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QUOTE OF THE WEEK

"Nothing can add more power to your life than concentrating all your energies on a limited set of targets."

Nido Qubein

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Key Person Insurance

Key person insurance is a life insurance policy taken out by an organization or business on the life of a key executive, employee, partner or proprietor to protect against the loss of value, revenues or profits of the business. The former is also the beneficiary of the policy. It is also referred to as the key man insurance or key employee insurance.

A key person is someone whose overall contribution is important in the operations of an organization. In a small business, the key person would likely be the proprietor. In a large organization, it would be the partner, principal shareholder, executive or a key employee. For instance, in the latter case, a key employee is injured, has poor health or dies; the pay-out from the policy would be used to offset the cost of recruiting and hiring a replacement. This ensures the sudden loss does not affect profitability of the business.

INSURANCE INDUSTRY

How change in residency affects the life and health insurance plans of NRIs – Money control – 22nd July 2021

Most non-resident Indians (NRIs) are known to be financially savvy. They tend to have a diverse portfolio of investments, in both the immigrating country and India. Undoubtedly, they are aware that insurance plays a critical role in safeguarding the physical and financial well-being of the family. But the question that begs to be asked is: do they need to have insurance in India if they aren't here?

To understand the need for health and life insurance in India as an NRI, the primary question one needs to ask is whether you will continue to have personal and financial interest in India over the long-term. If the answer is 'yes,' then buying insurance or continuing with an existing plan should be on the agenda. Before we touch upon the reasons why non-residents should consider domestic insurance coverage, let's understand how the change in domiciliary status affects eligibility.

How does change in residency affect NRIs?
Most life insurance plans offer a global coverage, and a change in residency status does not affect the validity of an insurance plan. Even if something unfortunate happens to you outside India, your beneficiaries can receive the claim benefits.

If you have an existing life insurance plan and are looking to immigrate, it is recommended that you update your insurance provider regarding the change in residency. Some insurers may require a declaration. Usually, there is no difference in the premium for resident or non-resident policyholders. However, your service provider may re-evaluate the terms of insurance if the country you are relocating to is considered as 'high-risk' on account of civil or political unrest, high crime rate or poor standard of living.

Non-residents can continue their existing plans or purchase a new one, either in India or in their destination country. Ideally, you should do so while visiting India as it saves you additional administrative and medical costs, which you would have to bear for proposing a new policy while abroad. Health insurance benefits, on the other hand, can only be claimed within India or the geographical limits as specified in your health plan. The protection of health insurance kicks in when you are within domiciliary jurisdiction, but stands pretty much redundant (for self) when abroad. Those who shuttle frequently are better off with separate health plans for each location.

Reasons to consider domestic insurance
Affordability: Insurance costs, especially health insurance in India is amongst the cheapest in the world. While the average annual health plan in India costs about Rs 10,000 to Rs 15,000, the average American resident pays about US$6,000 (Rs 4.4 lakh) for a similar cover. Inexpensive healthcare service, low insurance penetration, government incentives and non-predatory guidelines from IRDAI are some of the factors that keep insurance costs in check.

Safeguard family's interest: Life insurance serves as a financial safety net for your dependants in India (if any). It ensures a secure future for your spouse/ parents and continued education for children, amongst other shared goals. The proceeds can also be used to settle any outstanding loans and liabilities you may have such as a home loan or car loan, thereby securing an asset for the family.

Continued benefits: Health issues can spring up at any time. Having a domestic health plan mitigates the financial risk of any unanticipated health scare while you are here. You may also need to continue with a health insurance plan if you are the primary policyholder of a group, or a family floater plan, wherein the other beneficiaries are residing in India.

It should also be noted that there is a mandatory waiting period for most critical illnesses. By investing in a health plan at an early age, you can tide over the waiting period and be eligible for insurance benefits if any major health issue pops up later. This benefit can be invaluable if you intend to move back to India permanently in the future, or even take advantage of the inexpensive advanced medical facilities in the event of diagnosis of a critical illness.

Save tax: NRIs who earn a passive source of income in India through investments, rent, etc. can offset a part of their tax liability corresponding to the amount paid for life and/or health insurance premiums under Section 80C and 80D, respectively. This is applicable in select income cases where slab rates apply, and may not be valid for special rates like in the case of equity (any duration) and debt (long-term).

In closing
Make sure you understand all the terms and conditions regarding payment processes and repatriation (if applicable), tax implications in India as well as the immigrating country. The right set of insurance plans can prove to be strategic tools for achieving your long-term goals and safeguarding your loved ones.

(The writer is Anup Bansal.)

TOP

How permanent remote working could change India's insurance scenario - The Times of India – 20th July 2021

It's been more than 15 months since the first lockdown, when Corporate India was temporarily plunged into chaos and uncertainty. Practically overnight, companies either found ways to adapt to remote work, or were faced with a scenario where they would almost certainly have to shut down.

While the lively debate around the merits of remote work vs working out of an office will continue for some time, what has become increasingly obvious is that employers will have to accept a new reality where a large section of the white-collar workforce has gotten used to working from home, often back in their home towns with lower rents and cleaner air.

An often-overlooked aspect of this hypothetical "permanent remote work" future is the impact this will have on the various Insurance markets in India. Here are 5 changes that are likely over the next 5 years:

1. Cashless Facility for Group Health Insurance will expand into Tier 2 cities and beyond
While an overwhelming majority of employees lived in metros and Tier-1 cities, it made financial sense for insurers, and employers to be okay with a network of Cashless Hospitals restricted to the major cities. Not anymore.

There is a significant first mover's advantage up for grabs for any insurer that is able to provide a standardised cashless claims experience throughout the country – the demand for this is only going to increase with time. Companies are conducting internal surveys of which cities and towns are employees actually working out of and referencing it against the list of cashless hospitals of insurers.

During the pandemic, more than 80% of claims have come in from outside Metros, even for companies Headquartered in Metros. Apart from employees presently living outside metros, often dependents like parents are covered which stay in non-metros as well

2. Flexible Group Health Insurance Plans- base amount plus "Employee purchased Top-ups" will become the norm
With medical costs varying significantly in different parts of the country, it will not be financially prudent to go with a "one-size-fits-all" approach to the Sum Insured amount. Employees in Metros are likely to need a significantly higher amount of coverage – but it may not be ethical to force non-metro employees to subsidise those costs.

Instead a base plan with options for adding different types of coverage would common. Those in metros might want to 'top-up' their health insurance coverage. Those in non-metros might be adequately covered for health insurance but might want to include OPD, Dental, Eye care or any other benefits not typically covered under health insurance. Either this can be employee paid, or a budget can be set aside to let the employees choose what's most important for them

3. Liability & asset insurance will become mainstream
What happens if a client's data gets compromised through an employee's home wifi? This question has triggered many sleepless nights among CTOs. Previously, such concerns could be handled by simply ensuring that all employees work out of an office with power backup, and a securely hosted data server. Now, with a leap into the unknown, companies might need to prep for lawsuits that they won't even see coming. Liability insurance is already a major factor in the US market- remote work might tip the scales in India.

Devices like laptops & mobile phones are also prone to harm and in need of repair. Earlier companies could have centralised IT staff which could immediately repair and get the laptop up and running. Given the lag associated with doing this in a remote setup, companies are purchasing asset insurance to simply replace faulty or broken devices so that employee productivity is not hindered and company expenses are insured

4. Insurance coverage extending to gig-economy workers
Permanent remote work would likely result in an exponential increase in e-commerce, and food-tech penetration into Tier-2 cities and beyond. Employees who have gone back to their hometowns, have taken their shopping and eating habits with them- and more importantly, are introducing their parents and hometown friends to the same.

Servicing this demand would require a massive increase in the supply of delivery executives. In a supply-constrained market, companies like Flipkart, Amazon, Swiggy, Zomato, Uber, and Ola, would need to pull out all stops to compete for a limited labour pool.

One of the easiest ways to do this is to offer insurance coverage to delivery executives and their families. A health emergency can financially ruin a blue-collar family- and Covid has exposed that rather painfully. And it's also financially more prudent for companies to spend on collectively-bargained benefits for gig-workers, instead of trying to compete with cash incentives when their margins are wafer-thin. Win-win.

5. Add-on wellness benefits like fitness, mental health support, bundled with health insurance
If you've ever felt jealous of the benefits offered by companies like Google and Apple in their office spaces, you're probably not alone. But, now that their office gyms and cafeterias are lying unused- probably forever, companies need to get creative about providing employee wellness benefits for physical and mental health, access to healthy foods, and so on. Bundling wellness benefits with insurance also makes financial sense. Fitter employees get hospitalised less often- resulting in lower claims- which then results in lower insurance premiums.

(The writer is Saransh Garg.)

TOP

LIFE INSURANCE

Rs 1 cr Term Plan Premiums Compared: Check out current offers from 20 insurers – Financial Express – 22nd July 2021

The ongoing Covid-19 pandemic has given all of us a grim reminder that life could be highly uncertain. But the fact is, we might not be able to predict what lies ahead; however, taking certain important steps in advance to minimise the impact of life's vagaries on our family's finances is something in our control.

One of these steps is to get adequate life insurance protection so that our dependent family members are not left in the lurch if something untoward unexpectedly happens to us. In doing so, it might be a better idea to get a term life insurance policy instead of a traditional policy or an endowment plan because a much larger sum assured could be secured at affordable premiums with the former, especially if the policy is started at a young age.

But how do you determine the ideal term insurance coverage level for your family's future financial requirements? Your life policy should ideally cover your remaining long-term debts (like an existing home loan) and other critical financial goals of your family members. A popular rule of thumb states that the ideal sum assured of your life insurance plan should be 10 – 20 times your current annual income. Meaning, if your current annual income is Rs 10 lakh, your life insurance plan should have a sum assured of at least Rs 1 crore to Rs 2 crore. The more accurate way, however, would be to evaluate your coverage requirements factoring in your current finances, financial goals and inflation, according to BankBazaar.

You may calculate this by multiplying your current annual expenses with the number of years left till retirement combined with the current value of your life goals and your total loans and liabilities minus your existing savings and investments. Keep in mind, the maximum coverage level applicable to you would be based on your current income; so, you might not be allowed to buy a policy whose sum assured is more than 30 times your current annual income in some cases.

So, if you're looking to purchase a term life plan, here are the indicative annual premiums for 20 such policies with a sum assured of Rs 1 crore and a policy term of 30 years. Do note, all the indicative annual premiums have been calculated for a 30-year-old salaried non-smoker unmarried male residing in Bengaluru earning Rs 5 lakh annually. You'll be well-advised to focus not just on the premium obligations but also the insurer's claim settlement ratio, policy features and benefits while finalizing your decision. Keep in mind the premiums applicable to you could be different depending on your age, income, gender, policy features, or any other terms and conditions of your chosen insurer.

Disclaimer: Data pertains to term insurance cover of Rs 1 crore for a 30-year-old, salaried, non-smoker male (unmarried), residing in Bengaluru, earning Rs 5 lakh annually, for a 30-year term. The table is not exhaustive as it excludes companies for which data is not available on their website. Data as of 20 July 2021. *The insurers have been listed in descending order based on their death claim settlement ratios as per the IRDA Annual Report 2019-2020.

