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QUOTE OF THE WEEK

"Learning is not attained by chance, it must be sought for with ardour and diligence."

Abigail Adams

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Subrogation

Subrogation is a process that assigns the right to sue for an incident to a third party not involved in the incident. The person who faced damages agrees to transfer this right over and gives up their right to sue the offending party. Without subrogation, the third party would not be able to file a lawsuit.

Insurance companies usually require subrogation in exchange for paying out a damage claim for a policy. They do so because they want to sue the offending party so they can reclaim the money they had to pay out in damages. Without subrogation, the insured could collect the insurance payout and then sue the offending party afterward. Most insurance policies include a subrogation clause that says the insured agrees to transfers their right to sue to the insurance company in accepting payment for an insurance claim.

INSURANCE INDUSTRY

Start-ups demand regulatory clarity, insurance to make India leading space player – Hindustan Times – 15th September 2021

Industries involved in the space sector on Tuesday demanded a strong regulatory support, access to funding, and innovative insurance solutions to help India become a leading player as well as manufacturing hub for space technologies.

“For building the ecosystem, it is important to enable the industry with foreseeable demands, funding mechanisms, and technology. While many countries have the first two, India is better off even in the third because of ISRO having a host of technologies and pedigree as a space faring nation and solutions to problems faced by industries in space. Solution can be found within in country,” said Rakesh Sasibhushan, chairman and managing director of Antrix Corporation, one of the commercial arms of the Indian Space Research Organisation (Isro). He is also the chair of the National Space Committee of the Confederation of Indian Industries (CII) that co-organised the three-day international space conference.

This comes a day after the newly appointed chairperson of Indian National Space Promotion and Authorisation Centre (INSPACe), Dr Pawan Goenka, said that after liberalisation of the space sector, India should work towards increasing its global market share from less than 2% to something like 10%. He said the body will also make it a priority to create the regulatory framework.

Sasibhushan added, “The global space economy is 4.7 billion dollars, but our share currently is very small. We need not worry about it tough. Now that the sector has been deregulated, a strong domestic economy will emerge.”

Dr Subba Rao Pavuluri, CMD of Ananth Technologies that has been working with Isro for making satellite components and subsystems, said, “There is still confusion in my mind, the industry will be recognised as co-passengers to the government of India but there should be a framework on what that means. And, the regulator has to ensure a true level playing field. The space law is of utmost importance, hopefully it will be finalised soon. The department of space is also working on allocating slots for satellites.”

He said the capital markets in India were also not ready. “My bank never funded me unless I mortgaged my property. But if we look at building whole satellites and whole launch vehicles that needs a huge monetary support. Insurance support for space activity is also needed. India can become a manufacturing hub for satellites, launch vehicles, and subsystems because we already have the expertise.”

Naga Bharat Daka, co-founder of Skyroot aeronautics, a launch vehicle start-up that will become the first Indian company to test its launch vehicles in Isro facilities, said that funding for start-ups became easier once there was some regulatory direction from the government. With the coming of multiple launch service providers, he said, the latent demand may come up.

“There is a lot of demand driven by research and development such as the pharma sector trying to conduct experiments in space. Launch industry was traditionally supply restricted, the waiting time was huge. The hope is to make it no more supply restricted within a decade. Once that happens, it unleashes a lot of latent demand. Cost effectiveness and availability makes it easy for people to do it,” Daka said, adding that there should be encouraging regulation initially mandating that government payloads also use private players.

Srinath Ravichandran, co-founder and CEO of AgniKul, another launch vehicle start-up, said the demand for launches is already changing. “It used to be communication and remote sensing; now companies ask instead of doing space qualification in a facility whether they can do it in a natural sub-orbital flight. Launch for innovative solutions through small satellites like data storage. With the coming of Inspace, it is the responsibility of the startups now to develop.”

TOP

Changing customer behaviour in the next ‘new normal’ – The Hindu – 13th September 2021

It has been seen historically that disruptions in daily experiences, which can bring about long-lasting behavioral change, are rare. In ordinary times, consumers prefer holding on to old habits, with a very slow adoption of new methods that require them to change the way they have been traditionally thinking or interacting. It especially holds true for the financial services sector, mostly life insurance, which has typically been a traditional product.

However, the pandemic caused customers to change their behaviour – rapidly and in large numbers. Customers were forced to adopt newer ways of doing everyday activities, from grocery shopping to office work to online education for kids and even financial transactions, offering new experiences.

Long-held beliefs

When individuals are delighted by new ways, even long-held beliefs can change, making them more willing to repeat the behaviour, even when the trigger (in this case, the pandemic) is gradually easing out. The life insurance industry, too, experienced the same change and took some of its biggest leaps, in terms of digital, customer service and underwriting in the last one-and-a-half years. The next new normal will be all about focussing on these changing customer behaviours.

The ‘everything digital’ customer

Today, almost all age groups have begun to adopt a millennial mindset when it comes to digital. Speed and ease of transaction will be seen as key differentiator in the days ahead. There will be a need to enhance use of data and accelerate digitisation for heightened customer experience. Artificial Intelligence, Machine Learning, along with intelligent automation, will be the key source of better customer insights and, thereby, faster turnaround.

This customer behaviour will force companies to transition out of legacy platforms and collaborate with ecosystem players to speed up their game, leading to enhanced customer experience and understanding.

The 'I need more' customer

The world witnessed a massive shift in the purchasing behaviour of customers – personalisation of every aspect of the customer experience. One-size-fits-all products will not appease customers in the next new normal. The customer will need adequate life insurance and would like to be covered for specific risks. Hyper-personalisation will take a leapfrog, and companies will have to focus on simple, innovative, and differentiated products to cater to policyholders' emerging needs. This will lead to innovations in the space of protection and health-related covers. These solutions will be simple to understand, will have hybrid features or bundled offerings, and will be available across channels. Simplifying products and the insurance ecosystem so that the customer experience becomes less complex, more efficient, and more tailored, will lead to insurance offerings becoming bespoke, simpler and cheaper.

The 'experience-focused customer

Tomorrow's customer will value life insurance providers who understand his/her needs well and keep customer engagement at the centrestage. Like other e-commerce platforms, the insurer should be able to predict customer needs in advance and advise them through proactive engagement, with a 360-degree view of the customer. Personalisation in terms of tailored solutions, service and even in language, will be a key differentiator, especially in a country like India. Quick response time, faster resolutions, and robust self-service capabilities will be the ask of the customer in the next new normal. Life insurers will have to strengthen their use of the decision engine or next-best-action technology to have relevant insights about their customers, carry out need-analysis and, thereby, suggest appropriate products in line with an individual's needs and behaviour.

The 'omnipresent' customer

Customers today have become used to having access anytime, anywhere. They expect services to be available on their fingertips, wherever they are. Customer preference for easy process and digital channels will continue to be on the rise. There will be a critical need to expand service channels, providing more options to engage – physical branches, phone-based contact centres, chatbots, WhatsApp, Mobile Apps and social media. Phygital will be the way to go as this will also take care of the customers in Indian hinterlands who are still looking for physical access. This omni-channel, unified, and asynchronous messaging will help insurers engage with customers on their desired channel and at their preferred time.

The 'health-conscious' customer

Anything propagating health and wellness will enhance customer affinity in the future. The pandemic has resulted in an increase in proactive consciousness towards health, and customers will value companies that understand this evolving need. The future will see life insurers evolving as holistic protection partners.

Life and health insurance companies will need to ride on each other's expertise and work on combo solutions, which can be a one-stop-shop for the insurance needs of a customer. The proliferation of data and connected devices, particularly wearable, will continue to make it easier for life insurance companies to play an active role in shaping customer's health – to everyone's benefit. The industry might see several tie-ups with wellness partners to look at the complete wellbeing of their customers and, thereby, also reduce risks. A definite win-win for both customers and insurers.

The experience of living through the pandemic has changed the way people live and behave. Changes which offered positive experiences will last longer, especially the ones driven by well-being, convenience, and simplicity. Thereby, digital adoption, value-based personalised purchasing, and increased health awareness will be the customer behaviours that will shape the next new normal. This will be a game-changer for the life insurance industry and provide an opportunity for the industry to think beyond the usual, innovate, and offer granular, value-based and integrated products to meet customer needs.

The focus will be on insurance offerings, which will combine risk transfer with proactive and value-added services and emerge as a differentiator. It will be critical for insurers to stay relevant and adapt with the changing times. As the world begins its slow pivot from managing the Covid crisis to recovery, it's clear that some of these shifts in behaviour will define the next new normal. It will change the way consumers behave, in some cases for years to come.

