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# INSUNEWS - WEEKLY E-NEWSLETTER

03RD – 09TH AUGUST 2024

**QUOTE OF THE WEEK**

**"Between stimulus and response there is a space. In that space is our power to choose our response. In our response lies our growth and our freedom."**

**VIKTOR E. FRANKL**

## Insurance Term for the Week

## INSURANCE CUTOFF

An insurance cutoff is a reinsurance contract provision that prevents the reinsurer from being liable for claims after the contract termination date. An insurance cutoff, also called a cutoff cancellation, defines how long the reinsurer will have financial responsibilities from insurance policies that were in force while the reinsurance contract was in effect.

Reinsurance contracts often have a termination provision included in the contract language in order to define when the financial responsibilities of the reinsurer end. This provision is an important feature because some claims, such as those related to personal injury, may take place years after the reinsurance contract has expired.

## INSIDE THE ISSUE

## INSURANCE INDUSTRY

***India is still some way from achieving universal health coverage. Here's why – The Indian Express - 8th August 2024***

The provision of non-contributory public health insurance to below poverty line (BPL) population is a critical step towards achieving Universal Health Coverage (UHC). To increase access to healthcare and reduce associated out-of-pocket expenditures (OOPE) of BPL households, the government of India implemented a tax-funded national health insurance scheme (RSBY) in 2008. The programme increased health insurance coverage from less than 1 per cent in 2008 to 12 per cent in 2018, but failed to curb associated OOPE.

To address gaps in the coverage of BPL households and financial protection mechanisms, government of India launched the Pradhan Mantri Jan Arogya Yojana (PM-JAY) in 2018 to provide publicly financed health insurance to around 500 million individuals comprising the poorest 40 per cent of the population. PMJAY aimed to address gaps in RSBY with an increased ceiling of Rs 500,000 (an increase from the previous sum of Rs 30,000) and an expanded service package for secondary and tertiary healthcare. In addition, it aimed to address the gaps in beneficiary enrolment by applying deprivation and occupational criteria of socio-economic caste census (SECC) 2011. With the introduction of this ambitious programme, the question after five years of its introduction is to what extent has this helped address coverage gaps? An analysis of the recently released household consumption expenditure survey (HCES) data (2022-23) indicates that while the coverage of public health insurance (PMJAY and state-specific insurance) programmes for the first two population, quintiles (poor and poorest) has increased since 2018 it remains low, with less than 30 per cent of the population in this category covered. HCES data shows that of the 50 crore eligible people from the bottom 40 per cent population, about 13 crore are reported to be covered. And, the share of people from higher quintiles is reported to be more than 50% of the overall coverage of public health insurance programme.

Further, about 25 per cent of the population in the first two quintiles who utilised hospitalization services had public health insurance, with 34 per cent of those enrolled and utilised the healthcare system received insurance benefits. In contrast, 36 per cent from the higher quintiles received benefits. Therefore, even though the increase in utilisation by covered people has doubled since 2017-18, the overall healthcare utilisation under the health insurance scheme remained low. Clearly, the overall increase in population coverage and consequent distribution of health insurance benefits for inpatient services remained low in the last 5 years preceding the survey. The reasons for this need further examination. A quintile-wise analysis of survey data revealed that the cumulative participation of middle and upper-middle-income groups in public health insurance programs continues to be higher than low-income groups. The reasons need deeper examination but could be due to public insurance being extended to the entire population in several states. A detailed analysis of HCES data revealed that 68 per cent of the total hospitalization cases were treated in government facilities, which shows that people covered by public health insurance mainly relied on government health facilities for inpatient care. This remained unchanged since 2017-18. A further analysis of the data shows that a considerable percentage of the population (>50 per cent) who did not have public health insurance also utilized government facilities. Thus, irrespective of public health insurance, people rely on government health facilities for inpatient care.

Achieving UHC requires the provision of financial protection to prevent households incurring high OOPE. Social Consumption of Health Survey (NSSO 75th Survey) 2018 showed that people in the first two quintiles were incurring a higher burden of OOPE than the people in the last two quintiles for both inpatient and outpatient care. However, HCES data 2022-23 indicates a shift of burden from lower income group to higher income group for inpatient services. This indicates a positive impact of public health insurance on OOPE due to hospitalisation in low-income groups which needs further examination. However, the scenario of the financial burden for outpatient care remained the same as the low-income groups still incur a higher burden of healthcare expenditure. Even though the HCES data indicates a lowering of the burden of healthcare expenditure for hospitalisation for the first two quintiles, they are still incurring a considerable amount while utilising inpatient services. As per HCES data, people across all quintiles are incurring significant expenditures, an average of Rs 6,700 per beneficiary while receiving treatment for inpatient care. Aligned with the findings of the Comptroller and Auditor General of India (CAG) report 2023, this shows that public health insurance beneficiaries had to pay from their pocket for the treatments received.

The findings of the HCES data for 2022-23 suggest that progress on UHC through targeted public health insurance in India is lagging in two crucial aspects – One, the coverage of the targeted population, and two, financial protection to people in the first two quintiles. Even though HCES 2022-23 is not strictly comparable with NSSO 75th Survey 2017-18 mainly due to the differences in questionnaire and recall periods, a broad comparison of population coverage and medical expenditure shows that the progress towards UHC is slow., and coverage of the target population in the two lowest income quintiles remains low. In addition, the participation of middle and upper-middle-income groups in targeted public health insurance schemes is reported to be higher. All these show that drawbacks in the previous erstwhile National Health Insurance Scheme, such as gaps in identification and enrollment of targeted beneficiaries, low population coverage, and weaker financial protection mechanisms, have not been addressed fully.

***(The writer is Alok Kumar Singh.)***

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## *Ask GST Council to take a call on tax on health insurance premiums, Finance Minister tells Opposition - The Hindu – 8th August 2024*


The Union government has nothing to do with imposing the goods and services tax (GST) on health insurance premiums, Finance Minister Nirmala Sitharaman insisted in the Rajya Sabha on Thursday (August 8, 2024), maintaining that the issue is entirely in the realm of the GST Council, which includes representatives from all State governments. "Before GST too, medical insurance premiums were taxed," she noted, during her reply to a debate on the Finance Bill. The Upper House returned the Bill following her reply, completing the process of approving the Union Budget for this financial year. Countering charges that the Centre is pocketing the GST on health insurance premium, Ms. Sitharaman accused the Opposition of trying to gain political points on the issue. "Let the GST Council take a call," she said, adding that every State levied taxes on health insurance premiums. Noting that the GST Council has discussed the issue thrice in the past, she said that the Finance Ministers of all States were present in the GST Council where decisions are taken by consensus. MPs who were protesting the tax with placards in Parliament must instead write to Finance Ministers in their respective States. "What stopped you?" she asked.

Objecting to allegations that the GST on health insurance premiums is "daylight robbery", the Finance Minister pointed out that 50 percent of the GST collected goes to the States, and out of the Centre's 50 percent share as well, 41 percent is given to the States. Opposition members had also raised Union Minister Nitin Gadkari's letter to Sitharaman on the matter. Without naming Mr. Gadkari, she said that the Opposition had got an opportunity to raise the issue with "some Ministers" writing a letter, claiming that "somebody" who was part of a delegation had put it out in the public domain without the Minister's permission. Sitharaman reiterated that the Union Budget balances several overriding imperatives, including growth, employment generation, capital investment, and fiscal consolidation. "We have tried to balance all these without compromising on any one sector," she said. The allocation for agriculture and allied sectors has increased in this Budget, the Finance Minister said. "₹1.44 lakh crore was the allocation last year, this time it has gone up to ₹1.52 lakh crore, that is ₹8,000 crore more," she added. Sitharaman also questioned the conclusions of the Global Hunger Index, claiming that the report had been prepared without proper data from India.

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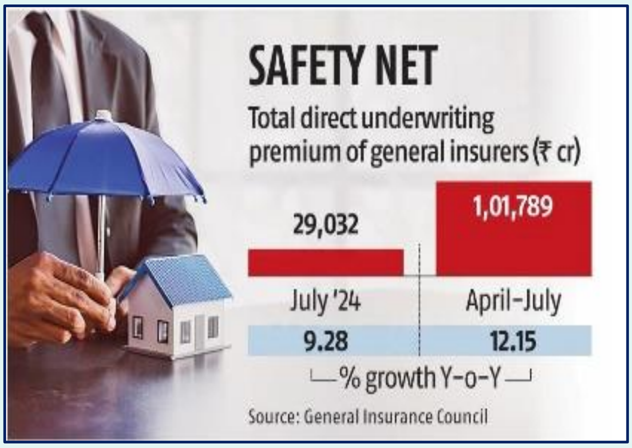
## *Non-Life Insurers Premiums Up 9.3% in July: General Insurance Council - Business Standard – 8th August 2024*

The non-life insurance industry reported a 9.28 percent year-on-year (Y-o-Y) increase in gross direct premium underwritten in July 2024, aided by the performance of standalone health insurers and specialised public sector undertaking (PSU) insurers, according to data released by the General Insurance Council on Wednesday. The motor and health insurance segments have been driving growth in the non-life insurance industry so far in FY25, industry experts said. Data shows premiums earned by non-life insurers in July stood at Rs 29,032.29 crore, compared to Rs 26,567.26 crore in the year-ago period. Non-life insurers include general insurance companies, standalone health insurance companies, and specialised PSU insurers.




Further, in April–July of FY24, non-life insurers, who operate in multiple business segments, including motor, health and marine, reported a 12.15 percent Y-o-Y growth in premiums to Rs 1.01 trillion. Standalone health insurers reported a 24.45 percent Y-o-Y jump in premiums to Rs 11,601 crore, and specialised PSU insurers saw a 13.5 percent growth to Rs 1,581.44 crore, the data showed. While PSU general insurers clocked 7.75 per growth in premiums during this period, private sector insurers reported 10.69 percent growth.

Among major companies, in July, New India Assurance – the largest non-life insurer – reported a 9.31 per cent growth in premium to Rs 3,557.56 crore. ICICI Lombard General Insurance's premium grew by 15.74 per cent to Rs 2,765.42 crore but Bajaj Allianz General Insurance's premium decreased 35.8 per cent to Rs 2,415.53 crore.

Further, United India Insurance Company's premium rose marginally by 0.75 per cent to Rs 2,068.94 crore and Oriental Insurance's premium went up to Rs 2,183.36 crore, a rise of 5.65 per cent from the year-ago period. Additionally, HDFC Ergo General Insurance reported a 36.51 per cent growth in premiums to Rs 1,651.59 crore. Meanwhile, gross underwritten premiums by the five standalone health insurers increased by 23.19 per cent to Rs 3,282.53 crore. Among them, the segment leader, Star Health & Allied Insurance Company, posted 15.47 per cent growth in premiums to Rs 1,469.71 crore.
Further, premium's earned by specialised insurers – Agriculture Insurance Company of India was up by 51.23 per cent whereas ECGC posted 28.09 per cent growth in premium during the time period.

***(The writer is Aathira Varier.)***

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## *Removal of 18% GST on life, health insurance: 'Shall take up with the GST Council,' says FM Sitharaman – The Economic Times – 7th August 2024*


On the withdrawal of 18 percent goods and services tax (GST) on life and health insurance premiums, Finance Minister Nirmala Sitharaman said on August 7, 2024, that tax had been there on medical insurance even before the introduction of GST. During her reply to the amendments of Finance Bill, 2024, Sitharaman said, "I want to raise two important points - tax has been there on medical insurance even before the introduction of GST. There was already a pre-GST tax on medical insurance before the GST was introduced. This is not a new issue, it was already there in all the states. Those protesting here... did they discuss regarding the removal of this tax in their states?"

A GST of 18 percent on life or health insurance policies pinches policyholders and discourages citizens from taking a new or higher insurance cover. The pain of policyholders gets amplified as insurance is a product where most beneficiaries will get the benefit only when they face an eventuality like death or hospitalisation. What this means is that in some cases, they would pay the premium and high tax but not get the benefit. Around Rs 24,000 crore was collected from GST on health and life insurance in the last three financial years. Sitharaman said, "73-74% of the amount collected under the GST goes to the states."

The finance minister highlighted that states had two-thirds share in GST Council and they were capable of taking a decision. “Several suggestions have come up and I shall take up with the GST Council,” Sitharaman said.

While the insurance industry has been raising its voice against this, the issue of 18% goods and services tax (GST) on life and health insurance premiums has again come to the forefront now. The political parties of the INDIA bloc have recently protested the high tax outside the Parliament building and demanded that the central government withdraw this GST. A few days ago, Union Minister of Road Transport and Highways Nitin Gadkari wrote to Finance Minister Nirmala Sitharaman urging her to roll back the 18% GST on such financial products. After Gadkari's letter, West Bengal Chief Minister Mamata Banerjee has also urged Sitharaman to remove GST on insurance premiums.