(The writer is Sanjeev Sinha.)

TOP

Unmarried or married millennial? Here's how to buy life insurance at different life stages – Financial Express – 22nd July 2021

For most millennials, buying life insurance is not on their priority list. However, if they have financial dependents, having adequate life insurance coverage even for working adults is important. What fits the bill at a young age is a term insurance plan which is a pure protection plan that helps secure the financial future of one's family in case of an unfortunate event with the policyholder. Buying life insurance should not be an ad-hoc event, rather one should correctly estimate the insurance need based on one's goals and then purchase insurance plans.

Working Unmarried Millennial

For a working unmarried millennial, a term insurance plan will help secure your parents financially. If you have any loan like an education loan, in case an unfortunate event occurs, the claim money can help your parents pay off the loan. Understanding that one would have just started earning and there are various aspirations that millennials want to fulfil like buying a smartphone, taking a trip with friends and more, a great entry point could be through a One Year Term Plan.

It's a plan wherein one can subscribe to a term plan for a year at an extremely low premium rather than commit to a plan for 20-30 years or more for a higher premium amount. It offers the much needed personalization that a millennial's lifestyle demands today. The plan is completely customizable to their needs. Additionally, as one moves along in life, one has the option to add or change the nominee to one's wife and children as well. Term plans offer great tax benefits as well.

Married Millennial

Married millennials are filled with responsibilities – they might have a home loan, car loan, elderly parents or a child on the way. Hence, term insurance becomes important to help secure your family's financial future and cover for loans and other liabilities. Married couples can opt for a joint life policy which covers both the partners under a single plan. Additionally, if one is looking to protect themselves as well as grow their wealth for long term life goals, ULIPs (Unit Linked Insurance Plans) or Guaranteed income plans could prove to be a beneficial way. The selection criteria between a ULIP or a guaranteed income plan purely depends on two things – the returns you are looking for and the risk appetite of an individual. If one is looking for high market linked returns and has a higher risk appetite, ULIP is the ideal choice. However, if the individual is risk averse, a guaranteed income plan can become the ideal choice.

Millennials with Kids

For Millennials with kids, a term life insurance policy is a must have if you have young children. In case an unfortunate event occurs, the claim money for a term insurance will help the family maintain their lifestyle, cover loans (home, car etc.) and ensure that money is not a roadblock for the family to achieve their dreams. Further, you can also look to invest in ULIPs or guaranteed income plans which provides a protection cover as well as helps to grow your wealth in order to meet your child's future needs like education or buying a bigger car/house and more.

(The writer is Sunil Dhawan.)

TOP

What You Must Know About Term Insurance Riders - The Pioneer – 20th July 2021

The COVID-19 pandemic shook the world and made everyone realise and review their priorities in some way or the other. Two waves of the pandemic have already wreaked havoc in India, with the possibility of the third wave looming large.[1] Over 30 million people have already contracted the virus in the country, out of which, almost 4 lakh lost their lives. The number is rising every day again and if the third wave strikes, the numbers could rise sharply given that over 2.5 million cases were being reported every day at the peak of the second wave in the country.[2]

These new uncertainties of life have once again underlined the need of having a financial cushion to fall back on, with many people realising the importance of having a term life insurance plan.[3]

Importance of Term Insurance
Everyone plans for a good future with a set of financial goals like buying a new house, going on exotic vacations, sending their children to the best schools and colleges, and building a corpus for stress-free retirement life. While all that is good, it is also equally important to have a backup plan to ensure that if something goes wrong on the way, these financial goals are not compromised, and more importantly, your family's financial future is secure. A term insurance policy can go a long way to ensure that.

Simply put, **term insurance** is one of the simplest and one of the most cost-effective insurance policies that offer financial security to the policyholder's family in case of his or her sudden death. It maybe considered important, especially for breadwinners of a family, as untimely death can put their family into a state of uncertainty. Under this policy, if the policyholder dies, his/her nominees receive the entire sum assured as death benefit. They could then use that money to meet their regular expenses, to repay existing liabilities or to fulfil other financial goals.

Enhancing Term Insurance through Riders
A basic term insurance policy is a great tool to protect one's family financially in case of the untimely death of a breadwinner. However, some other uncertainties could also derail financial goals. It could be a case of the policyholder getting disabled in an accident or falling prey to a critical illness like cancer or a serious heart ailment. Such conditions may also put the family in a similar financial distress due to loss of income or steep medical bills. And it's not like these circumstances are uncommon. As per Indian Council of Medical Research (ICMR), on average over 17 lakh new cases of cancer are reported in India in a year. The cases of heart related ailments are also rising in the country.[3]

In such situations, simply having a term insurance plan may not be enough. To deal with such situations effectively, you can customise your term insurance policy by opting for certain additional riders, also called add-ons at nominal extra cost, to protect your loved ones from financial hurdles arising out of such risks.

Which Riders Can You Avail?
There are different riders that you can choose from to enhance your **term insurance benefits**. The most common riders available with a term plan are: Critical Illness Benefit Rider, Accidental Death Benefit Rider, Accidental Permanent Total/Partial Disability Rider and Waiver of Premium Benefit Rider.

Critical Illness Rider –
As the name suggests, the Critical Illness Rider offers protection against major critical illnesses and pays out a lump sum amount if the policyholder is diagnosed with any of the listed critical illnesses. It does not matter if the policyholder survives the condition, the pay-out is assured on diagnosis of any listed illness which usually include heart diseases, major organ transplant, stroke, and cancer, among others.

Accidental Death Benefit Rider -
Accidental Death Benefit Rider provides an additional sum (over and above the base policy) to the nominee if the policyholder loses his or her life due to an accident. For example, if the policyholder opted for a basic sum assured of Rs 1 crore and an accidental death benefit rider of Rs 25 lakh, the total claim amount will be Rs 1.25 crore if the death occurs due to an accident.

Accidental Permanent Total/Partial Disability Rider -
If the policyholder is left totally or partially disabled in an accident, thereby limiting his/her capability and capacity to earn livelihood, Accidental Permanent Total/Partial Disability Benefit Rider can provide immediate financial aid, if added to the base policy.

Waiver of Premium Benefit Rider -
In case of Waiver of Premium Rider, all future premium payments payable under the life insurance policy are waived in case of any of the covered situations and the policy continues to provide life cover for the rest of the term.

Where to Get a Term Insurance Policy?
If you are looking for a term insurance plan that suits your needs, you may considerBajaj Allianz LifeSmart Protect Goal - A Non-Linked, Non-Participating, Pure Life Term Insurance Plan that provides a Rs 1 crore cover at Rs 21 per day. [4]. Moreover, theplan offers you the choice of a range of add-on covers that you can use to customise your life insurance. You can opt for waiver of premium benefit, accidental death benefit or accidental total permanent disability benefit. Moreover, its critical Illness benefit option covers 55 listed illnesses.[5]

The plan also comes in multiple variants to serve even more specific needs of the policyholders. One can choose its Child Education Extra Cover[5] variant, which provides extra protection for a child's education expenses in case of death of the policyholder, or Joint Life Cover variant[5] in which you can add your spouse in the same policy. Bajaj Allianz Life Smart Protect Goal - A Non-Linked, Non-Participating, Pure Life Term Insurance Plan also comes in the Increasing Life Cover variant where life insurance cover increases at every policy anniversary[5].

Adding riders to the base term insurance policy protects you and your family from financial stress against a range of uncertain events. A wide range of scenarios gets covered under each rider and each of them serves a particular purpose. So do not settle for a policy before you understand its benefits along with terms and conditions. After all, you won't want to take chances with your family's financial future.

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[2] https://www.worldometers.info/coronavirus/country/india/
[3] http://nciindia.aiims.edu/en/cancer-statistics
[4] Above illustration is considering Male aged 25 years | Non-Smoker | Life Cover Variant | Policy term (PT)– 30 years | Premium Payment Term (PPT) – 30 years | Sum Assured opted is Rs. 1,00,00,000 | Online Channel | Non-medical rates | Annual Premium Payment Mode | Premium shown above is exclusive of Goods & Service Tax/any other applicable tax levied, subject to changes in tax laws, and any extra premium and is for illustrative purpose only.
[5] Product feature/benefit mentioned above are dependent on variant
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TOP

Three important life insurance myths debunked – Live Mint - 19th July 2021

Sometimes the decision to purchase life insurance can make people anxious as they have many doubts on the matter. Here are three myths and questions that most buyers have, to understand life insurance better.

Myth 1: Only breadwinners need life insurance
While it is true that life insurance is necessary for the person who earns the majority of the household income, there is also value and safety in having life insurance that covers the spouse, whether or not they work.

Consider yourself the breadwinner; if the stay-at-home parent happens to pass away, how would you handle all of the auxiliary expenses? There would be a sudden increase in household expenses for cleaning, cooking, child care, and home maintenance. You may need to hire someone to clean and care for the children, which can be costly. This is an insurable risk, and home-makers should purchase life insurance alongside the family breadwinner. There are plans available in the market for people who want to purchase joint life insurance policies that cover their spouses as well.

Myth 2: My employer provides life insurance as a benefit so I am covered
While a policy may cover you that does not imply that you own it. When you choose employer-provided insurance, your employer owns and controls the policy, not you. If your employer cancels or reduces the benefit, or if you change jobs, you may be left without coverage or with insufficient coverage for your financial future. Another factor to consider is coverage. Some employers may provide life insurance, and while this is a valuable benefit, it may not provide you with all of the necessary coverage.

Sajja Praveen Chowdary, head-term life insurance, Policybazaar.com, explained, "Typically, your employer's life insurance coverage is limited to 1-2 times your annual salary. The problem with this is that it does not provide a complete picture of your financial situation. If this amount is insufficient to meet your family's basic needs in the event that you are unable to work, purchasing a separate policy may provide you and your family with much-needed peace of mind. To replace your income for dependents, you typically need at least 5-8 times your income, with some experts recommending 10-12 times."

Myth 3: I am young, single and healthy. I don't need life insurance
It is true that no one plans on dying anytime soon or how it will affect their loved ones, but life insurance is a product that you purchase before you need it. Even if you are single and young, with no dependents, it is possible to have liabilities. What if you have a student educationand and something unfortunate happens? The burden of repaying your debts will fall on the guarantor of your loan.

Chowdary said that one might believe that insurance is needless at these stages of life and may choose to forgo it. "While it may be tempting to put off purchasing life insurance until later in life, doing so at a younger age can help you save money in the long run. Because insurers calculate your premiums based on their likelihood of paying out on the policy, buying insurance when you're younger and in good health can significantly reduce the cost of your policy. The wise choice is to begin your coverage when you are young and healthy," he said.

(The writer is Navneet Dubey.)