TOP

Tech's the future for insurers - The Economic Times – 12th September 2021

Risk perception has changed irreversibly in the past few years with increased global as well as local catastrophes, such as the Covid-19 pandemic, the massive chemical explosion at the Beirut port, cyclone Amphan that hit eastern India and wildfires in Australia and other parts of the world. Traditionally, insurance firms have borne the brunt of these calamities with claims running into millions of dollars. However, these kinds of events have also acted as tailwinds for the insurance sector, especially in the form of higher technology adoption. In March last year, when most employees across the world switched to working from home, several industries had to restructure their operations, but sectors that were dependent on personal interactions, like insurance, suffered. Selling insurance policies continues to be largely driven by field agents, though technology adoption in the sector has been quite rapid of late. The pandemic has hurt the insurance sector's unique face-to-face selling proposition, thereby necessitating digital interventions, says Suhail Ghai, executive vice president and chief technology officer, Max Life Insurance. "We launched the 'Mission Possible' project to enable our field force to sell remotely. With this, we were able to create digital journeys and move 99% of our new policy sourcing digitally," Ghai says. "We also developed a hybrid direct-to-customer journey for our bank partners, which has helped increase efficiency in operations."

Technology adoption by insurers is a must to ensure growth, says Sunil Kant Munjal, the chairman of Hero Enterprise, whose subsidiary Hero Insurance Broking is a leading player in the distribution of insurance policies. "For us, it was a natural thing—the effective use of technology in making the business of life and health insurance easier, to communicate effectively and also automate repetitive processes," Munjal says. "The scale at which we operate, if we cannot use technology, then we need to have thousands of people just sitting and filing forms and claims. It is an essential tool…since we also have high growth aspirations." The firm has on-field point-of-sale (PoS) agents operating through a specially designed multilingual online portal. The tech-led model is used to issue policies digitally as well as for virtual acquisition, engagement, and online transactional services. In the past, several insurance companies experimented with digitising various parts of their operations though the focus was more on its behind-the-scenes aspects, such as improving the analytics, underwriting and risk assessment processes. A slew of insurtech firms have, however, taken quickly to technology, unfettered by the baggage of legacy requirements.

Turtle mint's insurance advisors have done nearly 2.5 times their regular business by adopting digital tools, says Dhirendra Mahyavanshi, CEO of the insurtech startup. "Our approach to this piece has been through a mix of offline-online and this has helped us, especially over the pandemic," he said. Advisors are key to this business and will remain so despite the various technological advancements, he added. "We have always focused on empowering our over 1 lakh insurance advisors with technology tools to educate customers about products as well as create seamless communication avenues with customers and smoothen on-boarding experiences," Mahyavanshi says. "We also encourage advisors to up skill themselves." Insurance has traditionally been sold as a push product by agents. This is now changing with technology, where a customer can buy policies through even a mobile app. Among up-and-coming insurtech startups in India such as Go Digit, Acko, PolicyBazaar, Plum and Cover fox, some also specialise in actuarial or risk discovery models. In 2020, the burgeoning insurtech sector attracted deals worth over $7.5 billion globally, consultancy BCG said in a report, making it one of the fastest growing sub-sectors in fintech. This is expected to gain further momentum this year.

Bajaj Allianz Life Insurance, among the early adopters of technology, introduced a virtual bank-in-a-box app Mosambee in 2017 and last year unveiled WhatsApp services for customers to service their policies digitally. "Based on their (customer) needs, we further strengthened WhatsApp services by integrating video calls on it through our i-SERV video calling service. This has also helped our senior citizen policyholders with their annuity pension claim process," said Goutam Datta, chief information and digital officer, Bajaj Allianz Life Insurance. "We also simplified and shortened the buy journey through pre-filled forms…etc to provide customers a paperless and seamless experience." According to a Jefferies report, an insurer's latest approach is based on three key pillars— investing in digital infrastructure; incubating startups; and partnering with InsurTechs. "Digital competition in motor (insurance) is evolving but is low-risk for life insurers. Digital/physical distributors are helping to expand the market, and other sub segments are adding value via better product/process," said Abhishek Saraf and Prakhar Sharma, equity analysts at Jefferies, in the report.

Impact of technology in insurance

- ICICI Lombard's Insta Spect motor survey app saw more than 40% surveys in December 2020 vs 25% in March 2020. It has invested in ILTakecare app for health insurance customers.
- 99% of HDFC Life's policy issuance journey has been digitally fulfilled and over 280 bots are being utilized across 26 functions. Turnaround time reduced to under four hours.
- ICICI Prudential Life has installed digital enablers across the value chain and empowered agents for virtual handshake.
- SBI Life's digital initiatives have led to 41% automated underwriting and 34% reduction in issuance turnaround time.
- Max Life has seen 8x growth in online customer sourcing in the past four years. Its digital offerings have helped generate over 150,000 cross-sell leads digitally and clock over six million self-service transactions (83% adoption).
- Bajaj Allianz Life Insurance integrated WhatsApp services with video calling to help service policies digitally.

This has resulted in a sharp surge in demand among risk investors for a piece of these new-age insurance ventures. The insurtech sector is seeing 'mega funding rounds' across the world. Alongside, insurance firms are starting to invest in technologies that can help them maintain a competitive edge in the future. Insurtech startups in India have seen a sharp rise in valuations. Digit Insurance has been valued at $3.5 billion after it raised $200 million in July. Plum last month raised $15.6 million in a round led by New York-based Tiger Global. PolicyBazaar is set to go public in the coming months at a valuation of $5-6 billion. Max Life is integrating a new-age customer contact centre solution with customer data platforms to make interactions more seamless. It is also digitising its distribution partners and sellers. "Driving intelligent enterprise is a major initiative... We are currently working on areas like intent prediction and intelligent mortality controls. We are also developing a cloud-based customer data platform that can help drive Omni channel customer strategy to ensure a consistent experience across channels," Ghai of Max Life says.

Insurance companies say that those looking to make seed investments in India to incubate startups are unable to do so due to regulatory constraints. The segment presents a plethora of opportunities for legacy insurers to expand on their offerings, says Vibha Padalkar, MD and CEO of HDFC Life, the largest private sector life insurer in India. However, the Insurance Regulatory and Development Authority of India (IRDAI) prohibits insurance companies from making equity investments in other firms. Earlier this year, insurers were permitted to park their assets in fund-of-funds dedicated to investing in startups. "We review a lot of startups where we test different use cases, do test pilots and on some occasions even take this forward beyond proof of concept under our internal program called Futurance," Padalkar says, adding that the insurer cannot under the current rules invest, acquire or even provide seed money to such startups. "We want their ideas and technology, and they are hungry for data and use cases which we have in abundance. It can be a win-win for everyone," she says. Since 2019, HDFC Life has been working with early-stage startups on advanced technology solutions such as resume parsing, genomics, speech recognition, document gamification, database and lead generation.

Max Life runs a corporate accelerator programme that helps technology startups co-create smart insurtech/fintech solutions such as insurance-in-a-box and non-invasive medical tests. Companies expect the use of technology to increase going forward. "Even though many of these digital interventions were available pre-Covid-19 as well, the adoption increased manifold only when the pandemic hit," Datta of Bajaj Allianz Life says. The insurer saw an almost 150% increase in first-time digital users (18-35 age group) during the previous fiscal, with most coming from Tier-I cities. Max Life, too, is on a multi-year digital transformation journey, says Ghai. "We have created a state-of-the-art new-age underwriting and issuance platform built on a cloud-native platform which will help us reduce our policy issuance time by 40%...a newage unified bot has helped answer over 25% of inbound emails at our helpdesk, which will be extended to other customer channels soon," he says. The insurer is also moving its entire IT infrastructure to the cloud. A third of its business infrastructure is now active on the cloud and it is aiming to push that to 70% in the next two years. Industry watchers say the future is one of increased partnerships between traditional and insurtech firms, even as traditional insurers explore tie-ups to access newer technologies.

TOP

INSURANCE REGULATION

New trade credit cover to free up India Inc. capital - The Indian Express – 14th September 2021

Insurance regulator IRDAI's decision to unveil a new trade risk cover is expected to aid corporates, suppliers, banks and financial institutions in opening up access to new markets and managing country political risk and non-payment risk associated with the trade financing portfolio.

