PENSION

### *A sensible decision: EPFO has been giving unsustainable returns for long – Financial Express – 16th March 2022*


The decision of the Central Board of Trustees of the Employees' Provident Fund Organisation (EPFO) to lower the interest rate for its retirement saving scheme from 8.5% to 8.1% for the current fiscal is a sensible one, even though this disappoints the scheme's middle-class subscribers. The EPFO reportedly has cited the current earnings position as a reason for the cut. It is indeed the case, as 5-10 year SBI deposits give just 5.5%; the rates for popular small savings schemes such as Public Provident Fund and the Sukanya Samriddhi scheme are 7.1% and 7.6%, respectively. It is obvious that the EPF has been offering much higher returns which have been unsustainable for some time now.

The EPFO invests the bulk of incremental contributions in government debt—while the average yield on 10-year G-secs over the past 10 years was 7.31% (currently at 6.85%), EPFO has been giving subscribers nearly 8.6% on average. Of course, it has been able to do this because of long tenure debt-investments in the past that were to held to maturity with interest rates as high as 12%.

With present conditions reflecting a much more cautious mood globally, there is no reason why the EPFO should continue to offer subscribers high interest rates; even at the 8.1% rate, it would be disbursing Rs

76,000 crore in the current fiscal, leaving it with a marginal surplus of Rs 450 crore. Indeed, as the Union labour minister stated, given its role as the provider of social security for its 65 million subscribers, it is straitjacketed in its choice of investments, with exposure to high-risk investment (read equity-related instruments) capped at 15% of its investible corpus. The current environment is too fragile, with the pandemic and now Russia's war on Ukraine injecting a lot of uncertainty.

The EPFO faced a double whammy because of the pandemic, with reduced earnings for the fund compounded by withdrawals initiated by subscribers in the face of financial distress and income loss. According to an Indian Express report, it settled close to 5.7 million advance claims till December 31, with the withdrawals totalling over Rs 14,300 crore. That the fund needs to be sustainable, especially with its guaranteed-return model, can't be overstated. The best that subscribers can wish for at present is for a strong equity market recovery, so that the earnings from that part of their contribution go up. Debt investments that offer stability can't, and shouldn't, offer higher returns than bank interest rates. If their deposits were to become less attractive and savings flowed elsewhere, banks will be hamstrung to cut lending rates, which will then affect the country's investment climate.

As salaried subscribers protest the move, they must remember that the trade unions that represent them in the EPFO had vehemently opposed investment in equity just seven years ago. Even now, after the announcement of the latest move, one trade union representative has been quoted as saying that "playing around with financial markets" won't secure the future of the subscribers. That the National Pension System (NPS) which allows equity investments of 50-75% from a subscriber's contribution has clocked an average return of 10-12% over the past 10 years should offer some perspective. Those who seek higher returns, with an appetite for concomitant higher risks, should have been allowed to port their retirement savings to the NPS, something that former finance minister Arun Jaitley had envisioned. His proposal, of course, has been hanging fire since, and the chances of it seeing the light of the day are slim given the legislative change that is required.

***TOP***

## *'PFRDA plans to lift 75% equity cap on NPS Tier II' – Live Mint – 15th March 2022*

The 75 percent limit on equity under NPS (National Pension System) Tier II will be raised to 100 percent once the board approval comes through, reveals **Supratim Bandyopadhyay, chairman, Pension Fund Regulatory and Development Authority (PFRDA)**, in an interview. Those opting for 75 percent equity in Tier I (active choice) too, will no longer have to pare their equity component once they cross 50 years of age. Edited excerpts:

**Are there any plans to remove the 75 percent equity cap, particularly in NPS Tier II?**
Our Pension Advisory Committee has agreed to this but like the mutual fund industry, they wanted us to develop some kind of risk-o-meter which shows the extent of risk you are taking with a particular product. So, the risk-o-meter has been developed with help of the NPS Trust and CRISIL and we are taking it to the board. So, once they approve it, then the 75 percent limit will be increased to 100 percent in Tier II because that is an optional account. In Tier I also, we are going to bring a small change. We have 75 percent active choice option in equity but there is a small condition. Once you cross 50 years of age, your equity component has to come down. For such subscribers too, we are removing the limit.