[TOP]

Buying a life insurance policy? Link it to the married women's property act to pass on benefits smoothly – Money control - 19th July 2021

Talks of a third wave of COVID-19, which experts say is imminent given the pandemic-inappropriate behaviour all around, have reopened the barely-healed wounds and trauma of many families. Breadwinners, home-makers, beloved elders – the pandemic's second wave in India spared none. Even as COVID-19 affected families come to terms with their grief, others need to take lessons from their **nightmarish experiences** and be insulated at least against the financial toll that pandemic can take.

For many, protecting their families financially would mean buying an adequate life insurance cover. But is that enough?

Consider this scenario: You take a large personal loan to meet some emergency needs. In addition, you have substantial monthly outgo in the form of household expenses and children's school fees. Yet, you draw comfort from the fact that you have a Rs 1-crore term insurance cover that will come to your family's rescue in case of your unfortunate demise.

However, your confidence could be misplaced. This is because your creditors will have the first claim over the insurance proceeds under such circumstances. You could, of course, plan well and ensure that you buy a cover that is large enough to take care regular expenses and family's future goals, after paying off your loans. But this apart, you can also look to bring your life cover under the purview of the Married Women's Property Act (MWPA) to ensure that the claim amount goes to your wife and children alone. Read on to know more about safeguarding your family's interests under the Act's provisions.

Fool proof protection for wife and children

In case of an individual's death or insolvency, his assets are first used to pay off the liabilities. Only after the creditors' dues are settled, do the family members or legal heirs get to access the balance assets from his estate. "However, due to the provisions of the MWP, rights and interests of the family are protected. Such a policy, purchased by a married man, does not become part of his estate and, hence, cannot be used for the purpose of fulfilling his debts and liabilities," explains Shabnam Sheikh, Partner, Khaitan and Co. While it is most relevant for businessmen who also run the risk of becoming insolvent, it holds utility value for salaried individuals too.

Buying the policy under the MWPA leads to the creation of a trust to which the claim proceeds are transferred. "The beneficiaries of the trust are the wife and children of the policyholder. The maturity or the death benefit, is transferred to the beneficiaries. The creditor will have no claim over the proceeds received from the life insurance company," says Venky Iyer, Chief Distribution Officer, and Tata-AIA Life Insurance. Buying policies under the purview of this Act also protects the interests of the policyholder's wife and children if they live in a joint family. He need not be concerned about his wife and kids landing in financially disadvantageous situations due to disputes depriving them of their share in family assets in his absence. Irrespective of the disputes, the money from such life covers will definitely reach their accounts, ensuring financial security.

However, do bear in mind that you bring the policy under the MWP Act's purview only if it is meant exclusively for the financial protection of wife and children. It may not be a good idea if you are 'investing' in unit-linked insurance policies (ULIPs) and traditional endowment plans for your retirement. "The policyholder will not have rights to the proceeds of the policy if he outlives the term, since the benefits of MWPA policy are earmarked for the beneficiaries only," explains Iyer.

Conditions apply

It is primarily aimed at married men who would want to ensure that only their wives and children receive the claim proceeds from their life insurance policies. You will have to specify if the policy is being taken solely for the benefit of your wife and children. While marriage is a prerequisite here, the Act also takes into account other situations such as divorce. "The existence of such marriage does not imply a current marriage… a widower and a divorcee can also buy such a policy for the benefit of their children," says Shaikh. Another precondition is that your intention behind the buying the policy should not be to cheat your lenders. "If the purpose of subscribing to the policy was to defraud the creditors, then the protection accorded by this section is taken away," adds Shaikh.

Also, you have to ensure that your policy is brought under the act right at the time of policy purchase. You do not have the option of taking this step later when you accumulate debts. "At the time of inception of policy, the policyholder needs to fill MWP addendum for assigning the policy under MWP Act. This can be done only at the inception of the policy and not later," says Rushabh Gandhi, Deputy CEO, IndiaFirst Life Insurance. While some life insurers could ask you to fill up a separate form for the purpose, in most proposal forms, all you need to do is to tick the relevant boxes.

MWP and women life assured – the grey area
The Act came into being way back in 1874 and, hence, perhaps, the focus was on men. “It applies to married or divorced women and widows of the Christian and the Parsi communities,” says Iyer. It is not applicable to married women from Hindu, Sikh, Buddhist, Muhamaddan and Jain communities.

For women from Christian and Parsi communities, the Act mentions that married women can a purchase insurance policy on her own behalf and independent of her husband. “The proceeds shall be treated as her separate property. However, there is no express mention that proceeds received on insurance policy subscribed to by women are shielded or protected from her creditor’s claims (like it has been specifically, provided for in the insurance policy subscribed by married man under Section 6 of MWP),” explains Shaikh, adding that many insurers do offer products to women under the Act. Their children are meant to be the sole beneficiaries. “Now, whether or not such insurance proceeds will be used for fulfilling debts of the woman subscriber is a question. Technically, if the proceeds will be treated as a separate property, they could be used for paying off the liabilities,” she adds.

(The writer is Preeti Kulkarni.)

TOP

Allow life insurers to sell pension-based health policies: HDFC Life chief - Business Standard – 19th July 2021

Regulators in India should allow the life insurance firms to sell pension and indemnity based health insurance policies, as it will lead to greater penetration of insurance in the country, HDFC Life chairman Deepak Parekh said on Monday.

Today, life insurers can only sell life insurance policies at their branches and through their employees. They cannot sell, for example, NPS under the National Pension System or health indemnity covers such as mediclaim, Parekh said while addressing the shareholders at the company's annual general meeting (AGM).

"Across the world, both pension and health cover are very much part of life insurance, as they protect people from longevity and morbidity risks. "Hence, allowing life insurers to distribute products such as health indemnity, NPS would help improve the much-needed insurance reach across the country," he said.

An indemnity-based health cover reimburses the policyholder the cost of medical expenses. Speaking about the fiscal ended March 2021, marred by the pandemic, he said HDFC Life insured close to 4 crore lives and settled over 2.9 lakh death claims in FY2020-21 despite operational challenges. "That resulted in beneficiaries being paid over Rs 3,000 crore in total (during FY21)," he added. He also informed that the company lost 17 employees and 38 financial consultants over the past 15 months.
However, Parekh said that India is at the cusp of recovery after being battered by the second wave of COVID-19.

The economy is expected to grow in the range of 8-10 per cent in financial year FY22 on a low base of FY21, he said, adding the resilience of HDFC Life's differentiated business model, supported by the diversified distribution network, marketing reaching innovation, customer focussed technology and the brand trust helped the company in soliciting its business. "We ranked consistently among the top two companies in the private sector in terms of new business premium closing the year at Rs 21,110 crore with a market share 21.5 per cent.

We closed financial year 21 with an embedded value of Rs 26,617 crore and an operating return on embedded value of 18.5 per cent on account of higher volume, higher value of the new business (among others)," Parekh noted. HDFC Life on Monday reported a 33 per cent decline in its net profit to Rs 302 crore in the first quarter ended June this fiscal, mainly due to the adverse impact of the coronavirus pandemic.

The insurer had posted a net profit of Rs 451 crore in the same quarter previous fiscal. The total premium during Q1 FY22, however, increased by 31 per cent to Rs 7,656 crore as against Rs 5,863 crore in the same period of FY21, HDFC Life said in a regulatory filing. The insurer witnessed a 20 per cent growth in renewal premium in April-June of 2021-22.

"In the quarter gone by, we witnessed a steep rise in death claims with peak claims in wave two at around 3-4 times of the peak claim volumes in the first wave. We paid over 70,000 claims in Q1. "The gross and net claims provided for amounted to Rs 1,598 crore and Rs 956 crore, respectively. It appears that claims on individual business have peaked in June and expect them to normalise in the coming months with more people getting vaccinated and a fall in the absolute number of infections," HDFC Life said on the impact of the pandemic on the business during the quarter.

HDFC Life said it has created Rs 700 crore of the excess mortality reserve. It has also provided for Rs 165 crore additional COVID-19 reserve for the current fiscal year. The chairman said the company will enhance the reserve as and when any such need arises. HDFC Life is resilient enough to absorb the impact of the pandemic, he added.

TOP

The necessity of acquiring life insurance – Outlook - 17th July 2021

Before the Covid-19 pandemic brought about a multitude of attitudinal changes in our lives, life Insurance may well have been one of those things that we ignored thinking about until an eventuality arose. However, if anything, living through the most uncertain times of our lives should only make us realise that life insurance is a necessity rather than a backup plan to cover finances during an unforeseen emergency.

Today, life insurance has become an irreplaceable tool offering comprehensive financial security that protects your loved ones from life's future uncertainties. On the occasion of National Insurance Awareness Day, take a look at three things that underline the importance of life insurance as a truly essential component of one's financial planning. A multi-dimensional pillar of financial security: A robust life insurance policy is the pillar of financial security. Aside from safeguarding the future of your loved ones and helping them lead a dignified life in your absence, a life insurance policy also doubles up as a savings instrument helping with a wide variety of life stage needs, from securing your child's future to wealth creation, and retirement planning.

Another aspect that many customers are unaware of is the availability of loans against certain life insurance policies. By evaluating the policy type and its surrender value, the life insurer can provide you a loan that can help tide over immediate monetary needs. Tailor your policy to match changing life stages and needs: A life insurance policy requires constant attention and regular scrutiny. Whether you are single, newly married, approaching retirement, or are in any stage in between, a life insurance investment can make for a prudent instrument in your financial toolkit.

One needs to be aware that different kinds of insurance policies can help cater to financial needs at varied life stages, and hence one must be prudent in its choice. Also, to enhance the effectiveness and impact of the insurance policy, one can add riders to the base policy to safeguard against specialised requirements. Riders being entirely optional can serve as important add-ons to increase the benefits of your life insurance policy. They can also offer additional benefits to meet the unique requirements of individuals and help enhance their financial protection.

Research, Remember, & Realign: Researching has to be the most important consideration while investing in a life insurance policy. Before committing, customers should invest a significant amount of time and effort in researching online, interacting with prospective sellers, and reviewing the contours of their product policy. It is also crucial to remember the significance of the sum assured and claims paid ratio of a life insurance firm before buying any policy. Simply put, sum assured is the amount that an insurance company guarantees to pay policyholders on the occurrence of the insured event. Also, an adequate sum assured provides financial security to the family and the loved ones, enabling them to deal with tough times.

In the face of the pandemic, the increase in awareness on sum assured has been heartening to see. A recent survey has revealed the increasing importance of sum assured among respondents in urban India, where 69 per cent (as opposed to 63 per cent previously) consider it as an important product parameter when buying term insurance. Equally important to note is the claim paid ratio of an insurer before making the purchase decision. By giving you an indication of the number of claims that the insurer has paid following the death of policyholders, the company’s declared claims paid ratio helps reassure the kind of security you can expect from the life insurer, should the eventuality arise.

One needs to remember that no amount of money can replace your health and wellbeing or the role you play in your family. However, by investing in the right life insurance plan, you can rest assured of your family's financial security in case of any unfortunate incident. Much like how a vaccine shields us from adverse effects of the virus, a life insurance policy is a protective gear to manage exigencies without distressing our base finances.