Moreover, corporates will now be able to free up capital and invest in businesses as trade credit insurance policy will enable them to monetize the account receivables, experts said.

The new trade credit insurance cover which protects businesses against the risk of non-payment for goods and services by buyers comes at a time when a sustained recovery in global trade and demand from key external markets like the US and the European Union in product categories such as textiles and garments have helped boost India's exports, which recorded the sixth consecutive month of growth in August.

The total trade credit outstanding was Rs 614,336 crore as of June 2021, a growth of 11.1 per cent on a year-on-year basis, according to RBI data.

Trade credit insurance usually covers a portfolio of buyers and indemnifies an agreed percentage of an invoice or invoices that remain unpaid as a result of protracted default, insolvency/ bankruptcy. "It contributes to the economic growth of a country by facilitating trade and helps in improving economic stability by addressing the trade losses due to payment risks," IRDAI said while announcing the new policy.

According to Sanjay Kedia, Country Head and CEO, Marsh India Insurance Brokers, the revised guidelines on trade credit will help the suppliers as well as licensed banks and other financial institutions to get insurance protection which will help them to manage country political risk, open up access to new markets and to manage non-payment risk associated with trade financing portfolio.

Trade risk insurance can be issued to seller or supplier of goods or services, factoring company as defined in the Factoring Regulation Act 2011 and banks and financial institutions, it said. A trade credit insurance for banks and financial institutions and factoring companies should cover the loss on account of non-receipt of payment from a buyer, due to commercial or political risks, against the bills and invoices purchased or discounted. "The move to support factoring business by insurance covers, will unlock huge values in the balance sheet as account receivables of corporates, particularly for SME/ MSME sector. The corporates will now be able to free up capital and invest in businesses as trade credit insurance policy will enable them to monetize the account receivables," Kedia said.

The latest IRDAI move will facilitate general insurance companies to offer trade credit insurance covers to suppliers as well as licensed banks and other financial institutions to help businesses manage country risk, open up access to new markets and manage non-payment risk associated with trade financing portfolio, IRDAI said. It will also enable general insurance companies to offer trade credit insurance with customised covers to improve businesses for the SMEs and MSMEs, considering the evolving insurance risk needs of these sectors.

TOP

Irdai seeks to cut unhealthy biz with data bureau rejig – The Times of India – 13th September 2021

The Insurance Regulatory and Development Authority of India (Irdai), in an effort to ensure that the non-life and life industry underwrites healthy business, has decided to recast the Insurance Information Bureau (IIB). The regulator will empower the IIB to collect data from the industry and come out with benchmark pricing. According to insurance sources, the IIB will be similar to credit information bureaus like Cibil and help companies identify and reprice loss-making businesses. In the draft regulations for the IIB, the regulator has said that the bureau will be a repository of data for all entities regulated by the Irdai. IIB will use this data for analytics and the generation of reports for the industry. It will also provide benchmark rates for life, motor, health, fire and marine insurance. These benchmark rates will be aimed at promoting "reasonableness of rates and sustainability of business in all lines of insurance".

The bureau will ensure that information about losses on account of fraud is shared among all players to help the industry reduce the same. While the IIB will give an industry-specific level of permission to use the data, Irdai will be the overall exclusive owner of the information. IIB will also help to improve efficiency by acting as a digital hub for electronic insurance accounts and, finally, it will act as a repository for KYC data. It will also enable insurers to upload and download KYC data. Once the regulator receives feedback on these proposed regulations, they will be forwarded to the government for notification in the official gazette. The regulator has given the industry until the end of September to respond to the proposals.

The proposed regulations come at a time with many non-life companies reporting underwriting losses in various lines of business. In fire insurance, following the abolition of tariff rates, premium rates fell by 90% over a decade. The resultant losses forced the General Insurance Corporation to hike reinsurance rates sharply a couple of years ago, causing an outcry among corporates. Incidentally, the IIB was created by repositioning the Tariff Advisory Committee that existed before liberalisation.

TOP

IIB's rates to ensure profitability of insurers! – Socialnews.xyz – 13th September 2021

Two decades after the insurance sector has been opened up and with over 30 players in the sector, the industry seems to be moving back towards an administered pricing regime in an indirect manner facilitated through the proposed regulation.

As per the draft regulations, put out by Insurance Regulatory and Development Authority of India (IRDAI) one of the objectives of Insurance Information Bureau of India (IIB) is: "To generate benchmark rates for different Lines of Insurance Business including Life, Motor, Health, Marine, Fire and others on a periodic basis for promoting reasonableness and sustainability of Premiums in Insurance Business." The draft regulation mandates life/non-life/reinsurers and other entities regulated by IRDAI to share the data in required format with IIB so that it can come out with the benchmark rates.

According to IRDAI, the draft regulations were made in consultation with the Insurance Advisory Committee (IAC) whose members are majorly from the insurance industry players. The IIB is a society registered in Andhra Pradesh.

At a time when non-life insurers are demanding that IRDAI allow them to fix the motor third party insurance premium, the regulator has come up with the proposal of IIB fixing the benchmark rates for all kinds of insurance. "One shouldn't have a minimum price regime in a free market economy," a senior official of a private non-insurer told IANS preferring anonymity.

"I am for the deregulation of the third party premium rates, " Varun Dua, Managing Director and CEO, Acko General Insurance Limited, had told IANS. Like him, many CEOs, when asked by IANS agree for deregulation of premium rates but strangely that is not happening.

However, M.N. Sarma, Secretary General, General Insurance Council refutes the notion that the IIB's proposed benchmark rates are binding on insurers like the rates of the erstwhile Tariff Advisory Committee (TAC). "It is not going back to the tariff regime. The IIB's rates will be only guiding rates. It is for the individual insurers to follow or not," Sarma told IANS.

However, IRDAI can nudge the insurers to follow the IIB's benchmark rates as it did in the past with regard to fire insurance business. Couple of years back, General Insurance Corporation of India (GIC), a reinsurer decided to accept reinsurance placement only if their clients belonging to certain industries are charged a premium rate on 'burning cost' basis as arrived by the IIB.

Simply put, the burning cost rate is arrived at by dividing claims paid by sum insured. The GIC's move in effect has forced the primary insurers to increase their rates several folds, in some cases by nine times. Fire insurance premium rate crashed soon after the insurance regulator abolished the administered pricing mechanism.

The insurance regulator too advised the insurers a) either adopt 'Burning Cost rate' published by IIB or b) adopt their own internal Burning Costs, if any or c) in case of deviations from both, report to their Board of such exceptions and periodically inform Board reactions to the Regulator.

Justifying the benchmark rates when asked -- should not insurers fix the rates based on their claims experience, Sarma said: "World over insurance regulators want the sector's stability. The benchmark rates will be a proper rate and not an exploitative one. It is like the RBI bringing sanity in the banking sector."

"Insurance should be run safely. Other companies may take risks to run their business. But a failure of an insurer will have an all-round economic impact," Sarma argued.

"If benchmark rates are based on authenticated and verified data, they will be fair rates. They can hurt the customers if they are based on exaggerated claims data. Perhaps an Insurer who wishes to charge less than the benchmark rates may have to provide actuarial justification while filing the rates," K K Srinivasan, former Member (Non-Life), IRDAI told IANS.

TOP

LIFE INSURANCE

Life insurance: Upward trend in premium growth of private players

Private life insurance companies reported gradual improvement in individual annualised premium equivalent (APE) growth over the past few months, up 39% year-on-year (y-o-y) in August 2021, 31% y-o-y in July 2021 and 16% y-o-y in June 2021 on a low base of 6% y-o-y decline in August 2020 and 7% y-o-y decline each in July 2020 and June 2020.

As such, low base and improving month-on-month (m-o-m) trends support strong growth. The two-year individual APE CAGR increased to 14% in August 2021 from 10% in July 2021 and 4% in June 2021, indicating improving m-o-m trends. Buoyant capital markets supporting revival in unit-linked insurance plans (Ulips) and continued strong momentum in non-par savings and annuity segments are likely drivers for private players.

As base effect gradually recedes, y-o-y growth is likely to taper down a bit although strong demand for select products is set to support robust growth over the next few months. As such, overall growth trends remain encouraging. Group APE was down 1% y-o-y in August 2021 for private players.

Performance of life insurers
The overall individual APE of LIC declined 5% y-o-y in August 2021 (down 4% y-o-y in July 2021 and up 1% y-o-y in June 2021). The base is, however, higher than that of private players. Two-year individual APE CAGR was weak at -2% versus 14% for private peers. Robust 18% y-o-y growth in group APE, however, led to muted 2% y-o-y growth in overall APE.

