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INSUNEWS - WEEKLY E-NEWSLETTER

10TH – 16TH AUGUST 2024

Insurance Term for the Week

Refill Sum Insured

Refill Sum Insured is a type of insurance benefit that is offered by health insurance policies. Under this benefit, the insurance company restores the sum insured or coverage amount of the policy after it has been exhausted in a policy year.

For example, if a person has a health insurance policy with a sum insured of ₹5 lakhs and makes a claim of ₹4 lakhs in a policy year, the sum insured will be exhausted, and the policyholder will be eligible for a coverage amount of ₹5 lakhs again.

The Refill Sum Insured benefit is particularly useful in case of multiple hospitalizations or critical illnesses within the same policy year, where the sum insured may get exhausted quickly. By restoring the sum insured, this benefit ensures that the policyholder has adequate coverage for the entire policy year.

It's essential to note that the Refill Sum Insured benefit is offered by some health insurance policies as an add-on or rider, and it may come with certain terms and conditions. It's important to read the policy document carefully to understand the extent of coverage and limitations of this benefit.

QUOTE OF THE WEEK

"Prepare for the unknown by studying how others in the past have coped with the unforeseeable and the unpredictable."

GEORGE S. PATTON

INSIDE THE ISSUE

INSURANCE INDUSTRY

New Accounting Standards for Insurance Notified, Raise Investment Chances - The Economic Times – 14th August 2024

The Ministry of Corporate Affairs (MCA) on Wednesday notified new accounting norms for "insurance contracts", aligning the Indian standards with the global ones and paving the way for a major revamp in the country's accounting practices adopted in the insurance industry. The new standards would help global investor's better gauge the risk exposure of domestic insurers, a senior official said. The Accounting Standard (Ind AS 117) would be applicable from April 1, 2024, the ministry said in a notification.

The new framework would require domestic insurers to further bolster their disclosure needs, leading to greater transparency and informed decision-making. These standards, modelled on the IFRS 17 issued by the International Accounting Standard Board (IASB) that is adopted in about 140 countries, will help draw foreign direct investment (FDI) into the insurance sector and also deepen insurance penetration in the country. This is because international investors would be able to better compare the financials of domestic insurers with those of their global peers, officials had said earlier.

The latest notification follows the recommendations of the National Financial Reporting Authority (NFRA), which had held extensive deliberations with the Institute of Chartered Accountants of India and others. The insurance regulator could now announce the date of adoption of the new standards by relevant entities, said the official. The government had in 2021 raised the FDI limit in insurance to 74 percent from 49 percent and allowed foreign ownership and control of these firms with certain safeguards.

TOP

GST on insurance premium: Council likely to meet on Sept 8 and 9 - The Hindu Business Line – 12th August 2024

Days after Finance Minister Nirmala Sitharaman said that the debate around GST on insurance premium will be taken up by the GST Council, the designated body is expected to meet on September 8 and 9 to discuss the issue. Other matters that the Council will be taking stock of include progress on rate rationalisation. The meeting will be held after the Fitment Committee and the Law Committee (sub-committees of the Council comprising officers from Centre and States) have met. Based on representations from various quarters, these committees will ready the groundwork for various proposals, which will then be presented before the Council. The body, chaired by the Finance Minister and comprising Ministers from States, will give its recommendations to be implemented by the Centre, States and Union territories.

Even though the agenda of the meeting is yet to be finalised, some issues are certainly to be taken up. One such item is GST on insurance premium, which has become a political issue. The matter was raised by the Opposition during debates on the Budget. Responding to the same, Sitharaman had said that even before GST was rolled out, States had levied tax on insurance premiums. "Out of the 18 percent GST on medical insurance, nearly half goes directly to the States. Of the remaining half, 41 percent moves into the devolution pool, which also goes to States. This means more than ₹74 out of every ₹ 100 collected goes to the States," she said, dismissing allegations that money collected through GST is "pocketed" by the Centre. Further, the Finance Minister said Parliament is not the right forum to decide on GST, but the GST

Council. The issue of GST on insurance, Sitharaman added, has been discussed thrice by the GST Council, yet this debate keeps resurfacing.

Rate rationalization

Another key agenda that could be discussed has to do with rate rationalisation. At the end of the last Council meeting in June, Sitharaman had said that the Group of Ministers (GoM) will present a status report on rate rationalisation discussed till date. Accordingly, the Council will take it forward. However, the process to finalise the rate rejig will take time, she indicated. Bihar's Deputy Chief Minister, Samrat Chaudhary is the convenor of GoM, which is responsible for providing recommendations on rate rationalisation. The seven-member panel has been tasked with suggesting rate rationalisation and correcting the inverted duty structure so as to simplify the rate structure, review the GST exemption list and enhance revenues collected from the Goods and Services Tax.