(The writer is Aalok Bhan.)

TOP

Insurance that weathers a pandemic – invest in Ulips! - India Education Diary – 17th July 2021

Amidst this lethal pandemic, the best thing that you can offer your family is financial security. As the times are unprecedented and nobody knows what could happen next, an assurance of financial resources gives a visible light of hope. Moreover, while there are several financial products available in the market, along with some dedicated ones designed specifically to provide cover against coronavirus, there are several pre-existing plans that may prove to be better for monetary benefits.

One such amazing investment product is Unit Linked Insurance Plans that help you stay safe and secure in these unforeseen times. With these plans, you can save money for any unfortunate situations that might occur due to the virus, such as pay cuts and job loss. COVID-19 has surely awakened people to start investing to save their family’s future. This article will walk you through the essentials as well as the benefits of ULIP plans amidst the pandemic to help you sustain a comfortable lifestyle.

What Are ULIP Plans?
Unit Linked Insurance Plans, abbreviated as ULIP, are financial investment products that offer you combined benefits of savings and life cover. In addition to a standard life insurance policy, you also get to grow your wealth through market-linked returns. It helps you accumulate a significant amount of wealth by investing your premiums paid towards the policy in your choice of funds while keeping your family’s future protected with a live cover. The benefits offered by ULIP investments are extremely crucial amidst COVID-19.

Here’s a complete list of the benefits of purchasing ULIP Plans in the event of this pandemic:
Coverage for Life
One of the main reasons for the immense popularity of ULIP plans is that they invest a part of your premiums for offering you a life cover. With this coverage, in case you die due to COVID-19, before the date of maturity of your policy, your selected nominee will receive the death benefit in lump-sum.

Typically, this tends to be 105% of the total amount of premiums you've paid annually towards the policy. In such times when everyone's life is threatened, this acts as an almost perfect solution to help your loved ones in case any unfortunate event takes place.

Furthermore, as per the mandates released by IRDAI, life insurance companies also provide a dedicated cover for COVID-19, which makes it an even better solution to prepare for any unforeseen circumstances that may occur due to this disease.

2. Opportunity to Make Systematic Investments
Another reason for the exceptional likeability of ULIP plans is that they also act as highly efficient financial tools for wealth generation. During the COVID-19 pandemic, many people are focused on saving funds to survive through the pandemic, as it's surely not going to stop soon. While saving your capital is crucial, you also need to be able to grow it to beat inflation, which is getting worse due to the pandemic. With the help of ULIP plans, you can leverage such volatility of the market and invest your capital in market-linked schemes of your choice.

Additionally, in case your investments are underperforming and not bearing good results, you can choose to switch funds anytime and reallocate your portfolio as per your preferences, which allows you to increase the return percentage on your investments.

3. Enjoy Flexibility in Your Investments
When it comes to the market-linked investments available in ULIP plans, you have a lot of tweaks to align it as per your preferences. You can easily customize your portfolio and choose to invest in various options such as hybrid funds, debt funds, and equity funds. Moreover, in case unforeseen times make you change your mind as per the situation, you can also switch to mutual funds allocation at any point of your policy tenure. With such flexible options, you can certainly make your investments worthwhile.

On top of that, as the pandemic is bringing a transition in lifestyle suddenly, the flexibility offered by ULIP plans can help you tackle the various stages of this pandemic and beat the volatility of the market to gain good returns.

4 Save Money on Taxes
While the pandemic is already digging out your pocket due to various unplanned expenses, taxes on top of that can make the situation worse for you. With the help of the tax-saving benefits of ULIP plans, you can develop an additional way to save your capital during this pandemic.

According to section 80C of the Income Tax Act of India, the premiums paid towards the ULIP plans are excluded from taxation worth up to Rs. 1.5 lakhs. Therefore, these not only help you grow your monetary resources but also prevent them from the effects of taxes. In the long run, when this pandemic ends, this tax-saving tool will prove to be a wise decision of your life because you'll be able to pass through these unforeseen times without having any degrading impact on your lifestyle and finances.

The Takeaway
With the benefits stated above, it is certainly evident that ULIP investments are your best bet to tackle this pandemic without having any impact on your financial status. These plans not only help you grow your capital but also provide coverage for your life.

By investing in ULIP plans during such unprecedented times, you can make sure that you provide financial security to your family in the event of your unfortunate demise due to the coronavirus. Therefore, you should consider investing in a ULIP plan. Before you choose any ULIP investment opportunity available in the market, make sure you understand all the terms and conditions associated with the particular plan to be able to gain the most out of it.

Lastly, if you haven't already invested in any of the life insurance policies, you should take the step forward as soon as possible and safeguard a prosperous future for your loved ones, and prevent them from getting affected due to the drastic effects of this pandemic.

TOP

GENERAL INSURANCE

Bus Accident...Who will compensate the vehicle owner, the transport corporation or the insurance company? SC gave the verdict – NBT – 21st July 2021

The Supreme Court has given an important decision in a case related to bus accident. It has said that if a vehicle is hired by the owner of the vehicle under an agreement, then his insurance along with the vehicle will also be considered transfer. The insurance company cannot escape the responsibility of paying compensation to the victims in case of an incident that happened during the hire agreement. The apex court said that if the transport corporation has hired a motor vehicle under an agreement, the insurance coverage will also be treated as transfer with the vehicle.

The Supreme Court overturned the Allahabad High Court 's decision in which the High Court had held that the insurance company would not be liable to pay compensation to the third party as the vehicle was operated by the Transport Corporation. The UP State Road Transport Corporation challenged the High Court's decision in the Supreme Court. The Supreme Court has directed the vehicle insurance company to pay one lakh 82 thousand rupees as compensation to the next of kin of the deceased. In addition, 6% interest should also be paid from the date of claim to the date of payment. What is this matter, the bus owner had made an agreement with the UP State Road Transport Corporation. Under this, the Transport Corporation had hired (hire) under the bus agreement. The Transport Corporation was to run the bus on the route with the prescribed permit. The bus owner had insurance coverage of the vehicle for the period for which the agreement was signed. During this, an accident happened on 25 August 1998 from the bus. One person died. The relatives of the deceased filed an application in the Motor Accident Claims Tribunal, Bahraich, UP and demanded compensation.

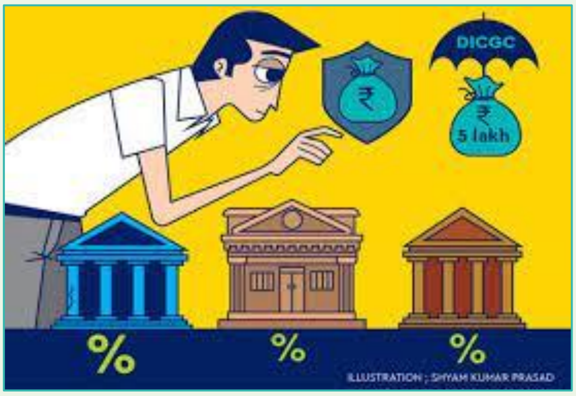
The UP State Road Transport Corporation said before the tribunal that they had a hire agreement with the bus owner. The bus was being run on the same basis. The bus owner had insured. The tribunal asked the insurance company to pay one lakh 82 thousand rupees as compensation to the next of kin of the deceased and also pay six per cent interest. The insurance company went to the Allahabad High Court and the High Court ruled that the insurance company was not liable to pay compensation as the bus was operated by the UP Road Transport Corporation. Against this decision, the UP Road Transport Corporation filed an appeal before the Supreme Court.

The important question before the Supreme Court was the question in front of the Supreme Court that if the vehicle is insured and the corporation is driving it on the fixed route under the agreement and during that time an accident occurs, then the insurance company will be responsible for giving compensation or will be the responsibility of the corporation Or the owner of the vehicle? Transfer of insurance along with rental agreement The Supreme Court said that under the hire agreement, the corporation was like the owner of the vehicle and was in actual command or control. Drivers and conductors were working under him. The vehicle as well as the existing insurance policy will also be treated as transfer during the hire period. The Supreme Court said that if the transport corporation has hired a motor vehicle under an agreement, then the insurance coverage will also be treated as transfer with the vehicle. The Supreme Court said that if the vehicle is hired along with the agreement, then the insurance policy will also be treated as transfer. The Supreme Court said that it issues a direction that the insurance company should pay the compensation amount to the kin of the deceased. The insurance company cannot escape its responsibility.

(The writer is Rajesh Choudhary.)

[TOP]

Bank deposits insurance: Two ways to optimise coverage under DICGC - Financial Express – 20th July 2021



We are all aware that bank deposits up to Rs 5 lakh per depositor are protected under the Deposit Insurance Credit Guarantee Corporation (DICGC) Act 1961. For a better understanding, let us scratch the surface and look at the picture. As on end of March 2021, total bank deposits were around Rs 150 lakh crore. Out of this, around Rs 76 lakh crore was insured under DICGC, which is little more than 50%. While it may seem on the lower side that only half of the deposits are insured, if we look at the number of bank accounts, a little more than 98% is fully protected.

The reason is, most of the deposit accounts, pan-India, are of an amount less than Rs 5 lakh. The number of deposit accounts that have more than Rs 5 lakh are only 2% by number, but by amount of deposits, these comprise half of total deposits. The bigger deposit accounts comprise corporates, HNIs, partnership firms, trusts, etc. As long as your deposit, combining savings and term deposits and recurring deposits, are within Rs 5 lakh with a particular bank, you are protected.

The deposit insurance fund, maintained by DICGC, stood at around Rs 1.3 lakh crore as on end of March 2021, implying a reserve ratio (deposit insurance fund to insured deposits) of 1.7%. This is a percentage of insurable deposits of Rs 76 lakh crore and not the total deposit of Rs 150 lakh crore. The government had announced in the latest Union Budget, a move towards streamlining the provisions of the DICGC, so that if a bank is temporarily unable to fulfil its obligations, the depositors can get easy and time-bound access to their deposits to the extent of the deposit insurance cover.

How to optimise?
There are two ways to optimise your coverage under DICGC. One is, spread your deposits across banks, since the coverage is per bank and not across the banking system. Hence, as an example, Rs 50 lakh spread across 10 banks, as Rs 5 lakh with each bank, is protected. However, different branches of the same bank are considered together for this purpose, hence spreading across branches will not help. Also, Rs 5 lakh for this purpose includes all your money with the bank—savings, term deposit, recurring deposit, interest on your deposits, etc.

The other way to optimise under DICGC is to open multiple accounts under different capacities. As an example, you may open accounts as self, jointly with a family member, as a partner in a firm, as guardian of a minor child, etc. One person can have only one PAN number, but the accounts are separate and even in the same bank, these will be treated as separate accounts. If you have a comfort level with the services of only a few banks, you may open more than one account in different capacities with those few banks.

Conclusion
As we have discussed earlier, the basis of your safety or comfort with a bank should not be the DICGC cover but the overall fundamental quality of the bank. Preferably you should bank with institutions where you would not require this coverage. If you are placing your money with a bank due to reasons like high interest rate offered or proximity (though with internet availability this is not relevant) or some other reason, and if there is an iota of doubt about the safety of your money, you may consider what has been mentioned earlier and optimise.