**GST on insurance: 'Levying GST on life insurance premiums amounts to levying tax on the uncertainties of life' says Nitin Gadkari's letter to FM**
Gadkari has said it concisely in his letter. “Levying GST on life insurance premiums amounts to levying tax on the uncertainties of life,” said the letter dated July 28, 2024. The minister has highlighted the concerns outlined in a memorandum submitted by the Nagpur Division Life Insurance Corporation Employees Union about matters affecting the insurance industry. Referring to the memo, the minister said: “The union feels that the person who covers the risk of life’s uncertainties to give protection to the family should not be levied tax on the premiums to purchase cover against this risk. Similarly, the 18% GST on medical insurance premiums is proving to be a deterrent for the growth of this segment of business, which is socially necessary.”

Banerjee argued that the imposition of GST on insurance premiums increases the financial burden on the common people. "This additional burden may be acting as a deterrent for many individuals from taking new policies or continuing their existing insurance coverage, thereby leaving them vulnerable to unforeseen financial distress," her letter read.

**'Insurance is a basic necessity, can't levy GST on premiums'**
Insurance industry players have been actively advocating for the removal of this tax, arguing that it significantly increases the cost of insurance coverage for policyholders. Sumit Rai, MD & CEO, of Edelweiss Life Insurance, says, "It is indisputable that insurance is a basic necessity, given its role of providing financial protection to households during adversities like death, disease or disability. It, therefore, cannot be categorised with luxury items like perfumes, chocolates, etc, which currently attract the same 18% GST. Other necessities like food, clothing, and medicines, attract 5-12% GST. Given its longer-term assets, the insurance sector also plays a key role in the country's advancement by supporting longer-term projects like infrastructure development. It is, therefore, critical that GST on insurance is rationalised to bring down the tax burden and make the product attractive to the consumer. Not only will it support the regulator's vision of 'Insurance for all by 2047', but also will be aligned with the government's development agenda."

**It's high time govt removes GST from health insurance premiums**
A GST of Rs 24,500 crore has been collected on health insurance and reinsurance premiums in the past three years, according to the Ministry of Finance's data. Certain schemes like Rashtriya Swasthya Bima Yojana (RSBY), Universal Health Insurance Scheme, Jan Argoya Bima Policy, and Niramaya Health Insurance Scheme are exempt from GST. With premiums surging rapidly, it is even more crucial now to not add any tax on insurance premiums, especially in medical insurance. According to a survey published in May 2024, health insurance premiums have risen significantly for many policyholders. Over half (52% of the respondents) reported a premium increase of more than 25% in the past year, while 21% experienced a hike of 50% or more. Around 31% of the respondents saw their health insurance premiums rise by 25-50%.

Pankaj Nawani, CEO of CarePal Secure, says, "Reconsidering the 18% GST on insurance is crucial because health insurance acts as a public good. The government subsidises these costs, but the top 50% are equally vulnerable to catastrophic health expenses. Despite this, health insurance coverage has stagnated at just 1% for over two decades. To ensure broader coverage and foster economic stability, we must encourage insurance uptake across all income levels. Without adequate health insurance, the top income brackets face financial strain that impacts their ability to contribute to the economy and support the government's social initiatives."

**Will the Centre remove 18% GST on the insurance premiums?**
On the Opposition's accusation that the Centre has collected Rs 24,500 crore from health insurance GST, Amit Malviya, in-charge of the Bharatiya Janata Party's information and technology department, says, "Of the total collection of Rs 24,529 crore from health insurance (18%), half of it, i.e. Rs 12,264 crore, goes straight to the states (SGST 9%). It doesn't even come to the Centre. Of the Centre's share of collection, roughly 41% is devolved back to the States again as part of Tax Devolution as per Finance Commission's formula!" On the demand to remove the 18% GST, he tweeted: "On cutting GST Rates, Govt of India alone can't cut the GST rates on health insurance. That decision lies with the GST Council, where states hold 2/3rd power to bring changes."

***(The writer is Anulekha Ray.)***

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## ***Fortifying deposit-insurance amid climate change - The Hindu Business Line -05th August 2024***

Climate change introduces a line of financial risks that complicate the operating environment for banks and deposit insurers. Physical risks, such as extreme weather events, directly impact asset values and operational continuity. Transition risks, stemming from the global shift toward a low-carbon economy, can lead to significant asset revaluation, particularly in carbon-intensive sectors. Additionally, the uncertainty and inconsistency of global political and policy commitments to climate action make climate-based insurance for the financial sector highly complicated. These risks heighten the likelihood of bank failures. With this, the urgency to fortify deposit-insurance frameworks becomes increasingly evident.

Enhancing reserves and ensuring sufficient capital buffers of deposit insurers are necessary to manage claims arising from climate-induced financial distress. India has been a shining example of being an active participant with all of its banks covered under deposit-insurance regulatorily. Hopefully, in next few years, a bank portfolio's climate-resilience report could determine its annual deposit-insurance premium. Digital innovation offers transformative potential for deposit-insurance, providing both benefits and challenges. Technologies such as blockchain can provide secure, transparent, and immutable records, reducing fraud and operational risk. However, rapid pace of technological change can outstrip regulatory frameworks, creating vulnerabilities. Cybersecurity risks, data privacy concerns, and the potential for systemic risks from fintech and digital banking platforms necessitate robust regulatory supervision and adaptive policy frameworks. Tokenised deposits, representing the digitisation of traditional deposits using blockchain technology, present unique challenges and opportunities. Tokenisation can enhance liquidity, transparency, and the efficiency of financial transactions. However, insuring tokenised deposits requires rigorous risk assessment frameworks that account for the technological and operational risks inherent in digital assets. Ensuring fund protection in a decentralised environment demands innovative approaches to custodianship and insurance coverage. Regulatory considerations must evolve to address these new forms of deposits, ensuring that protections are in place to safeguard depositors and maintain financial stability.

Climate change-related financial risks necessitate a proactive and dynamic approach from deposit insurers to strengthen crisis preparedness and management. This includes integrating climate risk into core regulatory frameworks, enhancing stress testing protocols, and fostering greater transparency in climate risk disclosures. Deposit insurers must work closely with financial institutions to develop robust risk management strategies that address the impacts of climate change. Scenario analysis, climate risk modelling, and the development of climate-resilient financial products are critical components of this strategy. Establishing robust contingency plans, including predefined emergency response protocols and cross-border cooperation agreements, is crucial for enhancing the ability to respond swiftly and effectively to crises. These measures ensure that deposit insurers are prepared for sudden and unexpected disruptions, allowing for coordinated and timely interventions to maintain financial stability. Cross-border cooperation agreements facilitate the sharing of information and resources among international financial institutions, enabling a unified approach to managing systemic risks that can transcend national boundaries. Such collaboration is particularly important in an increasingly interconnected global financial system, where the failure of a significant institution in one country can have ripple effects worldwide.

There is a need for deposit insurers to be involved in central banks' real-time discussions with their REs (regulated entities), instead of being a back-office input. Furthermore, deposit insurers should prioritise international cooperation and knowledge sharing to address the global nature of climate risks. Collaborative efforts can facilitate the exchange of best practices, harmonise regulatory approaches, and foster sandbox regulations across global financial markets rather than just domestic sandbox approach.

**(The writer is Ish Babbar.)**

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## *How insuretech is rewriting India's insurance story - Your Story – 06th August 2024*

A middle-aged insurance agent, briefcase in hand, sitting in your living room, explaining complex policies to your parents. This scene, once a common occurrence in Indian households, is rapidly becoming a thing of the past. This is thanks to the advent of a new age of insurance, where Generative AI (GenAI), Internet of Things (IoT) and other cutting-edge technologies are more prevalent than ever. Jefferies research predicts that by 2025, one-fifth of premium revenue for India's health and life insurers could be generated online. That's a significant chunk of the pie moving to the digital realm. But there's more! India's insuretech sector is expected to grow by 17% annually, reaching a whopping $307 billion by 2030. Now, you might think this digital revolution would wash away insurance agents. Instead, we're witnessing a beautiful synergy between human expertise and technology. Imagine a world where the knowledge of seasoned agents blends seamlessly with the efficiency of GenAI platforms and other emerging technologies. That's the reality insuretech is creating – a best-of-both-worlds scenario where insurance becomes more accessible, transparent, and personalized.

**GenAI: Transforming the Insurance Industry**

Generative AI (GenAI) has become a cornerstone in the insurtech space, with insurers and brokers leveraging its capabilities to bring more transparency and clarity to insurance products. One significant adoption is the use of virtual assistants, or chatbots, which simplify and expedite the process of identifying the most suitable insurance plans from a wide range of options. These chatbots enhance recommendation accuracy, increase agent productivity, and provide clients with tailored insurance solutions. While virtual assistants are beneficial for both insurers and brokers, they offer a particularly significant opportunity for insurance brokers. Insurers typically focus on promoting their specific policies, but brokers need to navigate a broader array of products to provide the best recommendations.


GenAI enhances brokers' ability to compare and recommend various options, addressing the complexity and ambiguity of insurance products. These AI-driven assistants help customers understand the nuances of different policies, allow consumers to compare various products from different insurers in an unstructured environment, making the decision-making process more straightforward and informed, enabling consumers to deduce the most suitable product for their needs. Insurance companies are also using GenAI to support their employees. In life insurance, for example, it might help determine if someone can get a policy without needing a medical exam. This could expand access to insurance for many people. These smart programs even tackle behind-the-scenes tasks. They monitor regulatory compliance, detect potential fraud, and create training materials for staff. All of this contributes to a smoother, more efficient insurance process. In essence, GenAI is propelling insurance into the future, making it more accessible and user-friendly. It's not about replacing human expertise, but enhancing it, creating a faster, more responsive insurance experience for everyone involved. While GenAI is reshaping the core of insurance operations, we can't ignore the potential of other advancements, such as IoT and blockchain.

**IoT: Revolutionizing Risk Assessment**

The Internet of Things (IoT) is transforming risk assessment and management, particularly in commercial vehicle insurance. Installed devices provide real-time data on location, driving behavior, and vehicle condition, allowing for fairer policy pricing and accident prevention through early warning systems. In India, while IoT adoption in personal vehicles is still growing, its impact on commercial vehicles is significant. As more manufacturers integrate IoT devices and fleet owners recognize the benefits, we can expect a major shift in how commercial vehicle insurance is priced and managed.

**Blockchain: The Future of Smart Contracts**

Although still in its early stages within the insurance sector, blockchain technology holds the potential to revolutionize insurance transactions. One of its key features, smart contracts, can automate claims processing and benefit disbursement, significantly speeding up and streamlining the process. Imagine your insurance policy as a smart contract on a blockchain. When you visit a hospital, they can instantly verify your coverage and process claims automatically. Blockchain has already proven effective in use cases like Digiyatra and is a powerful technology. However, its deployment in insurance remains limited, and widespread adoption will require cooperation from insurers, healthcare providers, and regulators.

**The Road Ahead**

The future of insurance is being transformed by technologies like GenAI, IoT, and blockchain. Imagine health insurance policies adjusting in real-time based on your lifestyle or filing claims through a conversation with an AI assistant. Just as ordering food or booking a cab has become incredibly easy, getting insurance is following suit. With GenAI guiding you through the process, IoT providing real-time data, and blockchain ensuring secure transactions, insurance is en route in becoming simpler, faster, and more personalised. While these advancements bring exciting possibilities, they also present challenges. Organizations must navigate data security concerns and an evolving regulatory landscape. However, when deployed responsibly to support rather than replace human decisions, these technologies have the potential to revolutionise the industry. From improved damage assessment and fraud detection to streamlined claims processing and customer support, the future of insurance in India looks bright. With GenAI leading the charge, supported by IoT and blockchain, the insurance industry is finally catching up with the times, promising a more efficient and user-friendly experience for all.

***(The writer is Ish Babbar.)***

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## INSURANCE REGULATION

### ***Wayanad floods: Irdai instructs insurers to disburse claims immediately – Business Standard – 4th August 2024***

The Insurance Regulatory and Development Authority of India (Irdai) has directed all insurance companies to expedite surveying and payment of insurance claims to victims of Wayanad in Kerala.

The insurance regulator has also instructed insurers to mobilise all their resources to ensure immediate service response, including outsourced functions such as surveyors, loss adjustors, and investigators, to landslide victims of Wayanad.

The death toll from the catastrophic landslides, which hit the district in the early hours of July 30, has risen to 219, according to the state government.

Irdai has mandated that life and general insurers have to appoint a senior executive as the nodal officer to manage claims related to the landslides. It has also instructed that districts with a high volume of claims be managed by a designated District Claims Service Head, and contact details of state and district heads be published on insurers' websites and widely publicised in the press.

The insurers have to appoint an adequate number of surveyors and loss adjustors immediately and if needed, resources from neighbouring states could be also deployed, Irdai said.

To ensure expeditious final settlement, insurance companies are also expected to review and streamline the processing of claims by ensuring only such documentation necessary to substantiate claim quantum.

In case of claims related to loss of life, where it is difficult to obtain a death certificate due to non-recovery of the body, if the details of the insured match with the details of the deceased published by state or central government or appropriate government authorities, the claim may be considered without insisting for a death certificate, Irdai said.