Other issues

The meeting is also expected to discuss the show-cause notice for GST payment of ₹32,000 crore to Infosys and around ₹10,000 crore-worth notices to 10 foreign airlines. Infosys, however, has said that the Directorate General of Goods and Services Tax Intelligence (DGGI) has withdrawn the pre-show cause notice proceedings for FY18, amounting ₹3,898 crore. On July 31, the company received a pre-show cause notice from the Karnataka State GST authorities instructing it to pay Goods and Services Tax (GST) amounting to ₹32,403 crore for the period of July 2017 to March 2022. Following this, Infosys also received a pre-show cause notice from the DGGI. However, the company announced that the Karnataka state authorities had withdrawn the notice a day later and had instructed it to submit additional information to the DGGI.

(The writer is Shishir Sinha.)

TOP

LIFE INSURANCE

Financial freedom on Independence Day: The role of insurance in empowering lives - The Economic Times – 15th August 2024

Achieving financial independence is key to a secure and fulfilling life, and it requires careful planning, smart decisions, and protection from unexpected events. Just like Independence Day represents freedom, having insurance symbolizes taking control of your financial future. Life can be unpredictable, like the weather, but while we can't control the weather, we can carry an umbrella. Think of life insurance as that umbrella, adapting to life's changes. It's a promise to your loved ones, ensuring their financial security and providing peace of mind. Life insurance not only offers financial protection but also empowers you to face the future fearlessly, knowing you have a safety net in place. Over the years, financial reforms, liberalization, and technology have changed the way we manage money. Today, the focus is on empowering individuals, making sure everyone has the tools and knowledge to secure their financial future. Insurance plays a key role in this, providing protection and peace of mind in uncertain times. Financial planning isn't just about building wealth; it's also about managing risk. A good life insurance policy helps protect against unexpected events, like the loss of a family's main income earner. That's why buying life insurance is one of the most important financial decisions in adulthood.

Life Insurance as a Tool for Financial Security

Life Insurance serves as a safety net, shielding individuals and families from unforeseen financial burdens. In today's dynamic financial environment, life insurance remains a robust investment option, offering security and growth potential. Term life insurance provides affordable, temporary coverage, ideal for short-term protection. Whole life insurance, however, offers lifelong coverage and accumulates cash value, serving as both protection and investment. Universal life insurance blends a death benefit with flexible premiums and an investment component, allowing for adjustments based on financial goals. Premiums vary based on age, health, coverage amount, and policy type, so it's important to assess whether the premium fits your budget and offers lasting value.

Long-Term Wealth Accumulation through Insurance

Beyond protection, insurance plays a significant role in wealth accumulation. Life insurance policies such as endowment plans, unit- linked insurance plans (ULIPs), and retirement plans not only provide coverage but also serve as investment avenues. These policies encourage systematic savings and offer returns over time, helping policyholders accumulate wealth. The disciplined approach to savings and investment through insurance products ensures long-term financial growth and stability, essential components of financial freedom. Life insurance also delivers significant benefits, such as a tax-free death benefit for beneficiaries and a cash value component that grows over time, providing access to funds for future needs.

Insurance to protect Child Future

Ensuring your child's future is paramount, and child plans with a premium waiver feature offer vital protection. Different child plans secure your child's financial well-being even in your absence. In the event of a parent's untimely demise, the child receives the life insurance sum assured to cover immediate needs. The plan continues without additional premiums, allowing invested funds to grow, especially in ULIPs, which often yield substantial returns over time. This growth supports major future expenses like higher education. While nothing can replace a parent's care, child plans with a premium waiver provide a lasting legacy of financial security.

Financial independence and retirement:

Retirement planning is an essential aspect of achieving true financial freedom. Financial prudence is crucial during retirement when regular income ceases but expenses persist. Annuity plans are ideal for this stage, as they transform savings into a consistent income stream for life. Unlike other fixed-return instruments, annuities are specifically designed for retirement, offering tailored benefits such as steady payouts, financial discipline, and protection against outliving savings. These plans mitigate risks like economic volatility, critical illnesses, and potential financial abuse. Features like joint life options and return of premium ensure long-term security and peace of mind, making annuities a preferred choice for sustaining a comfortable and stable retirement.