***(The writers are Neil Borate and Maulik Madhu.)***

***TOP***

## *Let workers migrate out of the poorly performing EPFO to the NPS – Live Mint – 14th March 2022*

The Employees' Provident Fund Organisation (EPFO) must manage workers' savings more efficiently to help them build a respectable retirement nest. The 8.1 percent rate of return that the Central Board of Trustees of the EPFO has recommended for 2021-22—although better than the interest rate on bank deposits and small savings schemes (ranging from 4.0 percent to 7.6 percent)—is not just lower than the 8.5 percent return in the previous financial year, but also the lowest in four decades. It is also lower than that generated by the National Pension System (NPS). This is when interest rates around the world are heading north; a telling reflection of inefficient fund management. Labour minister Bhupendra Yadav has said the EPFO cannot take very risky investments and favours stability. But it is more likely that worries about the possibility of incurring deficits have led to the decision of reducing the rate. With vital state assembly polls over and out of the way, taking the decision to reduce the rate would only have become easier. Reportedly, the EPFO has liquidated ₹12,785 crore worth equity investments in exchange-traded funds and will use capital gains of around ₹5,529 crore from it for the 2021-22 interest pay-out. It will be left with an estimated surplus of ₹450 crore after the interest 8.1 percent pay-out. Retaining the interest rate at 8.5 percent, the level of last year, would have resulted in a deficit of ₹3,500 crore.

For, the EPFO's investment pattern is quite conservative even today. A bulk of the exposure of the EPFO corpus is in debt instruments, mostly public, while the exposure to equity is capped at 15 percent of the corpus. However, the total corpus of ₹9.4 lakh crore is sizeable enough to be diversified across asset classes to generate higher returns, while reducing risk. A more flexible approach in the allocation of the corpus across different asset classes will obviate the need for the government (most often) to subsidize the return for over 6.7 crore contributing subscribers. But it is no secret that the EPFO's track record of managing workers' funds has been abysmal. Way back in 2000, the Project Oasis Report, which formed the basis of the New Pension System, noted that the EPFO was failing on the core goal of accumulating pension savings for participants due to its inefficient fund management. Things did not change for the better. Almost a decade later, the EPFO discovered an accounting error that had left the fund with more money than it knew it had. All this made the financing of its pay-out opaque. Rightly, in the 2015-16 Budget, the government had said that workers would be given a choice to migrate to the NPS—a defined contribution scheme launched for government employees joining service from January 2004, and later open to voluntary subscribers—that generates better returns. But the proposal remained on paper. The government should urgently revive the proposal by amending the EPF Act.

***TOP***

## *EPF interest rate for 2021-22 reduced to 8.1%—lowest since 1977-78 – Live Mint – 12th March 2022*


Retirement fund body Employees' Provident Fund Organisation (EPFO) on Saturday decided to lower the interest on provident fund deposits for 2021-22, according to the PTI news agency. The EPFO's apex decision-making body Central Board of Trustees has decided to provide an 8.1% rate of interest on the Employees Provident Fund (EPF) for 2021-22. This is the lowest since 1977-78 when the EPF interest rate stood at 8%, the news agency added.

"The Employees' Provident Fund Organisation's (EPFO's) apex decision making body Central Board of Trustees has decided to provide 8.1 % rate of interest on Employees Provident Fund (EPF) for 2021-22 in its meeting held on Saturday," the agency said quoting a source.

It must be noted that the Central Board of Trustees (CBT) in March last year had decided the 8.5 % interest rate on EPF deposits for 2020-21.

It was ratified by the finance ministry in October 2021 and thereafter, EPFO issued directions to field offices to credit the interest income at 8.5 % for 2020-21 into the subscribers' account.