According to the figures released by the district administration, 219 bodies and over 154 body parts have been recovered with around 206 persons still missing. Search efforts continue in the disaster-hit areas of Wayanad.

***(The writer is Aathira Varier.)***

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## GENERAL INSURANCE

### *Kerala govt forms task force to aid Wayanad landslide survivors claim insurance for losses - The Print – 8th August 2024*

The Kerala government on Thursday formed a task force to assist survivors of the July 30 Wayanad landslides in claiming insurance for their various losses. The Chief Minister's Office (CMO) said the task force was formed based on the recommendation of the cabinet sub-committee, which has been stationed in Wayanad since the day of the incident. The special team headed by Revenue Recovery Deputy Collector K Gopinath has started functioning, the CMO said in a release. It said the team will ensure that the claim sums are distributed in a speedy manner. The team will work with other departments, collect information and prepare the details of the insurance policies taken by the victims of the incident. "The details will be collected from the survivors, who are housed in relief camps or at relatives' homes, and from the various government agencies, insurance companies and other agencies," the release said.

Details regarding vehicle insurance, life insurance, home insurance, crop insurance and insurance on pets and livestock will be collected, it said. The 'lead bank' district manager, the district manager of the Directorate of Industries and Commerce and the Deputy Director of the Economics and Statistics Department are also members of the task force. The term 'lead bank' refers to one that underwrites (agrees to pay in the event of loss) insurance policies. According to officials, the number of deaths due to the devastating landslides in the Mundakkai and Chooralmala areas of Wayanad on July 30 has increased to 226. As many as 138 people are still missing, according to figures released on Wednesday. PTI RRT RRT ANE

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### *Insurance Cos get ₹2-K crore GST notices - The Economic Times – 8th August 2024*


Goods and services tax authorities have sent notices to more than 20 general insurance companies with operations in special economic zones (SEZs), demanding about ₹2,000 crore in unpaid GST over services provided to employees of industrial units at SEZs and their families. DFC Ergo General Insurance Co, Star Health & Al lied Insurance, Cholamandalam MS General Insurance Co, New India Assurance Co and United India Insurance Co are among the companies that received show-cause notices (SCNs) over Integrated GST from the Directorate of GST Intelligence (DGGI), people in the know said. No tax is levied on exports and supplies to SEZs under Section 16 of the Integrated GST (IGST) Act. While this covers insurance services provided to SEZ units, an investigation by the DGGI found that the insurers misused the provision by extending it to group medical insurance cover provided to the employees of SEZ units, people in the know said.

"The probe found that the services which were billed to SEZ units were also being extended to the employees and their families of the SEZ units. IGST hasn't been paid on these services hence they have been sent SCNs," said an official privy to the development. This is the second instance when the insurance sector is coming under the scanner of the DGGI that probes GST evasion. It had earlier sent notices to around 30 insurance firms over alleged malpractices regarding commission payments to their agents. The companies have contested the notices, which claimed GST evasion of over Rs 5,500 crore, before the appellate authority. "The companies were sent notices to explain the queries raised by the DGGI. Their explanations haven't been found to be satisfactory and hence the SCN is issued," another person in the know said, referring to the SEZ IGST case. The companies have been told that the services provided by them attract IGST of 18 percent, he said. Spokespeople for Star Health and HDFC Ergo did not immediately respond to queries while others could not be reached immediately for comment.

Under GST rules, SCN is issued after the culmination of a probe. A company that received the notice can contest it before the appellate authority and subsequently before a high court and then the Supreme Court. In 2015, the Insurance Regulatory and Development Authority of India issued guidelines allowing Indian and foreign insurers to set up offices in SEZs. These offices, called IFSC Insurance Offices, are allowed to conduct direct and reinsurance business in SEZs if they meet certain requirements, such as having a good track record and sufficient funds. In 2019, the rules were updated to permit insurance intermediaries also to operate in all SEZs.

In their explanations, the companies cited a letter issued by the ministry of commerce and industry which contained the uniform list of authorised operations for IGST exemption in SEZs, a person in the know said. The investigation has revealed that the SEZ units of the insurers were having their authorised operations as general insurance business services, but group health insurance services were not recognised as authorised operations, the person said.

***(The writer is Rashmi Rajput & Shilpy Sinha.)***

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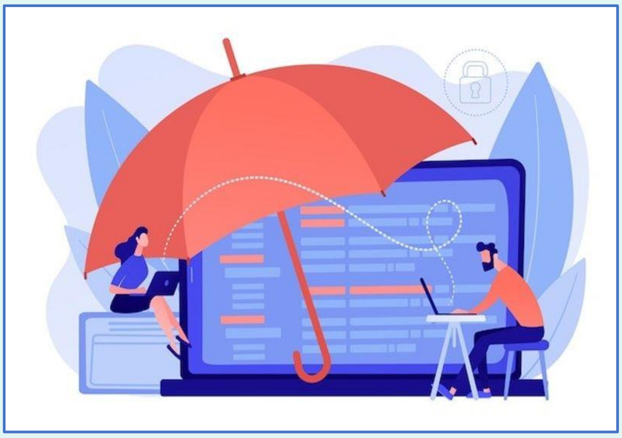
## *5 Reasons why you should have cyber insurance - The Tribune – 5th August 2024*



Cyber insurance in today's times is one of the most essential policies for any business. Since the last decade or more, the world has turned digital. COVID changed this more as everything went online and we saw a greater digital transformation. Due to the lockdown, it was the need of the hour for corporates to go digital for operations. All this had its own benefits but what we did not see coming were the risks that came with it. There has been a drastic increase in the number of cyber threats, ransomware, cyber frauds, data attacks and data breaches. Cyber security is a big issue for businesses and individuals and this makes cyber insurancea must have.

**What is cyber insurance?**
Cyber insurance is also known as cyber risk insurance or cyber liability insurance and is an insurance product designed to protect a business against the financial effects of cybercrimes like ransomware, malware, cyber extortion and data breaches among others. These crimes cause an interruption in business activities and also result in financial losses. The insurance policy helps them reduce the loss on account of both. These are essentially the shield of a business from any cyber-attack. A big business or a start-up needs this support today to ensure that business operations do not get hampered in times of any data breach and cyber-attack.

**Reasons why cyber insurance is a must**
The world is fast progressing to complete digitalisation and with this increasing the cyber-attacks. Like health and car insurance are important, having a cyber insurance policy is also mandatory and a need of the hour for businesses irrespective of their size. Let us see why cyber insurance is essential in today's times for everyone:

**1. Loss of reputation**
Be it a small business, entrepreneur or a multinational, the biggest issue that they face with a cyber-attack is the loss of reputation. A cyber insurance policy helps in ensuring that the business, irrespective of the size, does not get crippled. They assist the business in every possible to resume operations without

much problem. The policy has crisis management, the PR expenses that the company uses to gain back the lost reputation, also stand covered which again helps the business to avoid further losses. Ensuring the reputation is not affected is always the primary cause of concern for any business.

**2. Protection from financial losses**

Cyber-attacks have the potential to cause a lot of financial loss for the company. The policy provides protection against this as this includes the costs to recover the data, any kind of payment as compensation and legal fees besides the other expenses. Some of the other expenses paid by the cyber insurance policy are:

<u>Business interruption costs</u>
<u>Forensic investigation costs</u>
<u>Cyber extortion expenses</u>
<u>Legal expenses</u>
<u>Administrative fines</u>

**3. Regulatory and compliance costs**

It is possible that the organisation has to pay heavy fines to the authorities due to non-compliance with the data protection laws. The policy will help the organisation to ensure they are compliant and do not need to pay the fines and also avoid financial issues due to payment of the fines by ensuring these are paid by the insurer under the policy.

**4. Tailor-made coverage**

Insurance companies tailor-made the cyber insurance policy to ensure they meet the requirements of the business. Each business has its unique needs when it comes to cyber protection as they differ in scale of operations and size.

**5. Cyber extortion**

In case of a cyber-attack, the hacker can get the data and then for the recovery demand a ransom. This is known as a ransomware attack. They have the ability to tamper with the data or even destroy it while they have it. The cyber insurance policy covers this and ensures financial losses are minimised. While there are many reasons why cyber insurance is considered important, the main and foremost reason is the peace of mind it gives. Knowing that your insurance policy will ensure you are safe and protected, reduces anxiety and stress and one can continue business in the best possible way.

**Who needs cyber insurance?**

While having a cyber insurance policy is a must-have for businesses today, it should be noted that its use is not limited to a business. The following people have immense use of the policy:

**1. Students**

There is extensive use of the internet by students today for classes, payment of fees, project work etc. Due to this need protection becomes very important for them.

**2. Shoppers**

In today's times, online shopping is extremely popular due to the convenience it offers and the options available. Online payment methods are used by people to pay the bills and this puts them at a high risk of a data breach. Their personal information and bank details are at risk as these can be misused by hackers. Cyber insurance can help them to stay safe from such issues and threats ensuring complete freedom of mind.

**3. Family**

Insurers today offer cyber insurance plans for the family where the family members and the smart home are protected. This covers all the devices and thus, the family stays protected.

**4. For entrepreneurs and small business**

Entrepreneurs and small business owners are always at high risk of a cyber attack and thus, it is very important to stay safe as they need to protect their data and insurance is the best solution to the same.

**Exclusions of the cyber insurance policy**

While we have understood that a cyber insurance policy will take care of both first-party and third party liability, it also has some exclusions. It is important for one to understand the exclusions of the cyber insurance policy:

<u>Property damage</u>
<u>Willful violations</u>
<u>Bodily injury</u>
<u>Loss due to war or terrorism</u>
<u>Software, patent and copyright infringement</u>
<u>Lack of adequate security measures</u>
<u>Losses of electronic devices</u>
<u>Disruption in business due to a physical problem or a machinery breakdown</u>

**Conclusion**

Cyber-attack is a big threat to all individuals and businesses today in the present times with rapid digitalisation. One of the best ways to handle this is cyber insurance as this takes care of almost all the consequences one would face. It handles the effects and also takes care of the financial losses. Cyber insurance helps to mitigate the expenses that a business will incur due to a cyber-attack. They help in the proper running of a business and ensure complete peace of mind. Thus, all businesses and individuals today should opt for a cyber insurance policy to stay protected in the digital space.

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## ***Income protection and early warning systems: How India is building climate resilience – The World Economic Forum – 5th August 2024***

The insurance gap: Examples of the substantial difference between economic and insured losses in India

| Year | Natural Disaster | Economic Loss | Insured Loss | Insurance Gap |
|---|---|---|---|---|
| 2020 | Cyclone Amphan | $13 billion | $1.5 billion | $11.5 billion |
| 2021 | Cyclone Yaas | $2.5 billion | $200 million | $2.3 billion |
| 2021 | Tamil Nadu Floods | $1 billion | $100 million | $900 million |
| 2022 | Assam Floods | $3 billion | $300 million | $2.7 billion |
| 2023 | Himachal Pradesh Floods and Landslides | $1.5 billion | $150 million | $1.35 billion |

As the planet warms and extreme weather events become more frequent and intense, insurers are struggling to cover the resulting ballooning economic losses. The insurance sector saw net underwriting losses soar to more than $100 billion in 2023, a new record, according to industry estimates.

Insurers often respond to these climate-driven financial risks by withdrawing coverage from exposed markets, raising premiums and exiting risk-prone communities. At the same time, as insurance rates increase, people forgo coverage. This not only leaves them vulnerable to climate perils, but also drives prices even higher as the number of people paying premiums and sharing risk shrinks.

This perfect storm makes it more difficult for people in these vulnerable communities to get insurance. This prevents them from accessing key services such as mortgages, which encourages climate migration and drags down macroeconomic stability and growth.

**India in the age of global warming**

India has seen unparalleled growth and development in recent decades, but risks losing ground due to heightened exposure to climate perils including heat waves, floods and earthquakes.
It has endured a scorching summer this year, with capital city Delhi experiencing the countries highest-ever recorded temperature of 49.9 degrees Celsius (121.8 Fahrenheit). This heat wave caused school closures in several states, while local governments sent out heat alerts to warn people to stay inside. Even so, dozens of outdoor poll workers died while working during this year's election. The impact of extreme climate events in India touches on nearly every aspect of its economy and society, but is more pronounced in particularly exposed sectors such as agriculture, which comprises 15% of India's GDP and employs around 40% of its population – 70% among its rural households.

Between 2015 and 2021, India lost 33.9 million hectares of crops due to excess rains and an additional 35 million hectares due to drought. Several Indian sectors including agriculture suffered $159 billion in economic losses in 2021 due to lost working hours from extreme climate impacts. By 2030, India is projected to see a substantial 5.8% decline in working hours – equivalent to 34 million full-time jobs – due to heat stress. These numbers are only likely to increase as climate change continues. If, as expected, 45 million people are forced to migrate from their homes by 2050 as a result of climate change, this displacement would have cascading effects on local economies, for example by reducing tax revenues.