Empowering Economic Independence with Financial Literacy

Financial literacy is key to achieving economic independence, and life insurance companies play a vital role in fostering it. By understanding various life insurance products and their benefits, individuals can make informed decisions. Many insurers offer financial literacy programs, workshops, and awareness campaigns to educate the public about insurance's importance, helping them select the right products and manage finances effectively. In conclusion, achieving financial independence is a journey that requires both strategic planning and protection. Insurance plays a pivotal role in this journey, acting as both a shield against life’s uncertainties and a tool for empowering your financial decisions. Whether it’s a term life policy to protect your family, a child plan to secure your child’s future, or a retirement plan to ensure a comfortable old age, each policy is a step towards a fearless future. By embracing these financial tools, you’re not just securing your own peace of mind but also building a legacy of strength and independence for your loved ones.

(The writer is Lalitha Bhatia.)

TOP

Financial freedom—the power to build your future! - The Economic Times – 15th August 2024

How solid is your financial plan? Are your long-term financial goals protected? Are you adequately insured? Take a minute to consider these questions. You might not have answers to all of them yet, and that's okay. Perhaps you haven't given much thought to these aspects of your financial life.

Let's begin with a simple question: **What is a financial plan?**
In simple terms, it is a process where you assess your current financial situation, identify your long-term goals, and develop a strategy that aligns with both. This strategy involves investing in multiple financial instruments that fit your age, income, current expenses, and liabilities and enable you to achieve those goals.

Why do you need financial planning?
If you are an individual with responsibilities such as supporting your family, planning for your children's future, and securing your own life after retirement, then you need to plan your finances. These are long-term goals that require careful preparation. While savings are crucial, they are not enough on their own. Choosing the appropriate financial savings instrument is necessary, as they can significantly impact your financial future. Your financial plan is a reflection of your preparedness for the future. If you are not visiting it regularly to check its alignment with your goals, start doing it now!

There's no better day than today to start taking charge of your finances!

Financial planning equals peace of mind
As a responsible, committed family person, you owe it to your loved ones to keep them financially safe. An eventuality could land your family in a financial crisis, which would only be worsened by your absence and the absence of regular income. Life insurance is a financial instrument that provides you the dual benefits of long-term savings and protection. Purchasing a term insurance plan with adequate life cover would enable you to leave behind a legacy or a lifeline that would assist your family in difficult times. There could be other challenges, such as a family health emergency leading you to withdraw from your savings. You can protect yourself and your family against health emergencies through critical illness plans. These plans provide financial assistance in case of non-communicable diseases such as cardiac ailments and cancer. Thus, term insurance and critical illness plans protect you against the risks of mortality and morbidity.

Financial planning gives you the freedom to dream and fulfill your dreams and fulfill your dreams
You can use life insurance plans to fulfill goals such as buying a home, sending your children to schools/universities of their choice, etc. Through regular, disciplined, long-term savings, you can build a corpus. That's not all. There are life insurance plans focused on children's future offering a waiver of premium rider where the premiums are waived off in case of death of the policyholder. The policy continues, and the benefits are paid on maturity. Interest rate fluctuation can be managed with guaranteed income plans. These could also serve as a second income or a replacement income in case of a job loss or career break. With increasing lifespan and improvements in healthcare, there is a possibility that you could outlive your savings. Retirement planning and annuity safeguard you against the risk of longevity. Knowing that you are financially secure gives a sense of freedom like nothing else can. Financial freedom enables you to choose your lifestyle.

Take your first step towards financial freedom
The penetration of life insurance in India, measured as a percentage of sum assured to GDP, is only 3.2%, which is low compared to more mature markets. Additionally, the level of life coverage is inadequate.

According to the Swiss Re report, India has a protection gap of 91%, meaning that for every Rs. 100 required, there is life cover available for only Rs. 9. In our everyday lives we are cautious—carrying umbrellas during monsoons, driving carefully, waterproofing homes before the onset of rains, etc. However, when it comes to protecting the most precious asset of all—life—we somehow lack the enthusiasm. We need to ensure that we are financially protected. Purchasing term insurance is your first step towards financial security. Thereafter, you can use various life insurance solutions to meet your life stage needs.

Start creating your roadmap for financial freedom today!

(The writer is Vibha Padalkar.)

TOP

Life insurers pushing sales before start of new regime - The Economic Times (Delhi edition) – 14th August 2024

Life insurers, who are seeking a three-month extension from the insurance regulator to comply with new surrender value norms, are aggressively pushing products to lock in customers ahead of the October 1 deadline for the start of the new regime. The new norms are expected to put pressure on margins and alter commission structures, driving companies like HDFC Life and Max Life to push sales that are growing 40-50 percent in July ahead of the deadline. Insurers say the yields on non-participating products are likely to fall by around 25 basis points under the new rules, which mandate insurers to offer guaranteed surrender value from the first year on nonparticipating products. One basis point is a hundredth of a percentage point. “The surge in sales for some bank-led insurers is due to aggressive marketing of old insurance products that are set to be discontinued in September,” said an insurance executive. “There is an expectation that new products launching in October might be more appealing to customers, even though they might offer lower yields due to potential adjustments in yield rates and commission structures.”