HDFC Life holds up well despite a high base. It reported 17% y-o-y growth in overall APE led by strong 27% y-o-y growth in individual APE even as group APE was down 32% y-o-y. Two-year individual APE CAGR at 20% was higher than average of private peers at 14%. Sharp decline in group APE likely reflects cautious stance in the group term business.

ICICI Prudential Life's recovery is on track as it reported 36% y-o-y growth in overall APE led by 34% y-o-y growth in individual APE and 59% y-o-y growth in group APE. Two-year individual APE CAGR was weak at -2% due to lower volumes in FY2021 (-10% to -11% y-o-y decline over the past two months and 15% decline in Q1FY22). Product mix diversification and new bancassurance partnerships have led to gradual revival in APE.

Max Life reported modest 9% y-o-y growth in individual APE; 10% two-year individual for August 2021 and 6% for July 2021 is lower than average for private peers at 14% and 10% growth, respectively. Even as Max Life outperformed the industry on growth since the start of the pandemic, it seems to have slowed down a bit over the past three months.

TOP

GENERAL INSURANCE

IRDAI's model cyber insurance policy: Here are the online transaction risks that will be covered – Money control – 13th September 2021

Soon, you could have more retail cyber insurance products to choose from. The Insurance Regulatory and Development Authority of India (IRDAI) has come out with model cyber insurance policy guidelines that it expects general insurers to adopt, even if they already offer cyber policies. The insurance regulator highlighted the need for introducing cyber insurance cover in the backdrop of the COVID-19 pandemic, pointing to the increase in cybercrimes during the period. Cyber risks have risen by 500 percent since March 2020, the circular noted. Companies such as Bajaj Allianz, ICICI Lombard and HDFC ERGO offer such policies to individual policyholders at present.

"General insurers who have already developed some cyber insurance products with exclusive coverage for individuals to protect against cyber perils and currently offering the products that mainly focused on commercial business, may review the product structure based on the coverages advocated in the document," the circular said. However, the IRDAI has also said that the purpose was to provide a reference framework and that the coverage options highlighted in the guidelines are indicative.

"Considering the dire need for cyber insurance among individuals, the IRDAI has charted out some salient features, coverages and suggestions in its guidance document on product structure for cyber insurance, which insurers can look to adopt. This document also talks about simplifying the existing products further and expanding their scope of coverage. Cyber risks are continuously evolving…we will keep upgrading our product depending on the changing risk environment and requirement of our customers," says TA Ramalingam, Chief Technical Officer, Bajaj Allianz General Insurance.

Here is a list of key cyber risks that such policies will cover:

Theft of funds
The product will provide protection in case of theft of funds due to hacking of the insured's bank accounts, credit or debit cards and mobile wallets.

Unauthorised online transaction
If your credit, debit cards, bank accounts or e-wallets are misused by fraudsters to make online purchases, the cyber insurance policy will come to your aid.

Identity theft cover
It will cover the costs incurred by policyholders for defending claims made by a third-party who has been adversely affected due to the identity theft. It will also reimburse expenses incurred to bring the perpetrators to book.

Social media cover
The policyholder will be insured against defence cost of claims made by affected third parties – individuals who have had to incur a loss after interacting with your hacked social media accounts. Again, this will cover expenses incurred to prosecute the scammers.

Cyber-bullying/stalking/extortion covers
Likewise, the cyber-bullying cover, too, will reimburse expenses incurred to take legal action against the stalker. Financial losses due to cases of extortion, along with legal expenses incurred to get the culprits to face the law, will also be covered.

Malware cover/ data restoration cost
If you have to shell out money to get your data restored post a malware attack, your cyber insurance policy will chip in with the reimbursement.

Phishing cover
Any financial losses due to phishing as also cost of prosecuting the fraudsters will be taken care of by the product

Data breach and privacy breach cover
These covers will pay for defence costs as well as damages in case of claims against policyholders lodged by individuals affected by data breach on your devices.

"Such covers are relevant for senior citizens in particular, who may not be conversant with carrying out financial transactions online. Many have smartphones today and often receive fraudulent links through their WhatsApp groups. They tend to walk into the traps more easily than younger individuals. Premiums are affordable too, but you should be mindful of multiple conditions and sub-limits," says Mahavir Chopra, Founder, Beshak.org, a research platform for individual insurance consumers.

For example, phishing coverage is often limited to 15-25 percent of the sum insured chosen. Sums insured under products available today range from Rs 50,000 to Rs 10 lakh.

TOP

Insurers to offer new title insurance policy: IRDAI – Mint – 13th September 2021

While transferring property, there can be gaps. Hence the Insurance Regulatory and Development Authority of India (Irdai) has introduced a title insurance policy to overcome them. Title insurance is a form of indemnity insurance that protects a potential property owner against financial loss from defects in title to real property. The policy is a retrospective one where the insured is protected against losses arising from the events that occurred prior to the date of issuing the policy. Irdai had introduced Title Insurance Products a few years back to safeguard a potential owner of a property against financial loss aroused due to valid reasons. And now the regulator has introduced another beneficial clause for customers in the latest circular. The Irdai circular said, "Considering the requirements of legal protection for promotors in the early stages of development of the project during financial appraisal, registration and approval with RERA authorities and safeguarding the interests of individual buyers after taking over the physical possession of the property, the regulator needs to expand the current title insurance products suitable to promotors/developers and retail property buyers."

According to the new notification, the Title Insurance covers, "Promoter Legal Expenses (Defence Cost) Policy: This cover will indemnify the insured against legal defence costs only against suits challenging the Title of the project". Naval Goel, Founder and CEO, PolicyX.com, said, "Promoter Legal Expenses (Defence Cost) Policy means that the expense incurred by the potential owner of the property in legal proceedings such as filing a court case, legal documentation and appointed lawyer's fees filed against the developer, promoter or any other allottee party will now be managed by the insurance. This is further designed to strengthen the stand of the potential property owner and support them in every possible manner to obtain possession of their property."

TOP

Widening cyber insurance ambit: Irdai pitches for global jurisdiction – The Indian Express – 12th September 2021

With online frauds on the rise, the Insurance Regulatory and Development Authority of India (Irdai) has advised insurance firms to expand the coverage of individual cyber cover by including card cloning, skimming, small claims without FIR (first information report), worldwide jurisdiction, online shopping frauds and a host of other issues.

"Insurers may offer options for worldwide territory. Jurisdiction for claims settlement should be India," Irdai said in the guidance document on product structure for cyber insurance. Territory and jurisdiction is currently restricted to India only in most of the policies. "A number of syndicated frauds originate from outside India — phishing, ransom ware and malware attack — and cyber insurance clauses may or may not be clear on the coverage in this regard," it said.

According to the Irdai document, FIR is a critical requirement to assess claims and hence can't be fully dispensed with. However, for small claims up to Rs 5,000, insurers may ask for an e-complaint lodged at the National Cyber Crime Reporting Portal.

It said unsolicited communications which are also excluded from the scope of cover in many insurance policies can be included. This is one of the major reasons for cyber-related losses, leaving the individual uninsured, Irdai said. "Sim-jacking, card cloning, skimming coverage is not available currently in the market while the same is a major reason for loss in India. Insurers could offer coverage for such losses," the Irdai document said.

Online shopping frauds, like when the item that individual has bought but not received the goods or sold something that has left their custody but the payment is not received, is not covered or only a very small coverage for the same is available, the Irdai said, adding, "insurers could offer limited coverage for such losses." However, for example, non-delivery of goods ordered from merchant or non-receipt of premium while goods are delivered are prima facie business risks and cannot be classified under cyber coverages unless resulting directly from cyber-related events.

Cyber insurance policies generally exclude coverage for damaged computer hardware. "While malicious software may be removed, hardware may also require replacement. Here, coverage provides for the cost to replace such affected hardware. Insurers could offer coverage for such losses," it said.

"General insurers who have already developed some cyber insurance products with exclusive coverage for individuals to protect against cyber perils and currently offering the products that mainly focussed on commercial business, may review the product structure based on the coverages advocated in the document," Irdai said. The Irdai Working Group, after conducting wide consultations with various stakeholders and after internal deliberations, concluded that standardisation of policy wording is not desirable at this juncture.