**Three ways India is building climate resilience**

The impact of extreme weather falls disproportionately on the shoulders of low-income Indian communities. But the significant barriers in accessing adequate insurance described above have created a coverage gap. To address this challenge, the country's government agencies and business leaders are working on a number of effective sector-specific local and national strategies. These initiatives could be replicated to help vulnerable communities in other parts of the world. Here are three of the strategies for building climate resilience at scale that are being implemented in India today:

**1. A digital insurance platform for farmers**

India's Minister of Agriculture recently launched the Sandbox for Agricultural and Rural Security, Technology and Insurance (SARATHI) to provide a comprehensive suite of insurance products for farmers in rural India. This user-friendly digital platform will simplify the process for farmers to view and purchase insurance, helping to decrease the coverage gap for the roughly 40% of India's population working in the agricultural sector. Such initiatives will be pivotal in helping farmers to become more resilient while also shielding them from the volatility of climate change.

**2. Innovative income replacement insurance for women**

The Women's Climate Shock insurance and Livelihoods initiative (WCS) recently established a first-of-its-kind income replacement product so female outdoor workers aren't forced to work during extreme heat waves. During a record-breaking heatwave this year, the product paid out to more than 46,000 female outdoor workers, replacing the income they would have lost due to their inability to safely work amid extreme temperatures. The programme includes an early warning system that provides guidance for specific communities. It also helps participants access the financial system by providing bank accounts so they can receive the money more quickly and directly. This product is already being introduced to other at-risk communities in India and beyond.

**3. Pioneering heat action plans**

India was the first country in South Asia to create a heat action plan after an extreme heat wave in the city of Ahmedabad in 2010 resulted in a 43% increase in mortality compared with the same period in previous years. The plan includes a system to alert residents when dangerous heat waves are expected and provides cooling centres. It also educates healthcare workers about how to recognise and treat heat-related illnesses. A study of the impact of this programme has shown it saves around 1,190 lives per year.

This heat action plan was complimented by a statewide policy to paint or tile roofs in white to reflect sunlight and help cool buildings. Heatstroke wards were also set up in the state's major hospitals, while a workshop run by India's National Disaster Management Authority helps local officials prepare for extreme heat. Insurers could work more closely with policy-makers and government officials to use the industry's leading risk analytics, predictive tools and climate data to inform more heat action plans and direct capital towards high-impact adaptation interventions.

**Collaborating on climate adaptation**

By 2050, extreme weather events are projected to cost the global economy $38 trillion per year without adaptation strategies. This is why insurance industry leaders must work with policy-makers and other key stakeholders to accelerate action to prevent the worst impact of climate perils. The case for proactively addressing climate risk has never been more clear. A recent study shows that each dollar invested in climate resilience yields up to $13 in long-term cost savings, but 88% of climate disaster funding is allocated after extreme weather events happen. Achieving sustainable and resilient growth will require a generation-defining commitment from public and private leaders to build climate resilience in vulnerable communities and economies around the world.

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## *No proposal to merge public sector general insurance companies: Govt – Moneycontrol – 5th August 2024*

The government on Monday said there is no proposal under consideration for merger of public sector general insurance companies. In a written reply to the Lok Sabha, Minister of State for Finance Pankaj Chaudhary said Rs 17,450 crore was infused during 2019-20 to 2021-22 in three PSU general insurance companies namely Oriental Insurance, National Insurance and United India Insurance to focus on their growth.

"There is no proposal under consideration of government at present for merger of public sector general insurance companies," Chaudhary said. In the Budget for 2018-19, the then finance minister Arun Jaitley had announced that the three companies would be merged into a single insurance entity. However, the merger process could not be completed due to various reasons, including poor financial health of these companies. In reply to another question on non-performing assets in the MSME sector, Chaudhary said the total credit outstanding of Scheduled Commercial Banks (SCBs) to the sector as on March 31, 2024 is Rs 28.04 lakh crore of which non-performing assets is Rs 1.25 lakh crore.

The gross NPA percentage of SCBs for the MSME sector is 4.46 per cent as against 2.74 per cent for total loans and advances, he added.

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## *Natural catastrophes: Insurance cover proposal hangs fire for over a decade - The Indian Express – 5th August 2024*

While the country has suffered heavily in terms of human fatalities and economic losses due to natural catastrophes every now and then, proposals by the insurance industry to bring the population and properties in the country under a catastrophe insurance plan has been hanging fire for the last 13 years. A host of proposals, including the latest from the Standing Committee on Finance of the Lok Sabha in February this year, for an insurance catastrophe pool (INCIP) which would have mitigated the sufferings of the people are stuck with the governments and the Insurance Regulatory and Development Authority of India (IRDAI) with no decision taken about the complex issue of implementing the scheme across the country. That too at a time when several landslides, cloud bursts and floods have hit several states like Himachal Pradesh, Kerala and Uttarakhand over the years.

Though over 350 people died and nearly 200 others are still missing in the major landslide that occurred in Wayanad, Kerala, on July 30, people are unlikely to get benefits as they are largely uninsured. Properties worth hundreds of crores were destroyed in the landslide. Insurance sources said normally less than 10 per cent of the people and property are covered in any region in India, leaving a huge gap without protection. They will have to depend on the government and other agencies for compensation and rebuilding of houses. The global average for insurance protection is 54 per cent.

In February 2024, the Standing Committee on Finance of the 17th Lok Sabha recommended that the government should explore options as to how homes and properties, especially those of economically vulnerable groups, can be insured in areas susceptible to catastrophic damages with the aid of Central/ State Government. “This may require a specialised insurance business to be set up by one of the public sector general insurance companies with subsidised premiums for disaster-prone areas. Such insurance businesses have been established in many other areas, such as Florida which is subject to regular hurricane damage,” the committee said.

In 2010, after Cyclone Nilam hit Tamil Nadu, the insurance industry and the Finance Ministry jointly planned to set up an exclusive catastrophe pool to cover the losses that occur in natural disasters. The proposal for the INCIP would have cost up to Rs 5,000 crore, if applied across India, and brought down the present undefined bill to rebuild lives after the catastrophes, providing a big comfort to citizens, the government and the insurance sector. However, a natural catastrophe insurance plan is yet to take shape, said an insurance sector official. The Standing Committee also proposed that IRDAI should set up a working group with all concerned stakeholders to examine all these issues in detail and then provide appropriate policy recommendations to address this important set of issues.

Insurance companies, especially public sector GIC Re, had proposed catastrophe bonds — or Cat bonds which are common in developed countries — to raise funds for meeting claims. Even this has failed to fructify. “NatCat (natural catastrophe) risks are largely uninsured and the governments (State/ Centre) often provide some monetary compensation/ relief when a catastrophe strikes. The recent tragedy in Wayanad is an example. There will be cries for having a NatCat Insurance Scheme but it will be soon be forgotten till the next NatCat strikes,” said KK Srinivasan, former Member, IRDAI. A major challenge will be to formulate a voluntary common catastrophe rate for the entire market. If the rates are too low, premium will not be sufficient to cover the risk and the pool will not be viable, officials said. India has been ranked third after the US and China in recording the highest number of natural disasters since 1900. By disaster type, India is marred mostly by floods.

“What we need is a public-private solution, say a Disaster Pool, for natural disaster risk involving the insurance sector could offer many benefits over government crisis loans and grants,” says a report prepared by State Bank of India last year. “If we consider 2020 floods in India, the total economic loss was of $7.5 billion (Rs 52,500 crore) but insurance cover of only 11 per cent,” the SBI report said. Apart from human losses, there is huge economic loss due to these disasters. Since 1900, India has suffered an economic loss of $150 billion (where the loss is reported) with largest loss from floods ($92.1 billion) followed by storms ($44.7 billion), the report said. In India the intensity and frequency of natural calamities, especially cyclone, have increased manifold. “Further, the cyclones in west coast (Maharashtra, Gujarat) in increasing, which has not been witnessed in the past. However, around 8 per cent of the total losses are covered. So, there is around 93 per cent protection gap during the period 1991 to 2022. So, early intervention is needed to close the protection gap, which are in all lines of insurance,” the SBI report said. The Standing Committee said that the natural disasters can cause a lot of damage to infrastructure in India, a country that faces many natural hazards because of its demographic and geographic features. Also, many houses are not safe enough to resist earthquakes and floods. These factors make them very prone to damages resulting from natural disasters.

**CAT bonds fail to take off**

Public sector GIC Re which was earlier planning to raise funds through CAT (catastrophe) bonds found it unviable as the interest rates in India are high. In developed countries like the US and Europe, reinsurers mobilise funds through Cat bonds at lower costs so that they can pay huge catastrophe losses. A CAT bond is a security that pays the issuer when a predefined disaster risk is realised.

***(The writer is George Mathew.)***

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## *IRCTC plugs critical data breach on insurance portal – The Hindu – 5th August 2024*

The Indian Railway Catering and Tourism Corporation (IRCTC) has addressed a critical vulnerability on its insurance portal that previously allowed unauthorised access to passengers' travel details and enabled changes to nominee information in the insurance policy. Cybersecurity researcher Nilabh Rajpoot of Noida discovered the bug after booking train tickets on the IRCTC website and opting for travel insurance. He received a link via SMS that, upon entering the PNR and registered mobile number, opened the travel insurance policy provided by United India Insurance Co Ltd. The link included an option to update nominee details. Mr. Rajpoot's curiosity and hacker instincts led him to investigate potential data leaks on the portal. By entering random PNRs and fictitious mobile phone numbers, he found that the portal revealed passengers' travel details, such as journey date, train number, berth/seat, email, mobile phone, and insurance policy information. Shockingly, the portal allowed modification of nominee details without requiring an OTP or security question.

"I entered hundreds of random PNRs and mobile phone numbers and accessed passengers' travel/insurance details. Although the link issued an alert that the mobile number did not exist, it still provided the passenger data. I immediately reported the issue on July 23, 2024, to the Computer Emergency Response Team – India (CERT-In), which communicated the vulnerability to the relevant organisation," Rajpoot said on Sunday. In a reply on July 30, 2024, CERT-In said the concerned organisation had confirmed that the vulnerability had been fixed and requested him to verify at his end. The vulnerability on the IRCTC insurance portal was significant as it exposed sensitive passenger information, including journey and contact details. Although the issue was found on the insurance portal managed by a third party, the data security and privacy concerns affected IRCTC as the custodian. Mr. Rajpoot focuses on identifying and mitigating security risks through routine assessments of various online portals. "In this case, unauthorised individuals could access and modify policyholders' details, including nominee information. We must protect sensitive information from fraudulent access and manipulation," he said.

***The writer is S. Vijay Kumar.)***

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## *FinMin asks state-owned general insurers to focus on profitable businesses - Business Standard – 4th August 2024*

The finance ministry has asked state-owned general insurance companies to focus on profitable businesses and not to chase top-line but aim for improving profitability. The government has recently infused Rs 7,250 crore in installments in three public sector general insurance companies -- National Insurance Company Limited, Oriental Insurance Company Limited, and United India Insurance Company. "We have been monitoring performance of state-owned general insurance companies and as a result they have started looking up. So, we will watch their performance this year," Financial Services Secretary Vivek Joshi said. Hopefully, he said, these companies may not require any further capital infusion, which is why the Budget has not made any provision. These three general insurance companies have improved their financial performance significantly, he said. For instance, he said, Oriental Insurance has earned Rs 18 crore profit in FY24 as against a loss of Rs 5,000 crore a year ago, while National Insurance Company narrowed its loss to Rs 187 crore from Rs 3,800 crore, and United India Insurance to a loss of Rs 800 crore as against the loss of Rs 2,800 crore in the preceding year that is FY23. New India Assurance has continued to perform well, increasing its profits from Rs 1,000 crore in FY23 to Rs 1,100 crore in FY24.

In addition to the shift in focus, the government is also addressing operational issues within these insurers. "A lot of employees retired, and there was a ban on hiring new staff. But now they are asked to recruit in a balanced way. We expect them to strengthen further," he said. The finance ministry has asked these companies to focus on profitable lines of business, he said, adding, earlier they used to take business to show growth. "Now we are asking them to come out of loss-making segments like motor and health insurance," Joshi added. In all, the government infused Rs 17,450 crore into these insurance firms so far to improve their financial health. Public sector general insurance companies are undergoing various reforms, including organisational restructuring, product rationalisation, cost rationalisation and digitalisation. For efficient use of capital and to push profitable growth, a set of key performance indicators linked reforms have been initiated by all public sector general insurance companies effective 2020-21, when the maximum capital infusion was made. Of the four state-owned general insurers only New India Assurance Company is listed on the stock exchanges, the remaining three are wholly owned by the government. The government has already announced its intention to privatise one general insurance company.

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## HEALTH INSURANCE

### *Health insurance premiums are rising - Business Standard – 11th August 2024*


HDFC Ergo General Insurance recently hiked the premiums of its flagship product called Optima Secure. New India too informed customers that it will soon increase the premiums of all its products. The premium hikes range from 4 percent to 15 percent.