There is some expectation that the yield on new products could decrease by 20-25 basis points, and there might be changes in commission structures, including possibly linking commissions to persistency or spreading payments over time rather than upfront. The regulator has prescribed enhanced Special Surrender Value (SSV) where surrender value will be payable earliest in the first year, even if the policy is surrendered during the first year after paying the first annual premium. Also, the discount rate for discounting the paidup value to calculate SSV can be up to 10-year Gsec yield + 50 bps versus the 10-year Gsec yield. The insurers can continue to sell the existing products up to September 30, 2024, after which they will have to mandatorily sell the products complying with the revised norms. To tide over the change and pay higher surrender, insurers are expected to move to a trailbased commission or claw it back for early surrenders.

(The writer is Shilpy Sinha.)

TOP

Factors to consider when choosing term insurance plan - Business Standard – 12th August 2024

Term insurance offers a much-needed financial support to your family when you are not around to support them. For many Indian families, a term insurance plan serves as a cornerstone of financial planning. However, with numerous options available in the market, choosing the right plan can be a challenging task. Let us have a look at points to keep in mind when choosing a term plan.

Understanding term insurance
Term insurance is a pure life insurance product that provides financial protection to your family in case of your untimely death. Unlike traditional life insurance policies, term plans offer higher coverage at lower premiums, making them an attractive option for many Indians. “Make sure to consider financial factors such as your current income, your family’s annual expenses, outstanding debts, and future

obligations. Subsequently, opt for a policy with a cover amount that's at least 15-20 times your current income," said Shilpa Arora, Co-Founder and Chief Operating Officer at Insurance Samadhan

Factors to consider when choosing a term insurance plan

Coverage amount
Determining the right coverage amount is crucial. The sum assured should be sufficient to meet your family's financial needs in your absence.

Policy term
The policy term refers to the duration for which the insurance coverage is active. It is essential to align this term with your dependents' financial dependence on you. For instance, if you have young children, you may want to choose a longer policy term that lasts until they are financially independent.

Premium amount
Affordability is a critical factor when selecting a term insurance plan. The premium should be manageable within your budget while still providing adequate coverage. Premiums are influenced by various factors, including your age, health, lifestyle, and the coverage amount.

Claim settlement ratio
The claim settlement ratio is an important metric that indicates the percentage of claims an insurer has successfully settled.

Riders and add-ons
Many insurers offer additional riders or add-ons that can enhance your term insurance coverage. Common options include critical illness coverage, accidental death benefits, and waiver of premium in case of disability.

Understanding policy terms and conditions
Before finalising your purchase, thoroughly read the policy document. Understanding the terms, conditions, and exclusions is vital to avoid any surprises later.

"Many plans offer rider benefits such as critical illness, accidental death, disability, and premium waiver options. These add-ons can help customise the coverage at a nominal cost. However, before finalising the plan, use a premium calculator to check whether you can afford the increased premiums. When evaluating a term plan, read the policy exclusions and check the insurer's claim settlement ratio. Ideally, a claim settlement above 90 per cent and a stable track record reflect reliability. Lastly, opt for a product that allows you to increase the sum assured or switch to another plan based on your evolving needs. Hence, this approach can help you pick a suitable term plan for your family," Shilpa Arora said.

(The writer is Ayush Mishra.)

TOP

Life Insurance Premiums Rise 14 percent in July - Business Standard – 12th August 2024

The new business premium of life insurers increased 14.19 percent year-on-year (Y-o-Y) at Rs 31,823 crore in July, primarily driven by strong growth in state-run Life Insurance Corporation of India's (LIC's) business. According to the latest data from Life Insurance Council, LIC's premium rose 20 percent Y-o-Y to Rs 18,431 crore, while private insurers posted a 7 percent rise in their premiums at Rs 13,392 crore. Analysts said high base effects limited the growth of private life insurers. LIC's premium growth in July was driven by a 22.74 percent Y-o-Y increase in its group business that reached Rs 12,838 crore. LIC's premium growth in July was driven by a 22.74 percent Y-o-Y increase in its group business that reached Rs 12,838 crore.