Now, after the CBT decision, the interest rate on EPF deposits for 2021-22 will be sent to the Ministry of Finance for concurrence. EPFO provides the rate of interest only after it is ratified by the government through the finance ministry.

In March 2020, EPFO had lowered the interest rate on provident fund deposits to a seven-year low of 8.5 % for 2019-20, from 8.65 % provided for 2018-19.

The EPF interest rate provided for 2019-20 was the lowest since 2012-13, when it was brought down to 8.5 %.

EPFO had provided 8.65 % interest rate to its subscribers in 2016-17 and 8.55 % in 2017-18. The rate of interest was slightly higher at 8.8 % in 2015-16. It had given 8.75 % rate of interest in 2013-14 as well as 2014-15, higher than 8.5 % for 2012-13.The rate of interest was 8.25 % in 2011-12.

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## IRDAI CIRCULARS

| *Topic* | *Reference* |
|---|---|
| List of third party administrators as on 15th March 2022 | https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo3649&flag=1 |
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## GLOBAL NEWS

### *New Zealand: Bill to modernise natural hazard insurance introduced – Asia Insurance Review*

The government has introduced a Bill in Parliament that, when passed, will improve the Earthquake Commission (EQC) scheme.

Minister Responsible for the Earthquake Commission, David Clark said that the Natural Hazards Insurance Bill takes into consideration the important lessons learned over the last decade.

He added, "The Bill makes the rules for mixed and multi-use buildings clearer, it clarifies regulations relating to repairing buildings and land following a landslip or other land damage, and simplifies the excesses and calculations for retaining walls, bridges and culverts. "A claimant code and a standing dispute resolution service are also introduced, so future claimants can access support in the immediate aftermath of a natural disaster." He stated that making a claim following a natural disaster will be easier.

The Bill's name—Natural Hazards Insurance Bill—recognizes the fact that EQC's mandate extends further than just helping people recover from earthquakes. In fact, its insurance scheme also covers landslips, volcanoes, tsunami and hydrothermal activity. The EQC in its present form provides natural disaster insurance to residential property owners and invests in natural disaster research and education. The EQC will be renamed as the Natural Hazards Commission – acknowledging the organization's role in supporting New Zealand to both prepare for and recover from natural hazards, Dr Clark said. Claimants will still lodge claims with their insurer to access entitlements via the Natural Hazards Commission following any event.

TOP

## *Pakistan: Regulator urges digitalisation of death certs to facilitate insurance claims - Asia Insurance Review*

The Securities and Exchange Commission of Pakistan (SECP) has approached provincial governments to digitalize the death certificate system so that heirs of life insurance policyholders can access insurance claims easily. The SECP has also directed insurance companies to develop a platform with the National Database and Registration Authority (Nadra) so information regarding a policyholder's death could be made available to the companies in the shortest possible time and death claims could be automatically initiated, reported the newspaper Dawn.

In a letter to the Punjab and Sindh governments, SECP Commissioner Insurance Sadia Khan said that there is a need to link the issuance of death certificates to Nadra. "The timely availability of credible death information can enable speedy claim payment to the life insurance beneficiaries," the SECP letter said.

It noted that while the life insurance provided financial protection to the family of a policyholder following the death of the breadwinner, given the low literacy levels in Pakistan, the beneficiaries of life insurance policyholders were generally unaware of the existence of a life insurance policy purchased by the deceased.

"Even if aware, getting a death certificate was a difficult task for the bereaved widow and children, especially in the rural areas," the SECP noted.

**Phases**

A senior SECP official said that initially Punjab and Sindh governments have been requested to digitalize death certificates because a majority of life insurance policyholders belong to these two provinces. The Khyber Pakhtunkhwa and Baluchistan governments would be approached next to adopting the linkage system. "The streamlining of the claims would also boost life insurance in the country," the official added. Currently, there are 10 active life insurances companies in Pakistan registered with the SECP.

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