A number of factors are responsible for the hike in health insurance premiums. One, the Insurance Regulatory and Development Authority of India (IRDAI) changed the terms and conditions of health insurance policies through its recent circulars. Previously, the maximum waiting period for pre-existing diseases could be four years. IRDAI has reduced it to three years. The moratorium period – the period after which insurers cannot reject a claim except in the case of fraud – has been reduced from seven years to five. “These changes entail a cost for insurance companies and hence they have hiked their premiums,” says Mahavir Chopra, founder, Beshak.org.

Earlier, health insurance products had a sub-limit on AYUSH treatment. “Now, the regulator has said AYUSH should be covered up to the sum insured. This has also contributed to the premium hikes,” says Praveen Chaturvedi, general manager, Insurance Samadhan. Another factor is the claims experience of insurance companies. “If the premiums they are collecting do not suffice to meet the claims, and their margins are under pressure, insurers will increase the premiums,” says Chopra. Health care inflation is a key driver. At an average of around 12 percent year-on-year, it is much higher than consumer price index (CPI)-based inflation. High medical inflation results in customers making bigger claims, which in turn leads to insurance companies raising their premiums.

The health care industry is adopting technological advancements, such as robotic surgery and other forms of modern treatment. Such advancements have many benefits, like reduction in hospitalisation time. “However, these high-tech procedures entail higher expenses on equipment and on acquiring skilled personnel. This factor is also pushing costs up,” says Chaturvedi. If you were planning to buy a policy with a sum insured of Rs 10 lakh but are unable to afford the premium, Chopra suggests buying a sum insured of at least Rs 5 lakh. Later, as your earnings increase, you may increase the sum insured. Consider going for a combination of a base policy and a super top-up policy. "If a person buys a base policy of Rs 20 lakh, it will be costly. Instead, if he combines a base policy of Rs 5 lakh with a top-up of Rs 15 lakh, his premium will be much lower," says Chaturvedi. Chopra says one can easily save at least 15 percent by going for a combination of a base plan and a super top-up.

Many insurance companies offer no claim bonuses (NCBs). "By adopting healthy habits and avoiding hospitalisation, customers can get an NCB. This will push up their sum insured without requiring them to pay a higher premium," says Chaturvedi. Nowadays, insurers offer multi-year plans. "If you opt for a two- or three-year plan, you could get a discount," says Chaturvedi. Customers can also rein in their premiums by avoiding expensive add-ons they do not need, such as international coverage (for people who are not likely to spend a lot of time travelling abroad).

Younger customers at times feel deterred from buying a health insurance policy because of the premium. Experts say they should nonetheless buy them. "If you are unable to afford the health insurance premium, how will you afford the hospital bill, if and when it arises, which is likely to be much bigger? And these bills are only growing bigger with each passing year on account of high medical inflation," says Chopra. New buyers should also not settle for a very low sum insured. "In view of rising health care costs, it is better to pay a small amount of extra premium and have adequate cover, rather than having to pay a part of your total medical expense from your own pocket," says Arnav Pandya, founder, Moneyeduschool. Existing customers should also not reduce the sum insured of their policies. If they do so, they will lose continuity benefits. "There are many types of waiting periods — the initial 30-day waiting period, the specific disease waiting period, and the pre-existing disease waiting period. If a person has been in a policy for three-four years, he would have crossed all these waiting periods. If he reduces the sum insured, he stands to lose the continuity benefits," says Chaturvedi.

***(The writer is Sanjay Kumar Singh Karthik Jerome.)***

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## *OPD coverage can reduce the large ticket hospitalisation claims – Business Today – 7th August 2024*

It is surprising that 99 percent of health insurance policies being sold in India do not cover OPD. The result of this is that the families or the individuals ignore the initial symptoms and when the ailment is multiplied then they end up straightway in super-specialty hospitals for treatment. Neglecting initial symptoms often leads to serious ailments. If OPD (Outpatient Department) services are allowed liberally by insurers then individuals can visit doctors (family doctor or general physician), take necessary medications, and receive treatment without the need for hospitalization.

One of the suggestions which have emerged out of discussion with large number of individuals/families in different parts of India is that health insurance policies being sold in the country should have OPD coverage as one of the important point. The beginning can be done with 10% of the sum insured being available as a sublimit for OPD. For example, a policy with a sum insured of Rs. 5 Lakhs should have a sub-limit of Rs. 50,000 available for OPD treatments.

This can be a good point to be taken up by General Insurance Council/GIPSA with its members and then they can discuss the matter with the Regulator IRDA, who can issue guidelines mandating health insurance companies to provide OPD coverage of 10% of the sum insured as a sublimit. Present practice of OPD as an Add-On benefit with separate payment has failed to achieve the objective. Permitting sublimit @10% would ensure that people can seek timely medical advice and treatment, potentially reducing the overall healthcare costs by preventing more serious conditions that require hospitalization. Let's take the example of diarrhea. If a person visits a general physician under OPD, the cost might be around Rs. 600 for the doctor's fee and Rs. 1,200 for medication, totaling Rs. 1,800 for the treatment. In contrast, if the same person ends up in a super-specialty hospital and is required to stay for two nights, the cost could be as high as Rs. 36,000. In this case, the insurance company would save significantly by paying Rs. 1,800 for OPD treatment instead of paying Rs. 36,000 for hospitalization, resulting in a 95% savings on hospital costs. It is also noticed that medicines being provided in super specialty hospitals are branded expensive formulations and are billed in the hospitalization invoice at full price. The same medicine in market is available in the open market @ discount of 20%. In the Jan-Aushadhi it can be available @ discount of 75% to 85%. An early diagnosis of the ailments supported with medications bought from Jan-Aushadhi outlets established by Hon'ble Prime Minister will be beneficial to the insurance industry by enabling treatment at a much lower cost.

***(The writer is S. K. Sethi.)***

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## *GST receipts on health cover surged to nearly ₹10,000 crore in 2023-24 – The Hindu – 5th August 2024*

Goods and Services Tax (GST) collections on health insurance premium payments by consumers have risen by more than 54 percent between 2021-22 and 2023-24, yielding ₹8,262 crore last year, with health reinsurance levies delivering nearly another ₹1,500 crore, according to data shared by the Finance Ministry in Lok Sabha on August 5. Over the last three financial years, GST levies on health insurance premia added up to ₹21,255.6 crore. Reinsurance premia paid by insurers yielded about ₹3,274 crore of GST revenues over this period, rising 79.7 percent between 2021-22 and 2023-24. Responding to queries from MPs related to the indirect tax, Minister of State for Finance Pankaj Chaudhary also acknowledged that representations had been received requesting for exemption or reduction in the rate of GST on life insurance and health insurance. "GST rates and exemptions are prescribed on the recommendations of the GST Council, which is a constitutional body comprising representatives from both the Centre and the States/UTs," Mr. Chaudhary said. On lowering GST levies on raw materials for fertilisers such as sulphuric acid and ammonia, as recommended by a parliamentary panel, the Minister said the GST Council had discussed the matter on six occasions, including its last meeting held in June, when it was referred to the Group of Ministers tasked with the rate rationalisation exercise.

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## *A new discussion on GST begins after Gadkari's letter to Sitharaman strikes a chord with many – The Economic Times – 5th August 2024*

A recent letter from Nitin Gadkari to Nirmala Sitharaman on the need for a cut in the Goods and Services Tax (GST) on health and life insurance has resonated with many, ToI reported on August 5. Indian consumers currently pay an 18 percent GST on these services, despite the healthcare system being a tax-funded public service responsibility. Gadkari's thoughts on completely removing the levy are, however, impractical as it would disrupt the GST chain, said the report (by Sidhartha). A complete removal would impact refunds for those selling goods or services to insurers. While a complete removal does not appear possible, there are strong arguments for reducing this tax. Approximately six months ago, a parliamentary standing committee led by Jayant Sinha also highlighted the need to reduce GST on health and term insurance. The current tax environment imposes significant levies not only on insurance but also on other essential services such as telecom, which also attracts an 18 percent GST. Air conditioners and cement, categorised under demerit goods, attract a 28 percent GST, with the GST Council, comprising Union and state finance ministers, ignoring repeated demands for tax cuts despite the essential nature of these items.

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***Health insurance firms raising premiums on medical inflation, higher claims – The Economic Times – 5th August 2024***

Amid rising medical inflation, insurance companies are increasing their health insurance premiums. New India Assurance, the country's largest general insurer, is set to increase premiums by 10 percent for certain health insurance products, effective November 11, 2024. In recent months, many life and health insurance companies in India have raised their premiums. Notable adjustments include HDFC Life Insurance increasing term insurance premiums by approximately 5 percent for individuals above the age of 60, Max Life Insurance adjusting premiums with hikes ranging from 1-6 percent across different age brackets, Bajaj Allianz Life Insurance increasing premiums by 1-5 percent, and Tata AIA Life Insurance raising premiums by 3-10 percent.

The New Assurance premium hike is a response to increased exposure resulting from the Irdai circular, which expanded coverage to benefit policyholders, leading to higher anticipated claims. The Irdai's master circular introduced several significant changes, including reducing the waiting period for pre-existing diseases from 48 months to 36 months and shortening the moratorium period from eight years to five years. This trend reflects broader economic and industry-specific factors, including the need to reset premiums to ensure the sustainability of insurance products. Medical inflation, often two to three times the normal inflation rate, significantly impacts insurance claims and payouts, necessitating premium adjustments.

Several other factors contribute to the rising premiums. Increased claim frequency, driven by an aging population and a rise in chronic diseases, has necessitated larger payouts from insurers. Advancements in medical technology, while leading to better treatments and outcomes, also come at a higher cost, which insurance companies factor into their premium calculations. Regulatory adjustments by Irdai, particularly those supporting senior citizens with pre-existing conditions, further influence premium rates. These changes highlight the ongoing challenges faced by the insurance industry in balancing affordability with comprehensive coverage amidst rising healthcare costs and regulatory shifts.

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## MOTOR INSURANCE

***Motor Insurance: Pay as you drive finds more takers - Financial Express – 5th August 2024***


Motor insurance is now becoming more personalised, flexible and aligned closely with individual customer needs. What used to be a straightforward, necessary purchase is now more dynamic and customer-focused. Driven by regulatory reforms and digital tools, the motor insurance industry is seamlessly integrating data and analytics to offer products more relevant to new-age consumers. The insurance regulator's recent initiative to make the The 'Pay as you drive' (PAYD) option as the first choice to be offered to consumers while buying a policy validates the evolution in the motor insurance landscape. Not just this, the increased emphasis on comprehensive coverage is another landmark for the industry.

Here's an overview of what vehicle owners should look for while buying motor insurance.

**Comprehensive coverage**
When a vehicle is involved in an accident, the law requires third-party insurance to cover damages caused to others by the policyholder's vehicle. However, this does not offer complete protection, leading many vehicle owners to opt for comprehensive insurance policies that also cover their own damages.

New car owners are required to purchase a one-year comprehensive policy along with a three-year third-party cover, while for the second and third years, they are only required to have a standalone own damage insurance policy. However, even after this period, one must continue to have comprehensive coverage.

**Pay-as-you-drive**

More than one in three customers now choose PAYD plans, and with a high 75% renewal rate, it's clear that these plans resonate well with policyholders. It benefits those who drive less frequently, such as remote workers, retirees or individuals who rely on public transport for their daily commute. The insurance premium is calculated using telematics devices that track the distance. It not only makes motor insurance more affordable but also encourages responsible driving habits, as lower mileage can result in significant cost savings. They often come with the flexibility to adjust coverage as driving patterns change, providing a level of customisation that was previously unavailable.

**Add-ons for enhanced protection**

Add-ons can significantly enhance the coverage provided by standard policies for a slightly added premium. Zero depreciation cover: This ensures that the policyholder receives the full claim amount without any deduction for depreciation on the value of parts being replaced. This is advantageous for new car owners, as it covers the damage repair cost and replacements at current market prices.

Engine protection cover: This covers the cost of repairing or replacing the engine, and its parts in case of water ingress damage, lubricating oil leakage or other mechanical issues not covered under standard policies. It is especially useful for those living in flood-prone areas or regions with extreme weather conditions.

***(The writer is Nitin Kumar, head, motor insurance, Policy bazaar.)***

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## CROP INSURANCE

### *Insurers to pay 12% penalty for delay in Fasal Bima settlement – Financial Express – 7th August 2024*

Insurance companies will have to pay a penalty of 12% to farmers on the claims if there is a delay in claim settlement beyond stipulated period under the Pradhan Mantri Fasal Bima Yojana (PMFBY) agriculture minister Shivraj Singh Chouhan said on Tuesday. "If there is a delay, the insurance company will pay a 12% penalty, which will go directly to the farmer's account. If we look at the reasons for the delay, the biggest reason is the delay in releasing their share of the premium subsidy by most states," Chouhan said in Lok Sabha. Chouhan said many times the yield data is received late and in some cases, disputes arise between the insurance company and state. "It has been made mandatory to assess the loss not visually but through remote sensing at least 30% of crops covered," he said. Sources said earlier delays in settlement of farmer's claims under crop insurance were not tracked as there was no centralised information system. However with the launch of a common portal settlement time for insurance claims by the farmers can be assessed on a real time basis.