(The writer is Joydeep Sen.)

TOP

4 key points to take note of while buying a health insurance policy – Financial Express - 22nd July 2021

Before the pandemic, most people, especially the salaried, were happy with the employer-provided insurance schemes. Experts say, most didn't even care to look at the documents, inclusion, exclusions or fine prints of the insurance policies.

However, after the pandemic, especially in view of the exorbitant hospital and medical bills that are being accrued be it due to COVID treatment or any other medical reason, people have started not only opting for health insurance but also choosing the best health protection available. Experts say, due to the pandemic, most people have now become well versed with the need for a comprehensive health insurance cover.

Here are some of the things you must look out for before buying an optimal health insurance policy:

Policyholder's necessity and the demographics

An individual's social demography, such as gender, age, income, ethnicity, education level, years of experience, location, etc. help insurers decide the average cost of hospitalization in one's area. Also, if one expects superior hospital rooms along with modern treatments like robotic surgeries and overseas emergency hospitalization etc. experts say one should opt for a higher coverage policy. Also, check with the policyholder for any capping or limitations on any treatment.

Industry experts say new policyholders should also avoid floater policies with lower sum-insureds as in the current pandemic scenario they have fared poorly. Opt for a policy that does not cap any treatment options or any illnesses.

Waiting Periods and policy tenure

Always try to choose a higher policy tenure ranging from 2-3 years. This is because, longer tenure comes with certain benefits, such as discounts on premium for the 2nd or 3rd year, etc. which makes it a lucrative deal.

Most health insurance comes with waiting periods. Hence, be well versed with it especially, if you have a pre-existing disease or a critical illness. Check with the insurance provider the waiting period applied within the policy. Try to opt for policies that have fewer years of the waiting period.

Policies with cashless claim options

Take note of the insurance company's network of hospitals, and if they facilitate the facilities of cashless claim options. Experts say, during medical emergencies, it could be difficult to make upfront payments. Therefore, choose a cover that offers to make cashless claims, and coverages throughout the country along with a wider network of hospitals.

Separately, ensure that the policy that you choose comes with a lower premium, without sacrificing its benefits. For instance, buying an insurance policy directly from the insurers' website can help you avail of online discounts. Various insurers also offer premium payment options in EMIs both monthly and quarterly, which can help many people to pay the premiums in easy instalments.

Hospitalization and other coverages

A policyholder should always consider the age and pre-existing health conditions of themselves and their dependents before buying a health insurance policy. For instance, if a policyholder already has a policy with lower sum-insured, he/she could consider opting for a super top-up policy for the additional coverage, if they want to upgrade. The super top-up policy could come with a deductible up to the existing health policy.

Hospital expenses are not limited to one's stay at the hospital – pre-hospitalization tests and post-hospitalization expenses also need attention. Hence, experts say choose a policy that covers both pre and post-hospitalization expenses. Along with the basic hospitalization coverages, some of the comprehensive coverage that should be included in the policy are Day Care Procedures, Domiciliary Hospitalization, alternate treatments like AYUSH (Ayurveda, Unani, Siddha and Homeopathy), Organ Donor Expense, modern technologically advanced options like Stem Cell Therapy, Robotic Surgeries, etc.

(The writer is Priyadarshini Maji.)

TOP

What are Co-payments & Deductibles in Health Insurance Policy? – Outlook - 19th July 2021

Owing to the development in healthcare technology, receiving superior treatment isn't uncommon any longer. But this has also resulted in rising costs of healthcare in India. There's a constant increase in India's healthcare inflation, almost twice the retail inflation. A knee replacement may cost you around Rs 4 lakh. But there has also been a rise in the number of people availing of that treatment. This has led to a rise in demand for health insurance. But your health insurance plan might not cover all the medical expenses. Features such as co-payment and deductible in your insurance plan imply that some payments are to be made by the insured.

What's Co-Payment?
Co-payment is a clause in your health insurance policy where the overall admissible claim amount is shared by both the insurer and the insured. A claim percentage is paid by the insured and the remaining is settled by the insurer. The higher the co-payment amount, the lower the policy premium and vice versa.

1. How it works
Suppose you have a health insurance policy of Rs 10 lakh. Your share of co-payment is 20 per cent. Say you fracture your leg and the treatment costs only about Rs 1.5 lakh. Even when the claim amount is less than your total coverage, you would still have to pay 20 per cent of it, Rs 30,000. The insurer bears the remaining Rs 1, 20,000.

2. Importance of co-payment
o Reduces fraudulent claims, as 10-20 per cent of the claim is borne by the insured himself
o Reduces frequent, small, and needless claims
o Helps insured take responsibility for their own health and health insurance claim.

3. Situations when co-payment feature is common:
o Managing frequent claims in old age
o Hospital is outside the insurance network and most claims are on a reimbursement basis
o Pre-existing health issues increase the claim instances

What's Deductible?
The deductible is the amount you ought to pay every year on covered healthcare expenses before the insurer pays their share. The deductible amount depends on the insurer, coverage and your premium. If your deductible is high, your premium is low and vice versa. In the latter case, the insurance plan initiates quickly.

1. How it works
Suppose your plan of Rs 2 lakh incorporates a deductible amount of Rs 50,000. In March, you get admitted for a heart-related issue, which costs Rs 40,000. You will have to pay the entire amount. In July, you go for a thorough health check-up, costing Rs 30,000. Here, you pay the remaining Rs 10,000 of your deductible amount. The insurer pays the remaining Rs 20,000 of the bill. In September, you undergo a small surgery and the bill comes to Rs 50,000. The entire amount will be paid by the insurer this time.

2. Why do health policies have deductibles?
o To avoid fraud claims
o To guarantee the insurer's financial stability by lessening the claim's severity

Know Before You Invest
Adequate health coverage sees you through medical emergencies. Additionally, you receive better services at affordable prices. But knowledge about different clauses—especially copays and deductibles—of your health insurance is crucial. These clauses don't imply that once you opt for health insurance, all your medical expenses are taken care of. Neither do they indicate that once you invest in an insurance plan, it will kick in right away. Knowledge of these clauses will help the insured take an informed decision.

(The writer is Dhirendra Mahyavanshi.)

TOP

Most common health insurance mistakes even smart people make – Financial Express – 19th July 2021

The devastation caused by Covid -19 pandemic since last year has led to growing awareness and demand for health insurance plans in India. In the wake of rising medical expenses, health insurance plans have become a necessity in today's times. If you are covered under a health insurance plan, you can protect yourself financially against lifestyle illnesses, hereditary diseases and even accidental injuries.

However, when it comes to buying health insurance plans, even smart people make several mistakes that result in the cancellation of claims or heavy medical expenses. Here's a look at some of the top health insurance mistakes made even by smart people:

Not having a family health insurance
According to Vivek Narain, Co-founder & Promoter, Sana Health Solutions, the first common mistake even smart people make in health insurance is to not have a family health insurance at all, or have a low sum insured. "When they are young, they have the mistaken belief that they are unlikely to be hospitalized for any serious illness. They look at health insurance premium as an unnecessary expense, and not as a mandatory saving towards hospitalization expenses in future," Narain told FE Online.

Reliance on employer's Group health insurance policy
Salaried people mostly only on their employer's group health insurance, without realizing that they will be without cover while switching jobs. In particular, they miss the fact that it will be much more difficult and expensive to get family health insurance after retirement when they will need it the most!

Not declaring pre-existing medical conditions, or tobacco habits
According to Narain, one of the most common mistakes that people make is to not fully declare pre-existing medical conditions or risky habits (such as tobacco or excessive alcohol consumption) at the time of applying for individual or family health insurance. "They feel that declaring these facts can lead to medical tests or higher premium or both, and if they keep quiet about it nobody would know. However, they ignore the fact that insurers can deny claims or even cancel a policy if the insured is hospitalized, and the doctors detect a pre-existing medical condition or risky habit. In fact, they must fully declare any medical

conditions or habits even at the time of renewal, in case they are seeking an increase in sum insured," he said.

Blindly trusting insurance local insurance agents
Another common mistake people make while buying family health insurance, is to blindly trust the "friendly neighbourhood agent" in the mistaken notion that they will get their claims approved when the need arises. The fact is that many claims get declined or reduced due to conditions and sub-limits that are stated in the details of the policy wording, which they often skip as too difficult to read and interpret.

(The writer is Rajeev Kumar.)

TOP

Health Insurance: Insure against vector-borne diseases - Financial Express – 19th July 2021

During the monsoon it is important to take stock of the health risks you face from various vector-borne diseases which are very common across the country. Such diseases can become fatal if timely care is not taken. If an individual does not have a comprehensive health insurance policy, then he should ideally buy a specific vector-care insurance for himself and his family which can take care of any financial setbacks that might occur due to medical treatment for vector-borne diseases such as dengue, malaria, etc.

For instance, the treatment cost for dengue can range between Rs 30,000 to Rs 2 lakh. Also, if one has a comprehensive health insurance cover with a low sum insured, then he can buy the specific vector policy as a supplementary cover, especially if he lives in an area where the spread of such diseases is frequent.

Apart from specific vector-borne covers, popularly known as dengue policies that general and health insurers offer, the insurance regulator has asked all general insurance companies to launch a standard vector-borne disease health policy to cover dengue fever, malaria, filaria, kala-azar, chikungunya, Japanese encephalitis and Zika virus.

Specific vector-care insurance
In vector care policies, the insurers provide a lump sum benefit in case the insured is diagnosed and hospitalised for a minimum period of 24 hours due to diseases caused by vectors. To buy the cover, insurers do not ask for any pre-insurance medical examination test, irrespective of the sum insured and age of the insured. The sum assured can range between Rs 10,000 to Rs 1 lakh and is offered on both individual and floater sum insured. Insurers pay a lump-sum which is 100% of the sum insured if the policyholder gets hospitalised due to any specific vector-borne disease. There will be no loading on premium for adverse claims experience.

The minimum policy term is one year for all insurers and some insurers offer the policy for a period of three years. For long-term policies, the insurer offers discounts of up to 10% on the premium. Typically, the premium for a policy cover of Rs 10,000 sum insured would be Rs 150-250 per person per year depending on the inclusion and exclusions done by the insurance company. Similarly, for a sum insured of Rs 1 lakh, the premium would range between Rs 1,200 to Rs 1,500 per person per year. The maximum entry age is usually 65 years and can be renewed for life. These policies have an initial waiting period of 15 days from the date of commencement of risk.

Some insurers offer coverage for day care treatment, coverage of medical costs incurred up to 30 days during pre and post hospitalisation period and even automatic recharge of sum insured if it is exhausted due to multiple claims.

Standard vector-borne disease policy
The standard vector-borne disease cover called Mashak Rakshak is a fixed benefit health insurance policy, which pays a lump sum benefit equal to 100% of the sum insured when a claim is made for requiring hospitalisation for a minimum continuous period of 72 hours. The standard policy is offered both on individual and floater sum insured basis, where the minimum is Rs 10,000 and maximum is Rs 2 lakh. The tenure of the policy is fixed for a year and can be renewed every year.