This is because of the evolving nature of legislative frameworks in dealing with cyber risk, fast growing digital ecosystem, increasing interconnectedness globally and complexity of IT systems and emergence of new risks, the document said.

According to Irdai, the legal framework for cyber liability is also evolving. Every person, be it an individual or an entity, is expected to exercise a duty of care to secure the data that he comes to possess, and to ensure that access to such data is not gained by unauthorised users. "Should there be a breach in this duty, a cyber-liability could arise. Regardless of whether the breach resulted in a financial loss to the person whose data is compromised, a breach of duty in cyber could result in grave legal and financial consequences," it said.

As per Swiss Re's global survey, the top four cyber risk scenarios that people worry about most are: illicit access of financial credentials; identity theft; data loss due to a technical issue; and illicit publication of personal data.

Some of the ways financial fraud can be perpetrated is through phishing or spoofing attacks, malware or spyware, SIM swap (original SIM gets cloned and becomes invalid, and the duplicate SIM can be misused to access the user's online bank account to transfer funds), credential stuffing (compromising devices and stealing data), man-in-the-middle attacks during online payments or transactions, identity theft, card cloners or readers at ATM machines and as simple as imposters calling up unsuspecting individuals and asking their personal banking details, Irdai said.

TOP

HEALTH INSURANCE

Holding multiple health covers? Here is how cashless and reimbursement claims work – Financial Express – 15th September 2021

After the outbreak of Covid-19, the importance of having adequate health insurance coverage for self and family members has increased. The treatment cost was already going up and hospitalisation due to Coronavirus saw many paying hospital bills in a few lakhs. Those who were without health covers went for new plans while those who already had existing coverage either purchased new plans or boosted the coverage through top-up or super top-up plans. Holding multiple health insurance policies from the same or different insurer is perfectly fine and there is not much of a concern at the time of the claim. One is allowed to approach one or more insurers for settlement of the claim, including the group insurance provider, if there is one.

"The policyholder can decide which plan to use and in what ratio. He can choose just one plan for the entire claim in case the coverage is there," says Deepak Yohannan, CEO, MyInsuranceClub. The sum insured (coverage) may differ across more than one policy that you may hold. You may still settle the claim from any insurer up to the sum insured limit of your policy. But, if the amount to be claimed exceeds the sum insured under a single policy, the policyholder has the right to choose the insurer from whom he/she wants to claim the balance amount.

And, at times, there is a partial payment of claims by the insurer. As per the IRDAI rules, the insured holding multiple policies will also have the right to prefer claims under this policy for the amounts disallowed under any other policy / policies even if the sum insured is not exhausted. Then the insurer shall independently settle the claim subject to the terms and conditions of this policy. While buying insurance, you need to disclose all pertinent information, especially material details regarding your current health including that of your family history. But, do you have to disclose details of your existing policies as well? "It is not compulsory to declare any other health insurance plan which you have. However, if there is a specific question to that effect, it should be answered correctly. No wrong information should be shared," informs Yohannan.

What may come up as a bit of a concern is during the submission of relevant hospitalization documents to the second insurer. To be on the safer side, here is what Yohannan suggests, "You should however get an additional copy of all bills and documents attested by the hospital." At the time of discharge, you may ensure that reports such as discharge form, diagnostic tests, prescriptions and any other relevant document is collected with proper attestation from the hospital. But, yes, as against cashless claims, reimbursement of claims may require a bit more attention from the policyholder. "Reimbursement claims from more than one insurance company can be a bit painful. You have to submit originals to one and then make the first claim. Once you get the claim from the first company, you can take the claim summary and send the bill copy to the second insurer to claim the balance amount. Cashless claims are smoother as the hospital will be dealing directly with the insurance companies and getting the claims settled," says Yohannan.

TOP

'Set up regulator for hospitals, revise GST' – The Hindu – 13th September 2021

Concerns over rising health insurance premium during the pandemic can only be addressed by setting up a regulator for hospitals and a revision in GST rate from 18 per cent to 5 per cent, said Tapan Singhel, Managing Director and CEO of the country's largest private general insurer, Bajaj Allianz General Insurance Company Ltd (BAGIC).

Spurt in demand

With Covid triggering a spurt in demand, industry experts estimate an average increase of 25-35 per cent on health insurance premiums this year against last year's 10 per cent. Given that the extent of increase in premium depends on coverage, age and sum insured, health insurance premiums have increased about 10-15 per cent on an average for the middle-aged. For senior citizens, the jump is a staggering 100 per cent. In the 55-66 age group, the premium amount has doubled. In the first quarter of this fiscal, health premiums collected by the non-life industry surged 30.9 per cent year-on-year to about ₹17,497 crore.

Singhel said it is not because of the pandemic, but the fact that hospitals are allowed to charge indiscriminately (there is no regulator for hospitals) that premiums have galloped. "The issue of health premium increase is not related to Covid. People do not understand this. There is no regulator for hospitals. The problem for us is you can't increase health premiums for three years. It's a kind of lock-in. Every premium increase has to go to the regulator, and IRDAI allows this only once in three years.

With average medical inflation of about 12-15 per cent per annum, price rise in premium has to cover 45 per cent medical inflation over three years. Insurance premiums are locked for three years, while medical bills are moving up every year. Premium increase will have to match the previous inflation," he said.

Singhel pointed out that every industry affected by Covid had asked for government relief. "Did you hear the general insurance industry ask for any stimulus or relief in the pandemic period, with us paying close to ₹30,000 crore as settlement of claims during the pandemic period? Our loss ratio for health has not been good for us and the industry. While Covid created awareness and sales of health policies went up, claims also got created. You must also understand health reinsurance is not available internationally for Covid," he said.

'A holistic solution'

He said the GST rate cut from 18 to 5 per cent could be part of a holistic solution that could be considered by the government. "GST is not being let go, price regulation of hospitals is not happening. Premium adjustments to medical inflation can happen only once in three years. So, what relief can insurance companies bring to the table with loss ratios going up to 200 per cent or so?

Why lay the blame only at the door of the insurance industry, he wondered, adding that it is everyone's responsibility to solve the problem.

TOP

IRDAI permits insurers to sell short-term Covid policies till March 2022 – Financial Express – 13th September 2021

Regulator IRDAI on Monday allowed insurers to continue selling and renewing short-term Covid specific health insurance policies till March 2022.

Amid rising number of coronavirus cases in the country, the Insurance Regulatory and Development Authority of India (IRDAI) had last year asked all insurance companies to come out with 'Corona Kavach' policies (standard indemnity based health policy) and Corona Rakshak policies (standard benefit-based health policy).

Several insurance companies had come out with short-term products, which became popular because of lower premiums compared to regular health insurance policies.

In a circular, the regulator said all insurers are “permitted to offer and renew” short-term Covid specific health policies up to March 31, 2022.

Meanwhile, in another circular, the IRDAI said the exemptions granted general insurers for issuance of electronic policies as well as dispensing with physical document and wet signature have been extended up to end-March 2022.

The regulator had granted the relaxation last year after received representations from the insurance companies for exemption from the requirement to issue physical policy document and hard copy of proposal form in the wake of the Covid-19 pandemic.

TOP

MOTOR INSURANCE

Madras HC bumper-to-bumper insurance order axed – The Indian Express – 15th September 2021

The Madras High Court has withdrawn its earlier order directing insurance companies to ensure bumper-to-bumper insurance for five years for new vehicles sold from September 1, 2021. The move comes after the Insurance Regulatory and Development Authority of India (IRDAI) and others submitted that it would be impossible to implement the directive.

Considering the overall submissions made by the parties, the court said mandating the policy “may not be conducive and suitable for implementation”. IRDAI, General Insurance Company (GIC), and the Society of Indian Automobile Manufacturers (SIAM), said in their submissions that the stipulation was impossible to implement. Currently, no firm offers a five-year bumper-to-bumper insurance. The GIC added it cannot launch any new product or add-on cover without receiving approval from IRDAI.

“This court feels that the direction issued on August 4 this year in paragraph 13 may not be conducive and suitable for implementation in the current situation. Therefore, the said direction in that para is hereby withdrawn for the present,” Justice S Vaidya Nathan said. The judge hoped that lawmakers would look into this aspect and examine the need for a suitable amendment in the Act relating to wide coverage of vehicles. By virtue of withdrawal of the direction, the circular dated August 31, issued by the Joint Transport Commissioner in this connection, also stands cancelled, said the judge.