The guideline of PMFBY states that states or union territories will not be allowed to implement the crop insurance scheme in subsequent years in case of considerable delays by states in releasing the requisite premium subsidy to concerned insurance companies. The cutoff date for invoking this provision for kharif and rabi seasons is Marc 31 and September 30 in the succeeding year respectively. The PMFBY which was launched in 2016, is currently implemented in 22 states and UTs. Farmers pay a fixed premium of just 1.5% of the sum insured for rabi crops and 2% for kharif crops, while it is 5% for cash crops. The balance premium is equally shared between the Centre and states. For North-Eastern states, the premium is split in a 9:1 ratio between the Centre and states. Participation in PMFBY is optional for farmers.

In FY24, enrollment under the PMFBY crossed a record 39.7 million, and it is projected to increase significantly in the current fiscal. The official said the crop insurance scheme is gradually moving towards a subscription-based model rather than a loan-based scheme. "More than 42% of farmers who are enrolled under the crop insurance are those who had not availed loans from the banks," the official said. In terms of area, coverage of heavily subsidised crop insurance scheme last fiscal has crossed 61 million hectare in, which is an increase of around 21% from the 2022-23. Since the launch of PMFBY in 2016, Rs 32,440 crore were paid by farmers as their share of premium against which claims of around Rs. 1.63 trillion have been paid to them. "For every 100 rupees of premium paid by farmers, they have received about Rs. 500 as claims," the agriculture ministry had stated in a note.

For PMFBY, the finance ministry has allocated Rs 15,000 crore for FY25, while the revised estimate for FY24 stands at Rs 14,600 crore. Several insurance companies, both in the public and private sectors, are implementing the crop insurance scheme. The PMFBY is the third largest insurance scheme globally in terms of premium and shields farmers from crop losses or damage arising out of unforeseen events.

***(The writer is Sandip Das.)***

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### *Centre to unilaterally release its share of crop insurance premium – Business Standard – 6th August 2024*

Agriculture Minister Shivraj Singh Chouhan today said that the Central government has decided to release its share of the premium subsidy under the Pradhan Mantri Fasal Bima Yojana (PMFBY) without waiting for the state to release the same. Replying to a Parliament question, Chouhan said that earlier farmers had to wait for their claims unless both the Centre and states released their share of the premium subsidy.

But, now, it has been decided that the Centre would release its share without waiting for the state to do so, which would ensure farmers get their claims settled under PMFBY quickly. Under PMFBY, both the Centre and states equally share the premium subsidy. He said another reform that has been done in PMFBY is that if there is a delay in claim settlement, insurance companies will have to pay a penalty of 12 per cent, which would be transferred directly into the bank accounts of farmers. He said that technology would be used for 30 per cent of claim settlements under PMFBY mandatorily.

***(The writer is Sanjeeb Mukherjee.)***

***TOP***

## REINSURANCE

### *Reinsurance burden likely to rise due to Bangladesh political unrest – The Economic Times – 8th August 2024*

Insurance companies may face increased reinsurance inward placement rates due to the ongoing volatile situation in Bangladesh. The expected rise in strikes, riots, and civil commotion (SRCC) claims is driving this potential increase. "SRCC as a peril might see rate increases due to political violence. More critically, we may see some territories losing coverage altogether for political violence," said GIC Re MD Ramaswamy Narayanan. "We do write Bangladesh as a territory, but most of our treaties exclude SRCC and political violence. Only one contract includes SRCC, so we don't expect significant losses from Bangladesh." Narayanan expects a reduction in capacity. "Generally, SRCC is excluded, but in this case, given the location, we agreed to cover it," he explained. "Most government buildings are self-insured, so we do not expect losses from those." In recent years, SRCC events have surged, becoming a prominent risk for the insurance industry.

***(The writer is Shilpy Sinha.)***

***TOP***

## SURVEY AND REPORTS

### *GST likely to be reduced on health and life insurance premiums: Report - Live Mint – 8th August 2024*


The rate of goods and service tax (GST) paid on health and life insurance is likely to be reduced, CNBC-Awaaz reported on Thursday, August 8, citing people aware of the development. A proposal has been sent to the GST rationalisation committee, as per the news channel. The proposal sent to the GST rationalisation committee entails a 5 percent GST on health and life insurance premium payments; this is significantly lower than the 18 percent GST applied currently, according to the sources quoted in the report. However, the committee is not in favour of the exemption of GST on premiums, as per the report.

HDFC Life Insurance, Life Insurance Corporation, SBI Life, and ICICI Prudential shares reacted well to the news report. The GST rate rationalisation committee is scheduled to meet on August 22, as per the report.
In July, Minister of Road, Transport and Highways Nitin Gadkari wrote to Finance Minister Nirmala Sitharaman proposing to withdraw the 18 per cent GST on life and medical insurance premiums. According to a Moneycontrol report, he called it a tax on life's uncertainties. The government has said nearly ₹24,000 crore has been collected as GST from the health and life insurance segment in the last three years. "Several suggestions have come up and I shall take up with the GST council," said Nirmala Sitharaman in response to the topic in Parliament, as per the report. "Up to 74 per cent of the amount collected (from health and life premiums) under the GST goes to the states," said Sitharaman, as per the news report, highlighting that none of the ministers wanting to reduce the GST has asked to reduce it at the state level.

"I chaired the standing committee for five years - when we issued our report for insurance – it was unanimous. Everybody agreed that we should eliminate GST on life and health insurance because there are necessities for modern living," former minister Jayant Sinha, one of the architects for GST, told the news portal.

***(The writer is Anubhav Mukherjee.)***

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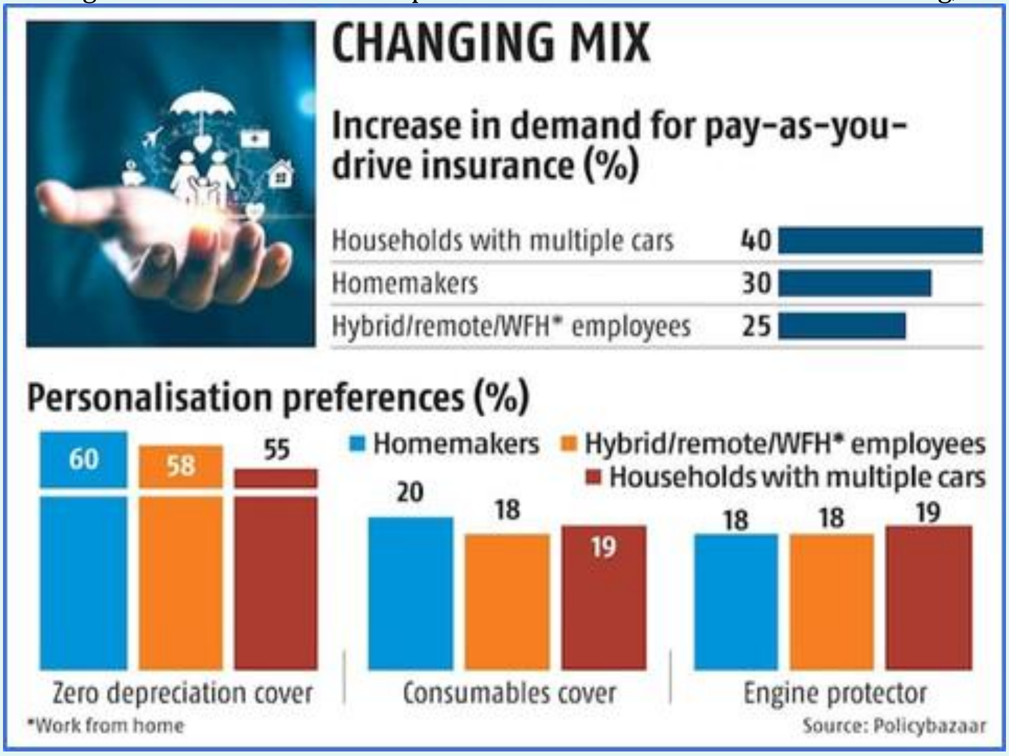
### *Hybrid workers drive demand for pay as you drive insurance plans - Business Standard – 6th August 2024*

The demand for pay-as-you-drive (PAYD) plans in motor insurance has increased by 25 per cent among its largest customer base — hybrid workers — due to favourable regulatory guidelines.

In the master circular issued in June, the Insurance Regulatory and Development Authority of India (Irdai) directed insurers to offer additional options like PAYD and pay-as-you-go as a primary choice for customers.

At the same time, households with multiple cars have seen a 50 per cent surge in demand for PAYD from the previous year. Homemakers, who account for 15 per cent of PAYD customers, have seen a 30 per cent increase in demand.

"Irdai's latest guideline, asking insurers to offer PAYD plans as a first choice for customers, is a welcome move poised to boost PAYD adoption. This initiative will usher in a new era of customised insurance, making motor insurance a more personalised and customer-centric offering," PolicyBazaar said.




***(The writer is Aathira Varier.)***

***TOP***

## INSURANCE CASES

### *NCDRC Holds United Insurance Liable For Deficency in Service Due To Wrongful Repudiation of Insurance Claim - Live Law – 5th August 2024*

The National Consumer Disputes Redressal Commission, presided by Dr. Sadhna Shanker in an appeal filed by Ramdev Masala held United India Insurance liable for deficiency in service due to wrongful repudiation of the insurance claim.

The complainant company, Ramdev Masala had an insurance policy for Rs. 20,00,000 from United Insurance/ Insurer through a bank. During the policy period, the stock suffered heavy damage due to atmospheric lightning and flooding. The complainant informed the insurer, initially attributing the damage to a flood but later learnt from the cold storage owner that atmospheric lightning was the cause the insurer repudiated the claim, stating that the policy did not cover flood damage. At the complainant's request, the insurer appointed a surveyor who assessed the loss at Rs. 17,57,930 but doubted the lightning damage claim. Aggrieved by this, the complainant filed a complaint before the State Commission of Gujrat, which dismissed the complaint. Consequently, the complainant appealed before the National Commission.

***(The writer is Ayushi Rani.)***

***TOP***

## *Insurance firm told to reimburse Rs 73K medical expenses, relief - The Tribune – 03rd August 2024*

District Consumer Disputes Redressal Commission president Sanjeev Batra and its member Monika Bhagat have directed United India Insurance Company to reimburse expenses incurred by an aggrieved consumer during hospitalisation. The firm has been told to pay Rs 73,200 to the patient. Besides, it was also told to pay Rs 20,000 compensation to the consumer. The insurance company had rejected his medical claim, saying that it was not payable as patient's treatment could be managed without hospitalisation. The orders came on a complaint moved by Kulwinder Singh, a resident of Goslan village in Samrala. The commission specifically held that the denial of medical claim was not justified. The complainant had submitted before the commission that he took a cashless Individual Health Insurance policy from United India Insurance through Policy Bazaar, effective from June 27, 2018, to June 26, 2019.

He suffered severe stomach pain on May 31, 2019, and sought medical treatment. Despite fulfilling all procedural requirements, his requests for cashless treatment were repeatedly denied by the insurance company. He initially consulted Dr Preet Kamal Sharma, who recommended hospital admission due to the severity of his condition. Later, he was admitted to the Dayanand Medical College and Hospital, Ludhiana, where he was treated for acute pancreatitis. The request for cashless treatment was denied on the grounds that his condition could be managed without hospitalisation in an OPD, which was contradicted by doctors who treated him. Despite submitting all necessary documents for reimbursement after his discharge on June 9, 2019, the claim was rejected without sufficient explanation. He alleged that the insurance company's actions caused significant financial strain, forcing him to borrow Rs 73,200 from relatives to cover his medical expenses.

Refuting the allegations, the lawyer of the insurance firm argued that the claim was not payable as the treatment could be managed without hospitalisation. However, the commission found the insurance company's reasoning unconvincing. They noted that the complainant's admission was medically necessary, as confirmed by multiple certificates from doctors. The commission ruled that the denial of the claim constituted deficiency in service and ordered United India Insurance to reimburse consumer medical expenses with 8 per cent annual interest from the date of admission till full payment. Additionally, the company was directed to pay Rs 20,000 as compensation for the mental agony and inconvenience caused. The consumer, Kulwinder, expressed relief at the decision, hoping it would serve as a precedent for improved service from insurance providers.

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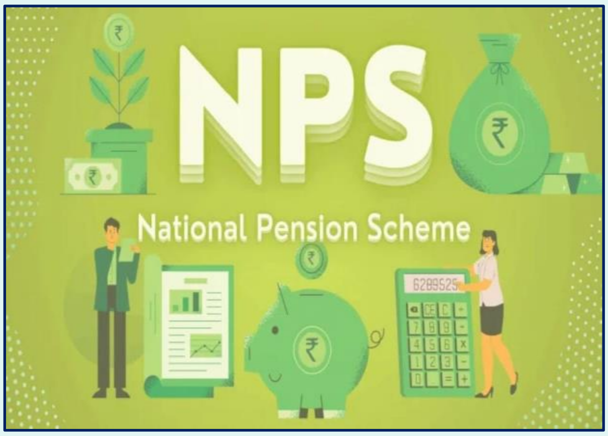
# PENSION

## *NPS Vatsalya can be beneficial for specially-abled children – Financial Express – 3rd August 2024*




The Budget PROPOSAL to introduce NPS (National Pension Scheme) — Vatsalya will help parents to plan the very long financial needs of children with special needs. Experts say a low-cost, tax-efficient product like NPS will enable parents to accumulate funds for such children and get periodic annuity payouts. Typically, such children are left at the mercy of relatives or an institution after the parents are gone, with the probability of misuse of funds accumulated by their parents. A government-monitored pension scheme could thus ensure better utilisation of funds for their welfare in the later part of their lives.