The policy has diagnosis cover where 2% of the sum insured is paid on positive diagnosis of covered vector borne disease through laboratory examination and confirmed by a medical practitioner. A policyholder is paid for diagnosis cover for each disease only once in the policy year. The pricing is fixed by the insurer and no deductibles are permitted in this product. In spite of the Insurance Regulatory and Development Authority of India mandating all general and health insurance companies to come out with this use-and-file product by April 1, insurers have been slow in launching them.

What should you do?
While a comprehensive health insurance cover with adequate sum insured combined with a cost-effective top-up policy is ideal to cover almost every type of medical contingency one might face, a disease-specific cover like vector-borne policy can be helpful in case one does not have a comprehensive cover with an adequate sum insured.

(The writer is Saikat Neogi.)

TOP

Want coverage for consumables? Add riders to your health insurance plan - Financial Express – 18th July 2021

In the last 15-16 months, treatment at private hospitals in all major cities across the nation has turned dearer, with the inclusion of essential protective gear and consumables for staff that is being passed on to the hospitalisation bills of the consumers. In fact, costs for hospitalisation have gone up by 35-40 per cent for all major private hospitals, especially with increase in consumption of consumables like PPE kits, syringes, along with addition of sanitisation costs.

While before COVID-19, the average hospitalisation bill was between Rs 50,000 and Rs 60,000, during the COVID-19 crises it has increased to Rs 80,000 – Rs 90,000. Over the last one year, costing of COVID-19 beds in private hospitals is running into around Rs 10,000 per patient per day. For 15-days hospitalisation for treatment of COVID-19, the hospital bill mostly runs into Rs 1.5 lakh – Rs 2 lakh.

Increase in Share of Consumables
Prior to COVID-19, consumables used to take up around 3% – 5% of the hospital bills, however since the outbreak of the pandemic, the share of consumable in hospital bills has increased to a massive 25% – 30%. This has left several families across the country in trouble as they are taking loans or asking for help from family and friends to pay the hospital bills.

For instance, a family in Bangalore was stumped to see 40% of their hospital bill was for consumables that included cost of PPE kits, N95 masks, sanitisation of examination rooms and many other products. The bill handed over to them by a private hospital was of Rs 2.5 lakh that included consumables worth Rs 1 lakh. The story is similar across PAN India with people worried about the high costs of consumables in their hospital bills.

In fact, as per underwriting rules of insurers, consumables are not payable by the insurance company. As a health insurance policyholder, it is important for you to know that your insurer may not cover you for consumables and the cost of such expenses will have to be borne by you only in case of hospitalisation.

Riders to the Rescue

Thankfully, considering the significantly high proportion of consumables in hospital bills, insurers have now started to come with riders that can be bought along with base plans to cover the cost of consumables in your hospital bills. For now, two prominent insurers namely Care Health Insurance and Max Bupa Health Insurance are offering such riders. The feature can be availed through any Care Health insurer's plan by adding Care Shield rider and Max Bupa Health Insurance's Safeguard rider. Both these riders cost approximately 5% of the base plan premium.

For example, if you choose Max Bupa's Health ReAssure plan whose annual premium is Rs 8,000, the annual premium of Safeguard Rider would be Rs 400. Both these riders help in getting the claim settled for non-payable items and have no impact on NCB if the claim is up to 50,000. Both these riders can be bought with any heath cover of Care Health Insurance or Max Bupa Health Insurance to cover consumables and non-payable items like belts, gloves, braces, masks, spirometer, thermometer, and other such items. Apart from covering for consumables, the Care Shield rider also pays for preventive health check-ups, wellness, home care, doctor consultations, and diagnostics.

As per the available trends, the claims pay-out ratio amongst people who have cover for consumables is 94% while people who do not have cover for consumables is 83%. This means that people who have a cover for consumables, the claim payout ratio is 11 percentage points more than people who do not have a cover for consumables. These numbers are expected to increase by manifolds as COVID-19 is here to stay for long and the practise of using consumables for patients during hospitalisation will be followed in the long run as well. This makes it even more important to add consumables rider with your base plan for a comprehensive coverage against coronavirus infection.

(The writer is Amit Chhabra.)

TOP

Consumable items in hospital bills now available as add-ons to health insurance policies - The Telegraph – 19th July 2021

Consumable items in hospital bills, which were out of pocket expenses a year back, are now available as add-ons to health insurance policies as policyholders feel the pinch of rising bills during the Covid pandemic. Consumables include syringes, needles, sutures, catheters, cotton, bandages, medical gloves, gowns, masks, PPE kits, sanitisers and were excluded in base health plans.

However, their requirements have shot up in hospitalisation during the pandemic, prompting a few insurance companies such as Care Health Insurance, Max Bupa, Digit Insurance to explore riders covering the cost of consumables.

"Consumables used to form 2-3 per cent of the total medical bill. Health insurance by default never covered consumable items and because it used to be a small percent of the overall bill, customers also did not bother. But now due to Covid, their need has gone up significantly," said Amit Chhabra, health business head, Policybazaar.com. "Share of consumables in hospital bills is now almost 15-20 per cent. This started to pinch customers. A year back none of the policies covered consumables. There are now plans which are covering consumable items. There are additional riders which the customer has to buy," he added.

Rider cost

The cost of these riders is around 5 per cent of the total premium and the coverage is up to the sum insured. For example, a 35-year-old male with a base policy having a sum insured of Rs 10 lakh, will have an annual premium of around Rs 8,000 without the rider. By paying an additional amount of around Rs 400-600, one can get a policy with a rider covering consumable items (see chart).

“We are seeing at the time of renewal of policies, most customers are favouring the attachment with the base plan,” Chhabra said. On the claim pay outside, policyholders with riders are getting 10-11 per cent additional amount. Chhabra said only a handful of companies have introduced such riders. However, over time more companies are likely to consider this given the demand among policyholders.

(The writer is Pinak Ghosh.)

TOP

Inculcating Heath Insurance Knowledge in Millennials – Outlook - 17th July 2021

The Covid-19 second wave has brought home the brutal reality that India remains underserved by health insurance. Those who had to be hospitalised for severe Covid treatment had to deal with bills running into lakhs or sometimes even tens of lakhs, wiping out life savings and forcing many families to borrow loans.

Roughly two-thirds of Indians do not have any health insurance cover, according to a Bloomberg report. About 60 per cent of total health expenditure in India is people paying out of their own pockets. This is why hospitalisation for any treatment can be financially devastating for millions of Indians – a 2018 study by the Public Health Foundation of India found that out-of-pocket health spending pushed 55 million people into poverty in the previous year.

Perhaps the most important lesson from the pandemic is that when it comes to health risks, even the young are not spared. Far too many millennials in the 21-30 age group – many of them working professionals – learnt this lesson first hand and realised that their opinions towards health cover were wrong.

The lesson is particularly tragic for the reason that even a large insurance cover for younger people with age on their side is typically priced very low. On the other hand, the majority of them are also in the early stages of their career and often do not earn enough to spend on health insurance, anyways considered a discretionary expenditure. Surprisingly, many of them also erroneously assume that group health covers provided by their employers are sufficient to cover their healthcare needs.

Part of the problem is a general inhibition towards insurance and risk mitigation that is deeply ingrained in our culture – one just has to observe how many people ride two-wheelers without helmets, cars without wearing seatbelts, or move around without masking themselves appropriately during the ongoing pandemic. Many also see health and other types of insurance as an avoidable cost rather than as a cover for their financial well-being. Then it is the paperwork involved - even those who have made up their mind to go for insurance often get put off by a hugely complex new customer on boarding process followed by many insurers.

On its part, the insurance industry regulator IRDAI in recent years has taken a slew of measures to stoke insurance adoption – it has allowed insurers to collect premiums in monthly or quarterly instalments and validate health insurance policy proposal forms through digital means in place of physical signatures. IRDAI has also asked all hospitals to provide cashless payments, and further asked insurers to standardise exclusions and include telemedicine in their insurance policy. The insurance sector has always been agile in embracing customer-friendly innovations. With the ball now in its court, they were quick to embrace digitalised insurance workflows for both sales and claims settlement.

The pandemic has also changed the buying behaviour of customers and in an industry dominated by intermediaries, we are now seeing an acceptance to buy insurance online with the rise of all-digital insurance providers like Vital, Digit, and Acko – through much-simplified sales and onboarding processes and highly affordable plans. Vital for example offers a monthly subscription for a health cover that works just like Amazon’s Prime with added wellness benefits. This is more so important for inducing millennials who prefer the convenience and a frictionless user experience.

Still, insurers need to do more. An important insight we picked early on is given that while people until 35 years of age typically have only a fraction of hospitalisation claims as compared to the older ones, they spend more on fitness, general wellness, and basic health expenses. What we realised is they need integrated health and wellness solutions that go beyond hospitalisation cover and unless these are made part of the cover, there will always be hesitance because of delayed gratification.

Once we recognise that educating the young about health insurance is perhaps the biggest barrier to its higher adoption, it becomes evident that the industry needs to invest much more in generating awareness. It may even be prudent for the industry players to come together, pool in resources, and run a mass-media educational campaign similar to the eminently successful 'Mutual Funds Sahi hai' campaign that the Association of Mutual Funds in India (AMFI) has been running.

The last few years have no doubt been hard for the general insurance industry, of which health insurance is a part. This year's Economic Survey revealed that insurance penetration in the non-life (general) segment declined from an already abysmal 0.97 per cent in 2018 to 0.94 per cent in 2020. The global average penetration for the non-life segment stood at 3.88 per cent in 2019. With the pandemic triggering rapid uptake of health insurance, it is now incumbent upon the industry players to continue the momentum and work towards increasing health cover penetration – particularly among the young.

(The writer is Rahul Kumar.)

TOP

MOTOR INSURANCE

How motor insurance deductibles work - The Hindu business line – 17th July 2021

For every vehicle owner, a third-party liability insurance under motor insurance is mandatory in India. However, for an inclusive coverage, that offers protection for damages other than third party damage such as theft, fire, floods and the like, an all-comprehensive coverage policy is highly recommended. The first thing that comes to mind is the "premium" for this transition of only liability insurance to a comprehensive insurance for your vehicle. But here's one way how you can control the premium, i.e voluntary deductible. Simply put, a deductible is the expense you pay out of your pocket at the time of claim. There are two components of a motor insurance deductible: compulsory and voluntary deductible. As is apparent from the category names, the compulsory deductible, is the one which is mandated in every claim as per regulation. For four wheelers with less than or equal to 1500 cubic capacity this amount is ₹1,000, whereas for vehicles greater than 1500 cubic capacity, it is ₹2,000. Over and above this, you can choose to pay a voluntary deductible, depending upon your own assessment of risk or confidence as a driver.