IRDAI, GIC, and SIAM said the views expressed by the judge on August 4 in respect of protective coverage to uninsured innocent victims, such as gratuitous occupants in a private car and pillion riders, will be duly taken care of in consultation with the IRDAI to safeguard the interests of victims.

TOP

CROP INSURANCE

Over 7 lakh farmers call insurance firms to inform about crop damages due to excessive rain – The Indian Express – 12th September 2021

More than seven lakh farmers in Maharashtra have called up insurance companies during the current monsoon season to inform about crop damage due to excessive rainfall, officials said.

Representatives of crop insurance companies need to personally visit the farms and assess the damages, and based on their report, the farmers will get the insurance amount, they said.

"A total of 2, 56,985 were received till August 1 from farmers across Maharashtra intimating about extremely heavy rains that led to damage of crops. The number of such calls increased to 4, 15,747 by September 1 and reached 5,53,491 on September 9. In last two days, the number of such calls reached over seven lakh," state agricultural commissionerate's chief statistical officer Vinaykumar Awate said.

The figures could increase further as the data of calls made during the weekend will be updated in the system on Monday, the official said. Besides crop damage, the farmers also informed about washing away of their farm soil, damages caused to cattle sheds and other issues, he said.

The number of such calls from farmers jumped drastically after heavy rains lashed the state's Marathwada region last week, he said. To a query, the official said, "We held a meeting with officials of the Union government last week and discussed the issue. The central government has increased its technical support to help us accept more number of such calls in the wake of the excessive downpour in the Marathwada region and north Maharashtra."

He said earlier, there were glitches in the system as the rise in the number of such calls from farmers would clog the phone lines or servers would be down. "But, with the help of the Union government, we have managed to address these issues. Apart from phone calls, other options are also available which farmers can use to register their names with the insurance companies for damage survey," he added.

Since the introduction of the crop insurance scheme for farmers, it is necessary for the insurers to record every such call from cultivators. Farmers can call up a number given by the insurance company, send an e-mail or call up the local revenue officer to inform about the crop damage.

They can also inform their local bank branch, which further updates about their intimation call on the common portal to the state agriculture department. The call has to be made within 72 hours of the crop damage faced by a farmer. An app is also available for farmers to inform about crop damage, officials said.

TOP

PENSION

More clarity needed on taxable interest on employee contribution to PF – Mint – 17th September 2021

Interest on employee contribution to provident fund (PF), hitherto exempt, was made taxable vide the Finance Act, 2021, on contributions exceeding a prescribed threshold of ₹2.5 lakh (₹5 lakh in cases where there is no contribution by the employer) in any financial year (FY). The objective of Budget 2021 was to limit the exemptions granted with respect to the accumulated balance payable to an employee. The much-awaited method of calculation of this interest was notified by tax authorities on 31 August.

The newly prescribed rule requires maintenance of separate accounts within PF, for non-taxable contributions and taxable contributions. The non-taxable contributions would be the aggregate of the closing balance of the account as on 31 March 2021 and the contributions made during the FY and subsequent FYs up to the prescribed threshold and would also include any interest accrued on the above but as reduced by any withdrawal(s). The taxable contribution would include contributions during the year and subsequent FYs in excess of the prescribed threshold and the interest accrued on the same as reduced by withdrawal(s). While this notification has given some clarity, there are still some open questions.

One critical aspect is: What is the point of taxability? Will this interest be taxable at the time of accrual or credit into the account, or at the time of withdrawal from the PF account? What is the possibility that the PF authorities would withhold the taxes on such taxable portion, and at what point in time?

While clarity is awaited, applying general principles, individuals following the mercantile system of accounting on a regular consistent basis may have to offer the interest to tax on accrual basis in the financial year in which it arises. Such individuals will have to track the interest offered to tax so that the same is not doubly taxed at the point of withdrawal.

Others following a cash system could argue that the interest is to be taxed only on receipt on withdrawal in the future. Maintaining books of accounts could help substantiate the method of account at the time of assessment. Typically, the PF interest rate is announced and the interest is credited after the close of the tax year. Hence, this could pose another challenge in ascertaining the interest credit to be considered for taxation.

One of the possible views is to consider the interest rate according to the rate declared for the prior year and the shortfall or excess if any on credit of interest could be considered at the time of filing of the return or revised return. Employees may also choose to either declare the taxable interest portion to the employer, who would then consider the same for the purposes of tax withholding or pay the taxes on the same by way of advance tax or self-assessment tax at the time of filing the return.

Employer-managed PF trusts could also face challenges. The responsibility of maintaining separate accounts for taxable and non-taxable contributions, and the requirement for tax withholding, in cases where applicable, would fall upon the trust. Budget 2021 and the recent notification seek to limit the exemption granted to employees earning an annual salary exceeding approximately ₹40 lakh (assuming 50% of total salary to be PF wages) and parking huge funds in PF. It is clear that the intent is not to tax those in the lower employment income brackets. One would need to wait and watch how the same is administered.

TOP

Minimum assured return: E&Y, Mercer bid to design scheme under NPS – Financial Express – 13th September 2021

After the lapse of eight years since the enactment of the Pension Fund Regulatory and Development Authority (PFRDA) Act 2013, the regulator may finally roll out a minimum assured return scheme (MARS) in compliance with the Act under the national pension system (NPS).

However, official sources caution that such a scheme that might guarantee nearly half of returns subscribers get in the market linked NPS schemes might cost the exchequer a lot.

After failing to get sufficient interest from actuarial firms in the first attempt, the PFRDA has received two bids last week — from Ernst & Young (E&Y) and Mercer — to design a MARS. The PFRDA will likely select one of these two by this month-end and launch the MARS product by end of this financial year to comply with the statutory requirement, according to official sources.

Currently, the schemes under NPS do not guarantee any kind of returns or benefits as they are market-determined. Of course, the Atal Pension Yojana guarantees a minimum monthly pension of Rs 1,000-5,000 to the subscribers based on their contributions.

The average returns on NPS corpus have been over 10% in the past 12 years for the central government and state government employees, who form the bulk of the subscribers' AUM corpus (83% of Rs 6.3 lakh crore as of August 31, 2021).

Under MARS, the returns will be guaranteed for a three-five years horizon after factoring in market risks and this can be reset after the period. The guarantee on returns could be in the range of 4 to 6% per annum, similar to G-Sec yields. To make such a product attractive, the PFRDA will encourage fund managers to generate higher returns (over and above the guaranteed rate) with an incentive of say, 0.25% of the extra returns to the fund managers and balance to subscribers, sources said.

In the past, the Comptroller and Auditor General of India (CAG) had criticized PFRDA for not rolling out a MARS, in compliance with the provisions of the PFRDA Act. As per the Act, the subscriber shall have an option to invest his funds in such schemes providing MARS as may be notified by the Authority.

"It was only after a lapse of five years since notification of the PFRDA Act, that PFRDA had initiated a process to design/ formulate a scheme offering MARS and even after lapse of more than 15 years since the introduction of the NPS, the subscribers were yet to receive such minimum assurance," CAG had said in its performance audit report for FY18 released on September 23, 2020.

However, PFRDA found it challenging to launch such a product as product providers were ready to provide only a capital guarantee. So, guarantee on returns means such a product will come with a cost as subscribers have to cough up a separate guarantee fee to fund managers, who need to shore up their capital adequacy ratio.

TOP

Cabinet likely to consider amendments to PFRDA Act soon – The Telegraph – 13th September 2021

The Union cabinet is likely to consider amendments to Pension Fund Regulatory and Development Authority (PFRDA) Act, 2013 soon and a Bill may be introduced in the upcoming session of Parliament, sources said.

The amendment Bill may contain provisions on the separation of NPS Trust from the PFRDA, a hike in the foreign direct investment (FDI) limit for the pension sector to 74 per cent from the existing 49 per cent, among others, sources said.

In March, Parliament approved a bill to increase the FDI limit in the insurance sector to 74 per cent from 49 per cent. Insurance Act 1938 was last amended in 2015 which raised the FDI limit to 49 per cent, resulting in a foreign capital inflow of Rs 26,000 crore in the last five years.

With the amendment, sources said the powers, functions and duties of the NPS Trust, which are currently laid down under PFRDA (National Pension System Trust) Regulations 2015, may come under a charitable Trust or the Companies Act.

The intent behind this is to keep NPS Trust separate from the pension regulator and managed by a competent board of 15 members. Out of this, the majority of members are likely to be from the government which along with the states are the biggest contributor to the corpus. Finance minister Nirmala Sitharaman had announced to separate NPS Trust from the PFRDA with appropriate organisational structure, keeping in view the wider interest of the subscribers and to maintain an arm's length relationship of NPS Trust with the regulator.