In the new scheme, parents and guardians can contribute for minors and on attaining the age of majority, the plan can be converted into a normal NPS account. While the details of the scheme are awaited, experts say the product should be structured in such a way that grandparents and other relatives can contribute to the account as gifts on various occasions. This way the corpus will grow and the child will get the benefits of compounding returns. Sushil Jain, CEO, PersonalCFO.in, a wealth management firm, says as the proposed NPS Vatsalya account will be opened for a minor, it will enable to accumulate a huge corpus on retirement. “The corpus and the periodic annuity payout will help a child, especially with special needs, to stay financially independent.”

**Accumulate a corpus**

The contributions made in NPS are invested in market-linked instruments such as equities, corporate bonds and government securities offering higher returns than bank-deposits. At the time of retirement, the subscriber can withdraw 60% of the corpus in the NPS account. Anil Rego, founder, Right Horizons, says NPS-Vatsalya for children will allow the money to grow over a longer period of time. “This extended time period utilises compound interest and increases the final corpus,” he says. Opening an investment account at an early stage can instill financialdiscipline in children. Experts say while the proposed plan will help parents to initiate pension planning for their children, they should channel savings to investment avenues giving higher returns to fund the ever-increasing costs of higher education. Here are some alternative schemes that parents should look consider.

**Long-term equity funds**

Equity mutual funds can offer higher returns compared to other investment options like fixed deposits or public provident fund, especially in the long term. An early investment allows for increased efficiency, which significantly increases the value of the investment over time. “Investors can choose from a variety of equity funds, including large-cap, mid-cap, small-cap and multi-cap, based on their risk tolerance and investment objectives,” says Rego. Systematic Investment Plans (SIP) allow for regular investments that make it easy to build a large corpus over time. Long-term equity funds can be an excellent investment option for children as they offer the potential for high returns and diversification, along with better liquidity. Jain says individuals should look at goal based-investment and go for mutual fund SIPs as per time horizon and asset allocation.

**Sukanya Samriddhi Yojana**

A natural or legal guardian can open a Sukanya Samriddhi account in the name of a girl child up to the age of 10 years. An account can be opened with a minimum of Rs 250 and up to Rs 1.5 lakh per account per financial year. Benefit under Section 80C of the Income Tax Act, 1961 is available to the depositor. Sukanya Samriddhi account matures after 21 years from the opening of the account or on the marriage of the account holder, whichever is earlier. However, when the girl turns 18, she can withdraw up to 50% of the previous financial year’s balance to cover educational expenses. The interest of Sukanya Samriddhi for the quarter of July-September 2024 is 8.2% per annum; the interest is credited at the end of the financial year and is compounded annually.

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

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## ***EPFO introduces new rules to correct, update details in employees' accounts – Businessworld – 2nd August 2024***

The Employees’ Provident Fund Organisation (EPFO) has introduced some new rules to correct, update employees' details in their Employees’ Provident Fund accounts. The employee body has issued new standard operating procedure (SOP) guidelines for correcting personal details. As per an EPFO circular issued on July 31, 2024, “In suppression of earlier SOP, the Competent Authority has approved the SOP version 3.0 for joint declaration for member profile updation. In all cases of joint declaration requests, the Field Offices should do a stronger due diligence so that, cases of impersonation/ identity theft or otherwise do not occur.”

It noted that the purpose of this document is to delineate the procedure of receipt of Joint Declarations for the updation/insertion/correction in UAN profiles by the members and employer and the method of corrections to be followed by the Field Offices. It further noted: "As the automated system is getting mature, the member data has started to throw a number of anomalies in profiles leading to rejections/failures/frauds. As a result, genuine members have to go through a long channel for corrections. The claims settlement also faces certain difficulties across all offices due to various reason related to data mismatch in parameters, namely, (1) Name, (2) Gender, (3) Date of Birth, (4) Father Name, (5) Mother Name, (6) Spouse Name, (7) Marital Status, (8) Date of Joining, (9) Reason of Leaving, (10) Date of Leaving, (11) Nationality, (12) Aadhaar Number."

The circular issued by EPFO has categorised profile changes into Major and Minor categories. According to the circular, all major and minor change correction requests must be supported by documentary proof. For minor changes, a minimum of two required documents must be submitted along with the joint declaration requests. On the other hand, for major changes, a minimum of three required documents have to be provided. It is important to note that in the case of changes related to Aadhaar, either an Aadhaar card or an E-Aadhaar card linked with an active mobile number would suffice as a supporting document.

All minor and major corrections requests will have to be supported by documentary proof as prescribed in Annexure-I.

a) For Minor Changes, at least two documents are required from the list of documents attached in Annexure-I with relevant parameters of the change.
b) For Major Changes, at least three documents are required to be provided by the applicant from the list of documents attached in Annexure-I with respect to the relevant parameters in those changes, except in the case of the parameter “Aadhaar”, where Aadhaar Card/EAadhaar Card linked with active mobile phone, as indicated in Table-I of Annexure-I would be the only sufficient document.

**PARAMETERS WHICH ARE CORRECTED/UPDATED**

| Sr. No. | Parameter |
|---|---|
| 1 | Member Name |
| 2 | Gender |
| 3 | Date of Birth |
| 4 | Father Name *[edited in SOP version 3.0]* |
| 5 | Mother Name *[edited in SOP version 3.0]* |
| 6 | Spouse Name *[edited in SOP version 3.0]* |
| 7 | Marital Status |
| 8 | Date of Joining |
| 9 | Reason of Leaving |
| 10 | Date of Leaving |
| 11 | Nationality |
| 12 | Aadhaar Number |

**How to submit a joint declaration request**

The Employees' Provident Fund (EPF) members have the option to submit a joint declaration request for corrections through the Member e-Sewa portal. It is important to note that corrections can only be made to data related to EPF accounts managed by the current employer. Employers do not have the authority to make any changes to EPF accounts from previous or other establishments. Additionally, there are restrictions on the frequency of changes that can be made to personal details in the system.

The EPFO noted that member will be responsible for submitting the JD application from his unified portal login. All the requests will be time-stamped, and IP will be recorded. All uploaded documents will be stored on the server for future reference. Once the request is submitted then, it will reflect in the employer login. An email to this effect will also be automatically sent to the employers’ registered e-mail.

Member can only get the data corrected for those member accounts which are generated by his present employer. Modification rights for member accounts belonging to other/previous establishments. Employers will get the member modification request online from the member portal and also be informed through e-mail. Employer will check the veracity of the documents uploaded by the member and then upload the required documents related to the said

***(The writer is Basudha Das.)***

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## IRDAI CIRCULAR

| **Circular** | **Reference** |
|---|---|
| Submission of data by life Insurers to Insurance Information Bureau of India (IIBI) | https://irdai.gov.in/web/guest/document-detail?documentId=5376354 |

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## GLOBAL NEWS

### *Cambodia: Insurance market tipped to see good growth – Asia Insurance Review*

The insurance industry in Cambodia is expected to see good growth in future years, according to the director-general of the Insurance Regulator of Cambodia (IRC), Mr Bou Chanphirou.

In an exclusive conversation with Khmer Times, he said that the insurance industry grew by 25% over the last 10 years. In the last five years, as the insurance market expanded and became more mature, the growth rate was around 7%. He described 2023 as a tough year, during which the insurance market grew by 3.1% year on year to $342m.

“But we are already seeing signs of recovery in 2024 and we hope to grow faster,” Mr Chanphirou said.

**Compulsory motor insurance**
He also said that the IRC plans to implement mandatory motor third-party liability insurance in 2025. He said, “The groundwork for making motor third-party insurance mandatory was laid as early as 2014. We’ve regulations in place for it. Now, implementation is the next step. He added that in the intervening period, the IRC is holding educational events to increase public awareness of the need for motor insurance.

**Reinsurance**
Mr Chanphirou said that it is no longer compulsory for insurers in the country to place risk with Cambodia Re. Previously, in the early stages of the insurance industry in Cambodia, it was mandatory for insurers to first offer to cede 20% of their risks with the reinsurer.
“Now, obviously we would like for the country’s capacity to grow and more risk to be placed within. But, we’re also aware of the realities of the insurance market. So, it’s no longer compulsory for our insurers to place risk with Cambodia Re.”
He pointed out that the shareholding structure of Cambodia Re has changed over the years. The national reinsurer was established in 2002 as a wholly state-owned enterprise and became a joint venture in 2004 between the government of Cambodia and a consortium of regional insurers. In 2019, a few local strategic shareholders were taken in, enlarging Cambodia Re’s shareholder base, both financially and strategically.

***TOP***

### *Singapore: General insurance association streamlines motor reporting process - Asia Insurance Review*

The General Insurance Association (GIA) of Singapore has launched its Myinfo Reporting service.

This service will be integrated into the accident reporting process, allowing all Singpass account holders to initiate and pre-fill motor accident reports online before heading to an Accident Reporting Centre (ARC). Singpass is a digital identity that allows a Singapore resident to access government and business services online.

With the integration, vehicle owners and drivers can securely and easily authenticate their identity to submit accident scene photos and videos online, eliminating the need for manual form-filling and minimising waiting time. "The Myinfo Reporting service offers quicker identity authentication and reduces the risk of inaccurate information provided by motorists. This helps to streamline the accident reporting process," said Mr Ho Kai Weng, GIA chief executive.

The launch of Myinfo Reporting is part of GIA's ongoing efforts to integrate technology into processes to further enhance motorists' experience. The association also launched the Vehicle Accident Report History (VARH) service in February, which allows prospective buyers of second-hand vehicles to understand the accident history of the vehicle prior to purchase by buying a report that shows the dates of accident reports made by owners or drivers of their vehicles for the past six years.

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## ***New Zealand: One third of homeowners confidently understand their natural hazard insurance - Asia Insurance Review***

New research from the Natural Hazards Commission (NHC) reveals many New Zealand homeowners don't fully understand what their natural hazards insurance would cover after an event.

A NielsenIQ report has found that only a third (33%) of insured homeowners are confident they know what damage to their home would or would not be covered by insurance after a natural hazard event. Even fewer (26%) were confident they understood what would be covered for damage to their land.

"We know people don't always have information on what they are covered for front of mind. Life is busy and we often juggle information overload, but it can cause confusion and frustration after a disaster if homeowners don't know what they are protected for, especially if people find they don't have the cover they thought they did," said Ms Tina Mitchell, NHC's chief executive.

The Commission provides a first layer of insurance for natural hazards damage to insured residential homes and some land. Everyone with a home insurance policy pays a levy into a fund that contributes to repairs if the insured property is damaged by a natural hazard.

The scheme covers damage up to NZ$300,000 ($180,000) for a home and holiday home, and some limited cover for land when the damage is caused by certain natural hazards.

Additional cover for the house is then determined by the insured's private insurance policy, but there is no other cover available for the land.

"New Zealand is one of the only countries in the world where homeowners can get financial support for damage to land, through the natural hazards insurance scheme. We're really lucky to have it, but it has limits and is usually only a contribution to repairs," said Ms Mitchell.

This is to ensure that every homeowner across the country gets access to some protection, even though it is only likely to be a contribution to the actual costs of repair.

Ms Mitchell said, "It is important to know what you are covered for, and where those limits are, so you can take practical steps to strengthen your property before disasters occur. For example, strengthening retaining walls and considering how waterways might impact your property are good things to check regularly. The scheme is there to help with a financial contribution, but the statutory limits mean it may not cover all of the damage."

***TOP***

## *Malaysia: Insurance industry well-capitalised to absorb margin pressure - Asia Insurance Review*

The Malaysian insurance and takaful sector has a stable outlook, which is supported by steady growth in insurance demand, with capitalisation robust and claims under control, says RAM Ratings. New business (NB) in the life and family takaful industry grew 4.2% in 2023, driven by the recovery in demand for investment-linked products as financial markets rebounded. The non-life sector charted a 9.4% growth, driven by sales tax exemption for cars which lifted motor premiums (its largest segment). However, earnings of both sectors before factoring in investment income were at multi-year lows, strained by higher claims and operating costs.

In RAM's latest commentary, "Insurance and Takaful Insight", Sophia Lee, RAM's co-head of Financial Institution Ratings, said, "We foresee slower growth in both the life/family takaful and non-life sectors in 2024, due to inflationary pressures. The sector is however well-capitalised to absorb some margin compression and potential shocks".