As vehicle owner you may wonder the need of a voluntary deductible, when there is already a compulsory deductible as stipulated by the regulator, IRDAI. Firstly, opting a voluntary deductible serves as an incentive to the policyholder to be more vigilant about the upkeep and handling of the car, as there is higher financial onus involved. Secondly, it discourages policyholder for filing small claims thus helping them save on the overhead expenses involved in claim.

Let's say, your vehicle is below 1500 cubic capacity and you choose to set the voluntary deductible amount at ₹5,000, and the damages are evaluated to be ₹25,000, the insurer will pay you only ₹19,000 (₹25,000 minus ₹1,000 compulsory deductible minus ₹5,000 voluntary deductible). It is important for a policyholder to bear in mind that the deductible amount is applicable each time you make a claim on your vehicle and should not be confused as a one-time payment. It is thus evident, that the higher the voluntary quotient of motor insurance the lesser will be your premium. This is because you are agreeing to make a higher financial commitment in the event of a claim. A higher deductible means higher-out of pocket expenses in case of a claim. Thus, it is prudent to opt for a higher voluntary deductible only if you think you have the financial buffer to account for such costs and are looking to save money on premium. However, discount on premiums should not be the only factor to be considered while choosing a voluntary deductible, but it is important.

(The writer is Pankaj Verma.)

[TOP]

CROP INSURANCE

Insurance firms directed to include nominees in crop insurance scheme – The Hindu – 21st July 2021

The Karnataka government has directed insurance companies to mandatorily include names of family members of farmers as nominees while providing insurance coverage for crops under the Pradhan Mantri Fasal Bima Yojana (PMFBY). Minister for Agriculture B.C. Patil has instructed officials of insurance companies to include family members of farmers as nominees to ensure payment of insurance amount to nominees in case of death of the insured member/farmer.

So far, insurance firms have not been including nominees while offering crop insurance cover to farmers, which has caused a lot of difficulties in payment of insurance amount to families of farmers, according to official sources in the Agriculture Department.

Moreover, Mr Patil instructed insurance firms not to set up their offices in the premises of agriculture department in districts and taluks, and directed them to open offices outside the department's offices and provide GPS link of the location to the department. Farmers have been told to provide Aadhaar linked bank account numbers to insurance firms for claiming the insurance amount for crop loss.

In the 2018-19 kharif season, 12.80 lakh farmers claimed crop insurance of ₹2,595.86 crore, and of them 12.73 lakh farmers received ₹2,586.27 crore. Insurance amount of ₹9.58 crore pertaining to 6,215 farmers had not been settled. In the 2019-20 rabi season, 6.81 lakh farmers claimed crop insurance of ₹771.81 crore, and of them 6.44 lakh farmers received ₹736.37 crore. Insurance amount of ₹35.43 crore pertaining to 37,202 farmers had not been settled due to non-linkage of bank account of farmers with Aadhaar, or inactive accounts. In 2020 kharif season, 11.01 lakh farmers opted to insure their crops on 12.81 lakh hectares, according to an official press release.

[TOP]

SURVEY & REPORTS

Health drives non-life insurers back to black in Q1, premia growth up 13.8%: Report - Financial Express – 21st July 2021

A 31 per cent growth in the health segment, driven by the pandemic, has boosted the gross premium collection for the non-life insurance industry by 13.8 per cent to Rs 44,436 crore over in the June quarter over the same period last year, a report said on Wednesday. According to Care Ratings, the overall numbers are indicative of the industry returning to the pre-pandemic levels, though the industry flagship motor segment continues to trail and health continues to drive growth.

While health premia jumped 30.9 per cent to Rs 17,497.1 crore in the reporting quarter on-year, continuing to lead the market in premia collection with an overall share of 39.4 per cent, the motor segment premia grew 3.1 per cent. Accordingly, its share has come down to 30.7 per cent in the reporting period from 38.3 per cent a year ago, the report showed.

Of the total mediclaim sales, the share of the standalone private players stood at Rs 4,222.8 crore, up 55.5 per cent over the same period last year when it grew by only 17.8 per cent. The fire segment grew 4.1 per cent to Rs 7,551.5 crore, down from over 33.7 per cent growth last year, and its share in the overall business came down to 17 per cent from 18.6 per cent last year. Marine grew 26.9 per cent to Rs 1,168.3 crore, as against a contraction of 12.8 per cent last year. Its overall share increased to 2.6 per cent from 2.4 per cent.

Of the total premia collection, the general insurers grew 11.1 per cent to Rs 39,811.2 crore in the quarter as against a 6.7 per cent contraction last year, while specialised state-run insurers contracted 19.6 per cent to Rs 402 crore from Rs 500 crore a year back, when it had clipped at 44.7 per cent. The overall industry growth was 13.8 per cent at Rs 44,435.9 crore in Q1 of FY22, from Rs 39,054.8 crore a year ago when it had contracted by 4.9 per cent. Crop insurance has nearly halved from Rs 1,479.32 crore in Q1 of FY21 to Rs 713.06 crore in Q1 FY22 as anecdotal data suggest that as the crop insurance scheme has been made optional, farmer enrolment has come down, it said.

TOP

India's health inequality made worse by reduced health budget: Oxfam report - Business Standard – 20th July 2021

When it comes to healthcare, people in general category are better off than Scheduled Castes (SC) and Scheduled Tribes (ST) households; Hindus are better off than Muslims; the rich do better than the poor; men are better off than women; and the urban population fares better than the rural. These are the findings of Oxfam India's "Inequality Report 2021: India's Unequal Healthcare Story". The report says that the absence of universal health coverage has starkly and disproportionately affected marginalised groups at a time when socio-economic inequalities in India are growing because of the Covid-19 pandemic.

While 65.7 per cent of the households belonging to the general category have access to improved, non-shared sanitation facilities, only 25.9 per cent ST households have better, non-shared sanitation facilities. Also, 12.6 per cent more children are stunted in SC households than those in general category homes. And, the chances of a child dying before the age of five are three times higher for the bottom 20 per cent of the population compared to the top 20 per cent. The Oxfam India report also finds that institutional births and access to food supplements under the Integrated Child Development Services (ICDS) are 10 per cent less for Muslim households as compared to Hindu households; and 8 per cent less children are immunised in Muslim households.

Covid second wave and health inequalities

The disastrous second wave of the Covid-19 pandemic further exposed the weakness of India's public healthcare system. The National Health Profile (NHP) in 2017 showed that there is only one government allopathic doctor for every 10,189 people and one state-run hospital for every 90,343 people.

At 0.5, the number of hospital beds per thousand population in India is lower than some of the lesser developed countries such as Bangladesh (0.87), Kenya (1.4), and Chile (2.1).

Constant underfunding of the public healthcare system in the last decade has worsened health infrastructure, the Oxfam India report shows. The number of hospital beds per 10,000 population between 2010 and 2020 reduced from nine to five. Currently, India ranks 155 out of 167 countries on bed availability and has five beds and 8.6 doctors per 10,000 of its population. Rural India, which makes for 70 per cent of the population, has barely 40 per cent of the beds, the report shows.

FITNESS UPDATE

- Rural India houses 70% of the population but has only 40% of the beds
- Ayushman Bharat only covers the inpatient hospitalisation of the bottom 40% of the population. One in every three hospital admissions of the 500 million beneficiaries that availed of healthcare under the scheme remained out of coverage
- Health budget for 2021-22 declined by 9.8% from revised estimates of 2020-21, despite an urgent demand for upscaling medical infrastructure and research due to the pandemic
- Availability of free medicines in public healthcare facilities has declined from 31.2% to 8.9% for inpatient care, and from 17.8% to 5.9% for outpatient care over the last two decades

Source: Union Budget 2021-22; Public Health Foundation of India; Richard Mahapatra, (2021), 'Census 2021: India's Urban-rural conundrum'; Ministry of Health and Family Welfare, (2018), 'Hospitals in the Country'

This failure had a devastative result when the second wave of the Covid-19 pandemic struck: By May 2021, one in every two cases was in the rural areas, with states like Uttar Pradesh and Rajasthan having 75 per cent of their cases in rural areas.

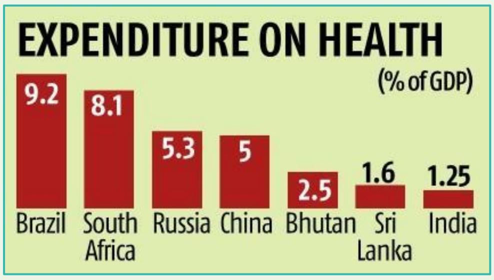
"Persistent underfunding of (the) public health system, especially primary health care and inadequate health infrastructure in India remain to be addressed by the government even after (the) devastating second wave," said Amitabh Behar, CEO, Oxfam India.

Health across gender, caste, income

While India's overall health indicators have improved in the last few decades, these gains have been skewed in favour of some. Over the years, a better health system has, for instance, helped increase life expectancy, but outcomes have varied across gender, caste and income levels, shows the Oxfam India report. Sample this:

The rich, on an average, live seven-and-a-half years more than the poor
A woman from the general category lives, on an average, 15 years longer than a Dalit woman
While there is overall improvement in infant mortality rate (IMR), Dalits, Adivasis and OBCs have higher IMR as compared to the general category. IMR for Adivasis is 44.4, which is 40 per cent more than the general category and 10 per cent more than the national average.

The report recommends implementation of universal health coverage (UHC) supported by a strong public health sector. Marginalised communities also face a disproportionate burden of out-of-pocket expenditure (OOPE) on health. According to government estimates, 60 million people are pushed into poverty every year due to healthcare expenditure.



"Even after one year into the pandemic and facing two Covid-19 waves, (the) government of India has repeated its failure to allocate 2.5 per cent of gross domestic product (GDP) for health," said Anjela Taneja, Inequality, Health & Education lead Oxfam India.

In Oxfam's "Commitment to Reducing Inequality Report 2020", India ranks 154th in health spending, fifth from the bottom. In the 2021-22 Union Budget, a year following a pandemic, the Ministry of Health and Family Welfare (MoHFW) was allocated a total of Rs 76,901 crore, a decline of 9.8 per cent from Rs 85,250 crore from the Revised Estimates of 2020-21.

Oxfam India findings show that higher public health allocations have a positive effect on health outcomes in a pandemic. State governments with higher expenditure on health had lower confirmed cases of Covid-19. States such as Odisha and Goa, with higher expenditure on health, also had higher recovery rate from Covid-19.

The report also finds that the limited scope and coverage of insurance schemes instituted by state and Union governments cannot address the all-encompassing requirements of UHC. Data decently obtained through Right to Information (RTI) showed that only 19 people got Covid-19 treatment under the Union government's Ayushman Bharat in Bihar, one of the worst affected states during the second wave, said the report.

Seven-state survey on health inequalities during Covid-19
A primary survey of 768 respondents by Oxfam India, with Covid-19 or having recovered from Covid-19, showed the following:

Percentage of respondents in higher income groups who had to arrange for transport themselves was half of those in low-income groups.

Percentage of respondents in low-income brackets facing discrimination in the community due to being Covid positive was five times than those in high income brackets.