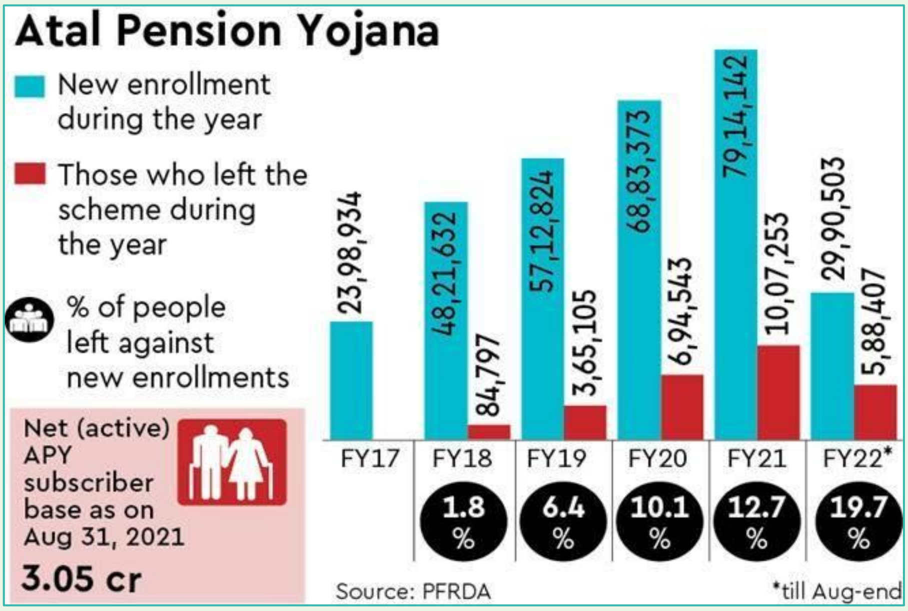
The Trust was established by the PFRDA for taking care of the assets and funds under NPS. The proposal to separate the two job roles has been under consideration for the last couple of years. The PFRDA was established to promote and ensure the orderly growth of the pension sector with sufficient powers over pension funds, the central record keeping agency and other intermediaries. It also safeguards the interest of members.

TOP

Atal Pension Yojana: Income losses force workers to opt out – Financial Express – 13th September 2021

New subscriptions under the Atal Pension Yojana (APY) have been on the rise even during the pandemic period thanks to a stepping up of the outreach programmes by the government and the Pension Fund Regulatory and Development Authority (PFRDA), but income deficiency seems to be forcing an increasing number of workers to leave the scheme prematurely. While a record 79 lakh workers, mostly from the unorganised-sector, joined the APY in FY21, even as the pandemic wreaked havoc, 10 lakh moved out of the scheme in the year, reflecting the income constraints faced by these low-wage earners.

In just the first five months of the current fiscal year, 5.9 lakh people opted out of the scheme, while around 30 lakh joined. Those who opted out of the scheme were 19.7% of the newly joined in April-August, FY22 as against 12.7% in FY21, 10.1% in FY20 and 6.4% in FY19.



APY is the government-backed, voluntary scheme meant to provide old-age income security in the form of minimum assured pension (ranging from Rs 1,000-5,000/month), in proportion to individual contributions, even as it is market-linked. It forms the bulk of the subscriber base under the fold of the New Pension System (NPS).

In a recent interview to FE, PFRDA chairman Supratim Bandyopadhyay expressed confidence that the a record 1 crore would be added to NPS subscriber base in FY22, 90% of which under APY, thanks to the authority's distribution partners — mainly banks and banking correspondents. The gross NPS subscriber base stood at 4.52 crore at the end of August, 2021.

The PFRDA is expecting fresh NPS fund inflows of Rs 1.25 lakh crore in FY22, a growth of 22% on year. Depending on market conditions, asset under management could see over 30% growth to somewhere near Rs 7.5 lakh crore in FY22, it reckons.

Gautam Bhardwaj, co-founder at pin Box Inclusion, a global pension technology firm, said that although the increase in the coverage under APY has been creditable, by not paying adequate attention to effective retirement literacy, a 'false expectation' about old-age income security among lower income individuals is being created. According to him, apart from income constraints, realisation of the inadequacy of the scheme's benefit might also be a reason why people were opting out.

Quoting NSDL data, Bhardwaj said 72% of the subscribed the scheme, as on March 31, 2020, opted for the minimum Rs 1,000 per month pension scheme. Only 17% of the subscribers had opted for Rs 5,000 monthly pension. Under the APY, a subscriber, aged between 18-40 years, can choose a minimum monthly pension ranging between Rs 1,000 and Rs 5,000. APY is not inflation-indexed, he noted.

Meanwhile, the government is considering combining APY with two popular insurance schemes – Pradhan Mantri Jeevan Jyoti Bima Yojana and Pradhan Mantri Suraksha Bima Yojana (PMSBY– in a move aimed at making the scheme more attractive and to ensure better coverage. Of course, a subscriber will have to contribute extra amounts to avail herself of the accidental and life coverages.

TOP

National Pension System: Employer's NPS contribution raised to 14% for employees of Central Autonomous Bodies – Financial Express – 10th September 2021

NPS rules for employees of Central Autonomous Bodies (CABs): The Ministry of Finance has now allowed the contribution of 14% employer's share towards NPS accounts of employees of CABs.

Through a notification dated 31st January 2019, the Central Government had enhanced the employer's share of contribution for Central Government NPS subscribers from 10% to 14%. However, as the employees of CABs are not Central Government Employees, 14% employer's share rule didn't apply automatically for them.

CABs are financially dependent on grant-in-aid from the Central Government. Any such enhancement in the employer's contribution having budgetary implications warrants prior approval of the Central Government. It was observed that despite no prior sanction from the Ministry of Finance, the employer's contribution was enhanced to 14% of Pay and DA in respect of employees of a number of CABs. The Government was informed that "such internal and suo-moto decisions by the CABs/ Administrative Ministries are contrary to the Delegation of Financial Powers and tantamount to unauthorized expenditure."

However, after examining the issue, the 14% employer's contribution rule has now been extended for employees of CABs.

"The issue has further been examined by this Department and taking into consideration all the factors, it has been decided that the notification dated 31.01.2019 may be extended to the employees of Central Autonomous Bodies," Department of Expenditure, Ministry of Finance said in an Office Memorandum dated 26th August 2021.

"The date of effect will be same as applicable in case of Central Government employees i.e. 01.04.2019. The administrative Ministry/ Departments are directed to ensure that while implementing the enhanced share of contribution among the autonomous bodies, the financial implications shall be borne by the Government in the same manner, as was decided to be borne while implementing the pay revision benefits to employees of autonomous bodies in terms of the 7th CPC recommendation as enumerated vide this Department's order," the Office Memorandum further said.

TOP

IRDAI CIRCULARS

Topic	*Reference*
Extension of timelines for sale and renewal of short term Covid specific health insurance policies	https://www.irdai.gov.in/ADMINCMS/cms/Circulars_Layout.aspx?page=PageNo4562
(a) Issuance of Electronic Policies and (b) Dispensing with physical documents and wet signature on the proposal form	https://www.irdai.gov.in/ADMINCMS/cms/Circulars_Layout.aspx?page=PageNo4563
Extension of timelines for (a) Issuance of Electronic Policies and (b) Dispensing with Physical documents and wet signature on the proposal form in respect of health insurance policies	https://www.irdai.gov.in/ADMINCMS/cms/Circulars_Layout.aspx?page=PageNo4565
List of Insurance Repositories	https://www.irdai.gov.in/ADMINCMS/cms/frmwhats_List.aspx
Extension of timelines for (a) Issuance of Electronic Policies and (b) Dispensing with Physical Signatures on the proposal forms	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4569&flag=1

TOP

GLOBAL NEWS

Singapore: Survey results show insurers need to integrate human interaction with digitization – AIR – 17th September 2021

Even as customers embrace the ease and convenience of digital self-serve channels, they still desire the assurance that is offered by a financial advisor, according to the personal finance comparison site, Money Smart.

In a white paper titled “Bots vs. Bodies”, Money Smart says that Insurers in Singapore can do more to provide the “phygital” experience customers really want. That is, insurance companies can improve customer experiences through a balanced approach towards digitisation and human interaction.