Key highlights of the commentary:
Slower y-o-y NB expansion of 3.5%-4.0% in 2024 in the life and family sector (2023: +4.2%) as consumers face rising costs and brace for the eventual reduction of RON95 petrol subsidies. Policy surrenders and forfeitures have already crept up.

Surging medical claims have crimped earnings of life insurers and family takaful operators, triggering repricing exercises that could impact affordability. To encourage more responsible healthcare usage, BNM now requires all insurers and takaful operators to include cost-sharing provisions in new individual medical and health products. This could partially stem medical inflation though we view this to happen over the longer term. General insurance and takaful sector premiums will grow by a slower 5% this year (2023: +9.4%) as car sales are expected to ease. Margins are at their thinnest in a decade and will remain compressed amid intense competition.

Capitalisation will stay strong as sufficient buffers are in place to withstand potential shocks. Industry capital adequacy ratios as at end-December 2023 were over 200% (required minimum: 130%).

Digitalisation efforts by existing industry players and upcoming digital insurers and takaful operators (DITOs) will help enhance customer experience and move insurance penetration closer to the central bank's target of 4.8-5.0% of GDP.

**Digitalisation**
"Bank Negara Malaysia's (BNM) recently launched licensing and regulatory framework for DITOs will promote greater innovation within the industry and help narrow the protection gap, especially among the underserved segments," Ms Lee said.

Encouraged to adopt new and emerging technology-based solutions, licensees will have to advance three core areas – inclusion, competition, and efficiency. The application period for licences will run from January 2025 to December 2026 and unlike the case with digital banks, no limit was set on the number of DITO licences to be awarded. The entry of DITOs in the medium term would also intensify competition though they will complement existing players in targeting the underinsured and uninsured.

Financial market volatility will continue to be a key factor influencing returns of insurance and takaful operators, particularly those in the life/family takaful sector given substantial investment assets held. Better investment returns lifted sector earnings in 2023 following outsized losses seen the previous year.

RAM expects family takaful to continue to make up between 40% and 50% of NB premiums especially as the Islamic banking sector continues to outpace its conventional counterpart in line with the Islamic first strategy adopted by various banks. Notwithstanding weaker NB generation in 2023, family takaful accounted for 42% of total NB premiums/contributions, exceeding the approximate 30% registered a decade ago.

***TOP***

## *Singapore: Govt says a competitive insurance market is most effective way to meet insurance needs - Asia Insurance Review*

The Monetary Authority of Singapore (MAS) encourages all insurers, both local and foreign, to continually innovate, adopt best practices and ensure robust risk management. This will foster a competitive insurance market that offers choice, value and stability to protect the interests of policyholders.

Mr Chee Hong Tat, Minister for Transport and Second Minister for Finance, and MAS board member, said this yesterday in Parliament on behalf of Mr Gan Kim Yong, Deputy Prime Minister and Minister for Trade and Industry, and chairman of MAS. He was replying to questions from lawmakers about the proposed deal between Income Insurance and Allianz Europe, and gave MAS's views on the deal which has attracted vocal opposition over the possible weakening of Income's social mission. Allianz announced on 17 July that it was planning to acquire a stake of at least 51% in Income Insurance for about S$2.2bn ($1.6bn). NTUC Enterprise now holds a 72.8% stake in Income. NTUC Enterprise acts as the holding entity of a portfolio of businesses on behalf of the National Trade Union Congress (NTUC), NTUC Foundation, SLF (Singapore Labour Foundation), and affiliated unions.

MAS's assessment

**Market share**
Mr Chee pointed out that Allianz Insurance Singapore is ranked 14th in general insurance in the city state with a market share of 2% based on written premiums. He said, "There is no significant overlap between Income and Allianz's overall insurance business in Singapore, and hence there is no concern about adverse impact of the proposed deal on competition in the sector. "The insurance market in Singapore is highly competitive. There are currently more than 50 direct insurers in Singapore offering a wide range of insurance products to meet the insurance needs of individuals and businesses. "In both life and general insurance, Income has market shares of less than 10% based on written premium. For many insurance products, Income does not always offer the lowest prices compared to other insurers. "Take life insurance as an example. A check on CompareFirst, an online portal that allows consumers to compare life insurance products from various insurers, shows that the most competitive rates for Direct Purchase Insurance Term and Whole Life products include a mix of local and foreign insurers.

Mr Chee said, "We believe that a competitive market is the most effective way to meet the insurance needs of Singaporeans, and facilitate access to affordable insurance options and good service over the longer term." He added, "Should the proposed deal be approved, there will be no change to the terms and conditions of existing insurance contracts. MAS expects Income to fulfil its obligations to all policyholders under the terms of its existing insurance contracts. I note that Allianz has also publicly stated its intent for Income to continue to honour the terms of the existing policies underwritten by Income and ensure a seamless transition with no impact on existing policyholders. MAS will hold Income and Allianz to account for these commitments."

**Appointment of financial advisor**
Mr Chee said that MAS had reviewed and was satisfied with the relevant processes Income's board had put in place to address conflicts of interest with respect to the appointment of its financial advisor on this proposed deal, and the decision to enter into the deal with Allianz. In the appointment of the financial advisor for the deal, the chairman of Income's board, Mr Ronald Ong, had recused himself. The decision to enter into the deal was made by the board, comprising a majority of independent directors. Morgan Stanley was appointed by Income as its financial adviser for the deal with Allianz. Mr Ong was appointed

as Income's chairman in December 2018 and had been working at Morgan Stanley for 20 years at the time. In February 2023, he was appointed chairman of the bank's Southeast Asia business.

**Social enterprises must be sustainable financially**

Mr Alvin Tan, Minister of State for Culture, Community and Youth, also replied to lawmakers' questions at the sitting. He pointed out NTUC has a track record of caring for workers and fulfilling its social mission "time and time and time and time again". But he added that social enterprises must be sustainable financially. "If a social enterprise cannot sustain itself financially and government subsidy is needed to prop up the entity, then we will have to consider whether such a service ought to be provided by the government."

NTUC Enterprise previously said a social enterprise model alone cannot shoulder growth in Singapore's insurance environment, and that Income lost out on several key contracts to global and regional competitors.

***TOP***

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## *Indonesia: Non-life insurance sector drives industry growth in 1H2024 - Asia Insurance Review*

The insurance industry chalked up a premium income of IDR165.18tn ($10.2bn) in the first half of this year, 8.46% higher compared to the corresponding half in 2023, according to the Financial Services Authority (OJK).

Life insurance premiums grew by 2.29% year on year to IDR87.99tn while general insurance and reinsurance premiums rose by 16.46% to IDR77.20tn in 1H2024.

OJK insurance, guarantee and pension fund supervision unit chief executive Ogi Prastomiyono said, "This performance is supported by solid capitalisation. The life insurance and general insurance sectors achieved risk-based capital (RBC) of 431.43% and 320.70%, respectively, far above the threshold of 120%." He also said that the total assets of the insurance industry reached IDR 1,126.26tn as of 30 June 2024, an increase of 1.14% compared to 12 months previously.

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## *Philippines: Regulator reviews rules for selling insurance to overseas workers - Asia Insurance Review*

The Insurance Commission (IC) is planning to issue rules governing the mandatory insurance for overseas Filipino workers (OFWs). The regulator is considering launching pilot schemes in certain regions for this, insurance commissioner Reynaldo A Regalado told the local media. The regions are Asia, the Middle East and North America.

"We're preparing the proper circular, but we're coordinating with the department of migrant workers (DMW) on the manner in which we'll be executing this (to ensure they do not violate) not only of our law, but also the laws and rules of the host country," Mr Regalado said. The IC will have to coordinate too with the department of foreign affairs. He said that the rules have to take account of a law allowing insurance companies to sell policies only to Filipinos in the Philippines. "We cannot remove that. We have to see how best we can have that implemented. There must be some way, even prior to entering a foreign country," Mr Regalado said. DMW statistics indicate that there were about 2.33m OFWs as of 2023.

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## *Pakistan: Regulator issues simplified illustration format for life insurance & family takaful products - Asia Insurance Review*

The Securities and Exchange Commission of Pakistan (SECP) has issued a revised illustration format to improve the readability, standardise insurers' illustrative values, and safeguard prospective policyholders from any deception. The SECP order applies to life insurance and family takaful products with savings components.

The revised requirements aim to enhance transparency in product illustrations through improved disclosures and make them simple for potential policyholders by explicit disclosure of allocation charges, clearly mentioning key disclosures with simplified format and enhanced font size.

Moreover, insurance companies have requested to reduce illustration scenarios from three to two and remove inflation-adjusted values, displaying only actual amounts allocated to policyholder accounts.

The illustration directive has been notified by the commission after extensive consultation with life insurance and family takaful companies, the Insurance Association of Pakistan and the Pakistan Society of Actuaries.

***TOP***

## COI TRAINING PROGRAMS

### Mumbai – August – September 2024

| Sr No. | Program Name | Program Start Date | Program End Date | Details | Registration Link |
|---|---|---|---|---|---|
| 1 | Forensic Science in Insurance Investigations | 27-Aug-24 | 27-Aug-24 | ClickHere | Register |
| 2 | Creating High performers in BancaChannel | 03-Sep-24 | 03-Sep-24 | ClickHere | Register |
| 3 | Management of Fire and Property Insurance (Material Damage and LOP) | 09-Sep-24 | 10-Sep-24 | ClickHere | Register |
| 4 | Strategic Selling in Life Insurance | 11-Sep-24 | 11-Sep-24 | ClickHere | Register |
| 5 | Mega Risk Insurance | 11-Sep-24 | 12-Sep-24 | ClickHere | Register |
| 6 | Suitability Assesment and Product Recommendation | 12-Sep-24 | 13-Sep-24 | ClickHere | Register |
| 7 | Liability Insurance Focus - Financial Lines | 17-Sep-24 | 18-Sep-24 | ClickHere | Register |
| 8 | Comprehensive Financial Planning –Focus Insurance Planning | 17-Sep-24 | 18-Sep-24 | ClickHere | Register |
| 9 | Emerging Issues of Regulatory Compliance in Life Insurance | 18-Sep-24 | 18-Sep-24 | ClickHere | Register |
| 10 | Enterprise Risk Management (ERM) | 18-Sep-24 | 19-Sep-24 | ClickHere | Register |
| 11 | Health Insurance Underwriting | 19-Sep-24 | 19-Sep-24 | ClickHere | Register |
| 12 | Challenges in Fighting Fraud - Motor OD Insurance | 19-Sep-24 | 20-Sep-24 | ClickHere | Register |
| 13 | Appreciation of Project Insurance – Customer Perspective | 23-Sep-24 | 23-Sep-24 | ClickHere | Register |

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|---|---|---|---|---|---|
| 14 | Social Media Marketing-Tools and Techniques for Insurers | 26-Sep-24 | 26-Sep-24 | ClickHere | Register |

## Kolkata – September 2024

| Sr. No | Program Name | Program Start Date | Program End Date | Details | Registration Link |
|---|---|---|---|---|---|
| 1 | Handling Customers Grievances, Cases before Ombudsman, Consumer Cases, Mediation and Arbitration | 04-Sep-24 | 04-Sep-24 | ClickHere | Register |
| 2 | Workshop on Communication Skills for frontline Marketeers | 10-Sep-24 | 10-Sep-24 | ClickHere | Register |
| 3 | Financial Planning for Golden Years (Retirement) | 23-Sep-24 | 23-Sep-24 | ClickHere | Register |
| 4 | Managing Marine Hull, Oil & Energy Insurance-Underwriting & Claims | 25-Sep-24 | 26-Sep-24 | ClickHere | Register |

# COI COURSES

### Post Graduate Diploma in Health Insurance (PGDHI)

| Particulars | Details |
|---|---|
| **Duration of the course** | one year (2 semesters) |
| **Mode of Teaching** | Weekend Class Room sessions (Saturdays and Sundays (full day)) and Research Project |
| **Eligibility** | Graduates in any faculty are eligible. Students appearing in their final year degree examination are also allowed to apply*. Fresher's, working professionals (including medical doctors) in the health insurance sector can join this course to upgrade their professional qualifications, knowledge and for career advancement [*subject to their passing the examination]. |
| **Fees for the course** | Rs.45,375/- |
| **Cash Award Prize Scheme** | Rs.15,000/- for the best performing candidate of III-PGDHI |
| **Contact Email id** | pgdhi@iii.org.in |

### Post Graduate Diploma in Insurance Marketing (PGDIM)

| Particulars | Details |
|---|---|
| **Duration of the course** | one year (2 semesters) |
| **Mode of Teaching** | Weekend Class Room sessions (Saturdays and Sundays (full day)) and Research Project |
| **Eligibility** | Graduates in any discipline are eligible. Students appearing in their final year degree examination are also allowed to apply*. Fresher, working professionals in life/general insurance sector can join this course to upgrade their professional qualifications, knowledge and for career advancement [* subject to |

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|---|---|
| | their passing the examination]. |
| **Fees for the course** | Rs.45,375/- |
| **Cash Award Prize Scheme** | Rs.15,000/- for the best performing candidate of III-PGDIM |
| **Contact Email id** | pgdim@iii.org.in |