Over 50 per cent of SCs and STs faced difficulties in accessing non-Covid medical facilities compared to 18.2 per cent in the general category.

Percentage of SCs using an unsafe source of water was three times that of the general category for open wells, and four times for open springs or streams.

Among female respondents, 33.9 per cent experienced anxiety, irritation and anger, and sleep deprivation during the lockdown as compared to 18.2 per cent males.

(The writer is Veenu Sandhu.)

TOP

PENSION

On recent changes in pension rules, Centre defends move: 'Done to prevent loss to country' – Live Mint – 22nd July 2021

Informing the Rajya Sabha on Thursday, the Personnel Ministry said that the recent changes in the pension rules have been made to prevent a "loss to the country" in case prohibited material gets published by retired government officers. The amended pension rules, notified by the Personnel Ministry in May this year, make it mandatory for retired government servants who have worked in select intelligence or security-related organisations to take prior clearance from the head of the organisation if they wish to make any publication.

In a written reply, Minister of State for Personnel Jitendra Singh said, "Prior to amendment, it was up to the official concerned to decide whether the published material falls in the prescribed prohibited categories or not." In case, the official feels that the material he is going to publish does not fall in the prohibited category then he could publish the material without any prior approval of the government, Singh said.

"Later on, in case government comes to a conclusion that the published material comes/falls under the category of prohibited material, a loss to the country would have already happened. To prevent such situations, the current amendment has been made," the minister added. The Centre was asked to give a detailed rationale behind taking such decisions (bringing in changes in the pension rules). Singh said the stakeholders were consulted while amending Rule 8 of the Central Civil Services (Pension) Amendment Rules, 2021.

"The condition of good conduct already exists in the CCS (Pension) Rules," he said, in response to the question "whether the Ministry has consulted different stakeholders while bringing in the Central Civil Services (Pension) Amendment Rules, 2020 through which a condition of 'good conduct' has been added in Rule 8 prohibiting the retired officers from writing about their department?"

'Deeply disturbed over changes in pension rules'
A group of 109 former civil servants have written to Prime Minister Narendra Modi over changes in pension rules. The letter said that they were surprised and deeply disturbed by the recent amendment to the Central Pension Rules.

"We were surprised, and deeply disturbed, by the recent amendment to the Central Pension Rules notified by the Ministry of Personnel, Public Grievances and Pensions on 31 May 2021," said the letter was written by them under the aegis of the Constitutional Conduct Group. The signatories to the letter include former Prasar Bharati CEO Jawahar Sircar, former foreign secretary Shyam Saran, former home secretary G K Pillai, and Najeeb Jung, former lieutenant governor of Delhi.

TOP

Pension funds will soon be allowed to invest in IPOs: PFRDA Chairman - Business Standard – 20th July 2021

Pension fund managers will soon be allowed to invest in initial public offerings (IPOs) as it's a "good opportunity" to put money into companies at an early stage, Pension Fund Regulatory and Development Authority (PFRDA) Chairman Supratim Bandyopadhyay said on Tuesday. They will also be able to invest in follow-on public offers and offer for sale of companies. "Pension funds have been missing out on good opportunities to invest in IPOs.

(The writer is Nikunj Ohri.)

TOP

FDI limit in NPS fund managers hiked to 74% - Financial Express – 17th July 2021

The government on Friday notified a hike in the foreign direct investment (FDI) limit in pension fund management to 74% from 49% under the national pension system (NPS), opening doors for experienced foreign partners in this space and facilitating more competition in the fledgling segment.

The higher foreign investment limit in pension fund managers (PFMs) follows a Parliament nod in March to hike FDI limit in insurance business to 74% from 49%.The Pension Fund Regulatory and Development Authority (PFRDA) Act links the FDI ceiling in the sector to the same in the insurance sector.

Four out of seven PFMs managing the NPS corpus namely HDFC Pension Management, ICICI Prudential Pension Funds, Kotak Mahindra Pension Fund and Aditya Birla Sun Life Pension Management have significant foreign investments. LIC Pension Fund, SBI Pension Funds and UTI Retirement Solutions are the other three PFMs for NPS. NPS assets under management (AUM) stood at about Rs 6.2 lakh crore as on July 10, 2021. Recently, the PFRDA chairman Supratim Bandyopadhyay told FE that NPS AUM may rise over 30% year-on-year to near Rs 7.5 lakh crore in FY22.

To incentivise PFMs, which were charging a paltry 0.01% as fund management fee, the PFRDA recently permitted them to charge up to 0.09% if the PFM's AUM is less than Rs 10,000 crore, 0.06% for AUM up to Rs 50,000 crore, 0.05% for AUM between Rs 50,000-1,50,000 crore and 0.03% for AUM above Rs 1,50,000 crore. To foster further competition in the pension sector, the PFRDA has also allowed more fund managers to enter into the NPS sector by applying to the regulator at any point (on tap) in time in FY22.

After stagnating for over a decade, the NPS was gaining traction in the private sector with about 10 lakh new subscribers expected to join it in FY22, Bandyopadhyay had said. Higher tax-saving potential and attractive returns vis-à-vis other traditional products are seen spurring demand for NPS. Despite the pandemic, nearly 6 lakh new private subscribers (corporate employees and citizens) joined the NPS in

FY21, up from about 5 lakh in FY20. With the government sector reaching near saturation, private sector, which hitherto was 7% of total subscriber base, holds key to the growth of NPS as well as expansion of old age income for masses.

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IRDAI CIRCULARS

Topic	*Reference*
Standards and Benchmarks for the Hospitals in the provider Network	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4530&flag=1
New Business Data as at 30.06.2021(Line of Business wise)	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4531&flag=1
Updated Regulations	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4133&flag=1

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GLOBAL NEWS

New Zealand: Regulator finds general insurers ill-prepared for conduct licensing – Asia Insurance Review

General insurers are not prepared for new legislation that will require them to establish systems and processes to ensure good conduct and fair treatment of customers, according to the Financial Markets Authority (FMA). A new FMA report, "Insurance conduct and culture: Fire and general insurers update", summarises findings from the evaluation of New Zealand general insurers' responses to the Life Insurer Conduct and Culture review, undertaken by the FMA and the Reserve Bank of New Zealand (RBNZ) in 2019.

Fire and general insurers – classified as those providing house, contents, vehicle, commercial, liability, travel and health insurance – broadly have a poor understanding of, and commitment to, good conduct and culture practice, the report says. Insurers were asked to review their operations to make sure there were no material conduct issues and to demonstrate good conduct in their dealings with consumers. Responses from the sector were poor, according to the FMA, with only two out of 42 insurers – IAG and MAS – meeting expectations.

The majority of insurers did not complete their reviews to the appropriate standard, with 95% of responses considered inadequate or deficient.

Ms Clare Bolin ford, FMA Director of Banking and Insurance, said, "While new legislation is not yet in place, core conduct standards should apply across the financial sector. We've made this point repeatedly over several years and provided various resources and published reports for this section of the industry to measure themselves against.

"Prior to our enquiries, many firms claimed they were confident no significant issues existed. But this review has revealed a number of instances of poor conduct."

Where insurers fall short
The review found many insurers fail to actively monitor product suitability, fail to effectively withdraw poor value or legacy products and have over-charged some customers.

Examples of conduct requiring remediation activity – as a result of the review – included insurers double charging customers a number of times, not giving customers promised multi-policy discounts, and significantly overcharging some premiums due to poor IT systems.

The FMA report concluded that the sector is not prepared for the Financial Markets (Conduct of Institutions) Amendment Bill, which will expand the FMA's remit to regulate and license the conduct of the insurance sector.

Ms Bolin ford said some insurers will need to carefully consider what they need to do to meet the proposed requirements for a licence to operate under the new conduct regime. "They will need to ensure that their products and services are clearly understood by customers and suited to their needs," she said.

The FMA has written to insurers to advise them of specific findings and reiterating expectations for the new conduct regime. The FMA expects insurers to complete the work requested by the regulator.

Key findings of the review are:
The level of conduct maturity was low, with some insurers demonstrating that they did not see conduct and culture as relevant to their organisation
Product and policy-holder processes need to be improved
Insurers need to have a clearer line of sight on commissions paid to intermediaries, including whether they are fair and reasonable to customers, and understood by customers
Insurers should have greater oversight of how intermediaries are selling and managing the insurers' products

Many boards are yet to support the development of an organisational structure that promotes good conduct, rebalances shareholder and customer interests, and sets an appropriate conduct risk appetite
Not enough has been done to ensure remediation activity is completed promptly and addresses the root cause of issues.

TOP

Australia: Insurers directed to self-assess BI risk management framework - Asia Insurance Review

The Australian Prudential Regulation Authority (APRA) will require a number of general insurers to review the soundness of their risk management frameworks in light of recent issues with business interruption (BI) insurance.

Lockdowns and other restrictions associated with COVID-19 have triggered a spate of potential BI claims, with many insurers exposed through policy wordings that had not kept up-to-date with changing legislation. The resultant legal uncertainty, and significant financial exposure for insurers, has raised concerns about the strength of insurers' risk management frameworks, APRA says in a statement.

Self-assessment
APRA has written to a number of insurers asking them to undertake a self-assessment of their risk management frameworks in the context of BI, so as to prevent similar problems from occurring in the future. The review will also focus on cyber risk. However, APRA expects insurers to ensure their risk frameworks are robust across all product areas and potential exposures.

APRA Deputy Chair Helen Rowell said, "The impact of the pandemic has raised clear concerns about how well some insurers are doing this. Although the legal disputes around BI cover for some COVID-19 claims have yet to be fully resolved, the fact that so many insurers were selling policies with outdated wording exposes clear deficiencies in risk management.

"As well as examining the root causes of the BI problems, we are keen to identify whether similar hidden issues exist in other insurance products. The growing threat posed by cyber adversaries makes this a prudent place to probe.

"Where the self-assessments identify material concerns, APRA will consider whether further supervisory action is warranted. The consolidated findings will also be published to send clear messages to all insurers around observed weaknesses, better practice, and the importance of maintaining robust insurance risk management frameworks."

APRA also urges non-participating insurers to consider whether a similar self-assessment would enhance their own risk management practices.

Self-assessments are due to be completed and submitted to APRA by 30 November.

There are three parts to the self-assessment.

Part A – The insurer is asked to review the robustness of certain elements of its insurance risk management framework, assess whether these were effective in the context of BI, and identify areas for improvement.
Part B – The insurer is then required to assess the extent to which the insurance risk management framework, including any improvements determined in Part A, would be effective in mitigating similar issues emerging within other product lines to those experienced with BI.
In this assessment, insurers are to focus on:
(a) silent cyber exposure across their product lines; and
(b) Cyber products (where written).
Part C – To provide an appropriate level of assurance on the self-assessment, the insurer's internal audit function is to review and attest as to the adequacy and robustness of the process undertaken to arrive at the findings of the assessment.
In addition, the board is to endorse the self-assessment and provide information as to the basis of this endorsement and how it assured itself that the exercise was comprehensive and performed to a high degree of probity and accountability.

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