Money Smart’s insurance white paper contains the results of a survey of 562 respondents across four insurance products that have varying levels of perceived complexity:

- Car insurance
- Critical illness insurance
- Home content insurance
- Hospitalisation insurance

Key takeaways
The key takeaways from the white paper include:

Shopping for an insurance policy: Customers use a combination of digital and human resources to educate themselves on what to buy. Educational insurance content on how to choose the best policy for themselves is key. People first do their initial "shopping" on insurers' web pages or financial aggregators, then validate that information through friends/family or advisors they trust.

Buying an insurance policy: The convenience of online applications and purchase appeals to customers, yet these channels currently do not entirely address informational needs or gaps in trust especially when purchasing more complex products. A cross-check with a trusted advisor or friends/family is almost always necessary in getting customers across the line.

Claiming against an insurance policy: More customers go through their advisors to make claims compared to self-serve options that enable them to submit claims themselves at present. This points towards the need for reassurance that their claims were being processed correctly and prioritised with the help of an advisor facilitating the process like a "friend on the inside".

The research indicates that as the levels of perceived complexity increased, so did the perceived need for an advisor to assist and guide the process.

Customers of insurance policies typically displayed higher levels of satisfaction and reliance on advisor assistance when they perceived the stakes/risks to be higher. Of those surveyed, 91% cited overall satisfaction when using advisor-assisted insurance purchases.

Other survey findings include:
86% - Overall satisfaction with online self-serve insurance purchases.

When gathering information initially, and educating themselves on the basics, customers turned to financial aggregators (77%) / insurer websites (56%) / social media (27%) to fill their knowledge gaps, but still turned to human interactions to fully validate their assumptions (50%).

Purchases of insurance products via digital options offer convenience, speed and overall ease of use. However, it also generates uncertainty amongst customers of whom 24% found it too confusing to choose insurance products by themselves.

The subtle human nuances of an advisor-assisted purchase experience attract customers towards these interactions with 40% of respondents expressing a "greater feeling of assurance" and 36% saying they "get more personalised experiences".

The current state of self-serve options when submitting a claim is perceived to be too complex and lengthy, with the risk of customer error that may jeopardise a successful outcome. 65% of respondents choose to submit claims via an advisor. Even when the level of claims submission was believed to be simple, customers didn't overwhelmingly prefer it to advisor assistance due to the accountability they can expect from advisors with 45% of them attributing claims success to their involvement.

The white paper said, “The nuances of human interaction in the insurance purchase journey are still of tremendous value in the eyes of the customer, and need to be integrated into the digitisation efforts of the industry.”

TOP

Philippines: Regulator broadens Investment Avenue for insurers – AIR – 16th September 2021

The Insurance Commission is allowing insurers, reinsurers and mutual benefit associations to invest in foreign-currency-denominated debt and equities securities.

Only foreign currencies acceptable to the Bangko Sentral ng Pilippinas as part of its international reserves are allowed.

This loosening of investment rules was announced by Insurance Commissioner Dennis B Funa in a circular dated 10 September that widens the investment channel for (re)insurers.

Also allowed as investments are:

Collective Investment Schemes (i.e. mutual funds, unit investment trust funds, exchange traded funds, REITs, etc) provided, however, that the underlying basket is fully or substantially composed of fixed-income securities or, when the basket is composed of equity securities, it must be that of a broad-market index;
certain unrated financial instruments;
Below investment grade and unrated financial instruments not guaranteed by any third party entity, subject to the approval of the Insurance Commission.

For derivatives, aside from swaps and forwards, the IC has added options and futures as allowable instruments so local insurers can hedge risks from their foreign currency-denominated assets.

Mr Funa said that the investment vehicles, which are subject to the prior approval of the Insurance Commission, will help insurance companies in risk diversification, hedging and improving portfolio liquidity.

This will also allow life and non-life insurers to sell foreign currency-denominated insurance products to their policyholders.

The circular also sets out caps on investments in the various financial instruments.

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Philippines: Huge potential seen for embedded insurance – AIR – 15th September 2021

The growth prospects of embedded insurance in the Philippines are seen as huge as the insurance market as a whole remains under-penetrated, according to UBX Philippines Corp which is the FinTech arm of Union Bank of the Philippines.

The increased use of digital channels will help attract more consumers to turn to embedded insurance which is add-on to another product or service accessed by a consumer, reported Business World.

UBX Philippines president and CEO John Januszczak said at a recent online forum, “Digital natives engage with companies in new and different ways. With the emergence of subscription models — like Netflix and Spotify, the sharing economy, like Airbnb and Grab, cryptocurrency — insurance likewise needs to be digitally native.”

UBX has an embedded insurance platform called Assured. UBX, through its payments channel i2i, offers consumers paying bills via the platform access to a personal accident insurance underwritten by Chubb.

Mr. Januszczak said UBX wants to offer embedded insurance to Filipinos through e-commerce.

E-commerce
“The Philippines’ e-commerce market for consumers grew to PHP200bn ($4bn) and with this, comes the risk of mishaps in delivery. Imagine protection for lost or damaged items, extendable returns and failed delivery takes directly into the online shopping experience,” he said.

Another sector that could benefit from embedded insurance is that of micro-, small- and medium-sized enterprises (MSMEs) now struggling during the COVID-19 crisis, he added.

“We aim to introduce MSMEs to insurance with coverage that is relevant, seamlessly integrated into the activities that truly matter to them, like managing their inventory, buying products and paying staff,” Mr. Januszczak said.

Prospects
Coherent CEO and co-founder John Brisco said that as younger Filipinos become more comfortable with online transactions, prospects for the embedded insurance market are bright. Coherent, an InsurTech firm, partnered with UBX on Assured.

“Embedded insurance in the next 10 years is going to be a trillion-dollar market. This is an opportunity from the population of younger adults who want a different experience of how they acquire insurance,” he said.

To tap this opportunity, Mr. Januszczak said, “You have to make it easier for consumers to discover the value of insurance. And insurance is obvious when it is hyper-personalised and offered in a hyper-relevant context.”

Apart from the question of insurance awareness, another obstacle that has to be overcome is that insurance products can be very challenging to understand, he said.

“Products are often too complicated, predicated on old sales models with corresponding jargon that inevitably develops over the years,” he explained. Aside from the customers, he said insurance agents must also be given the proper training and awareness so they can explain properly to the clients the finer details of various insurance products.

“Often, what is sold is in many cases essentially the same kind of product that my own parents bought over 50 years ago. What is equally concerning is the sub-optimal impact that the complexity has not just on customers, but conventionally, on insurance agents and advisors,” Mr Januszczak said.

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China: Regulator outlines 6 main conditions for online P&C insurance operations – AIR – 15th September 2021

Insurance companies in China must meet six major conditions to qualify to conduct Internet P&C insurance business, according to the "Notice on Strengthening and Improving the Supervision of Internet Property Insurance Business (Draft for Comments)" issued by the Property Insurance Department of the CBIRC.

When passed, online property insurance business will be subject to stricter supervision. The exposure draft sets out the definition of Internet property insurance business, conditions to be met to gain market access, scope of business, operating standards, insurance intermediary management and control, internal management, suspension and resumption of Internet insurance business, regulatory measures and administrative penalties, etc.

The regulations are deemed necessary given the growth of online non-life insurance business including the increase in the number of players selling non-life insurance over the Internet. According to the "2020 Internet Property Insurance Market Analysis Report" issued by the Insurance Association of China (IAC), the Internet property insurance market has seen a doubling in the number of operators. In 2014, a total of 33 insurance companies launched Internet P&C insurance business. As of 2020, this number increased to 73. This represented the majority of non-life insurers. The IAC lists more than 80 non-life companies on its website.

6 conditions

According to the exposure draft, the six major conditions that an insurer has to comply with to conduct Internet property insurance business are::

1. the insurer must have a comprehensive solvency adequacy ratio of not less than 120%, and a core solvency adequacy ratio of not less than 75%, for four consecutive quarters;
2. the insurer must have a comprehensive risk rating of at least 'B' for four consecutive quarters;
3. the insurer must not have any major administrative penalties imposed on it in relation to Internet insurance business in the past one year;
4. the insurer has not committed any serious violation of insurance consumers' rights and interests in its Internet property insurance business in the past one year
5. the insurer should comply with the relevant provisions of the "Insurance Law", the "Internet Insurance Business Supervision Measures" and other laws and regulations;
6. the insurer must meet other conditions stipulated by the CBIRC

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