LEADING THE CHARGE New business premium (in ₹ cr)

	July '24	Y-o-Y chg (%)	April-July '24	Y-o-Y chg (%)
LIC	18,430.6	19.8	75,871.5	26.0
Private insurers	13,392.1	7.3	45,677.9	12.4
Total	31,822.7	14.2	1,21,549.39	20.5

Source: Life Insurance Council

Among private sector life insurers, SBI Life Insurance, the largest in the segment, reported a 26.3 percent decline in first-year premiums at Rs 2,996 crore, while HDFC Life clocked 33.7 percent growth at Rs 2,699 crore. Other major players, including ICICI Prudential Life, Bajaj Allianz Life Insurance, and Max Life Insurance, reported premium growth of 7.36 percent, 60.5 percent, and 27.8 percent, respectively. During the April-July period, the new business premiums (NBP) increased 20.5 percent to Rs 1.21 trillion. LIC's premium jumped nearly 26 percent to Rs 75,871 crore, while private insurers recorded a 12.3 percent increase at Rs 45,678 crore. Life insurers posted 8.9 per cent growth in the number of policies sold during the April-July period compared to last year.

(The writer is Aathira Varier.)

TOP

Is Life Insurance the Answer to Financial Security for Modern Indians? – The Economic Times – 12th August 2024

Financial planning is essential for navigating life's unexpected turns. The youngsters today are clued in to this aspect and often tend to invest in equities, mutual funds and so on to plan their finances. However, life insurance can also help in that context. To make it simpler, let's talk about a marketing executive Anita who discovered this firsthand when her marriage ended. Fortunately, her wise decision to purchase life insurance early in her career provided a crucial safety net. Despite the emotional turmoil she faced, her financial preparedness proved invaluable. The maturity benefit helped her restart her life after separation from her husband. It provided stability during a turbulent period and empowered her to rebuild her life. Anita is not an exception. Life insurance helps millions navigate challenges and move on, especially during critical milestones such as education, marriage, unforeseen mishaps and even retirement planning.

In India, as incomes grow, financial planning is becoming more structured and focused on achieving individual financial goals within means. Recent research reports state youngsters are more serious about financial planning than their previous generations. A solid life insurance plan holds a special place in financial planning. In India, despite the uptick in interest in financial planning, insurance penetration remains relatively low, at 4 percent, though it has seen considerable growth in the past few years. In collections, new business premiums stood at Rs 3,77,960 crore, up 2 percent from last year. A Swiss RE report is optimistic about the growth of India's insurance sector, pointing to a rising middle class, increasing adaptability to tech solutions, and higher disposable incomes as key drivers of growth in the sector.

Going beyond the fine print

Life insurance is a solid financial tool which provides life cover and wealth creation benefits to fulfill key needs, be it a child's higher education or one's own retirement and offers tax benefits. Some real-life scenarios can show how life insurance can emerge as a lifeline in times of need and what plans could work best in this endeavor.

Retirement planning

Retirement usually conjures images of languid days spent doing what one enjoys and relaxing. In reality, planning for retirement drives many of our financial choices in professional life. Many also consider retiring early to spend the remainder of their active years doing what they love. It makes retirement planning a key component of financial planning and an area where solid life cover can help. Some plans allow policyholders to receive a portion of the maturity benefit through regular income payments in retirement. A rough calculation states that to cover annual expenses of Rs 10 lakhs after retirement, if you have 20 years until retirement and expect a 6% annual inflation rate, one should aim to save Rs 2.5 crore, which could be helpful for leading a fairly comfortable retired life.

To make things simpler, let's talk about IT professional Sudhir. He is 40 and picks up a life insurance policy focused on retirement. By paying a premium of about Rs 3 lakh annually for 12 years, the policy nets him a maturity benefit of nearly Rs 1 crore, which ensures he has a decent corpus and can maintain living standards without worrying about the uncertainty retirement brings. Like the earlier case, intelligent choices can help one in the long term.

Enter guaranteed savings plan

We have discussed how life insurance plans are available in many shapes and sizes and can be chosen according to the financial needs of the insured. That said, a guaranteed savings plan usually works best to fulfill policy holder's concerns in various milestones such as child's education, marriage, building a corpus and so on. It combines the upsides of solid life insurance cover with a dependable income stream and offers the allure of assured returns.

Guaranteed Savings Plans (GSP) offers fixed, predictable returns on investment, with payouts that can be customized to aid policyholders in planning their financial future. GSP policyholders are shielded from market volatility and sudden economic downturns and work as a prudent financial choice for risk-averse individuals. The returns are tax-free and more flexible for large-scale investments. In Anita's case, a GSP offers some financial cushion and helps tide over the immediate ramifications of a separation. For Sudhir, a GSP can help him net assured returns and plan a long-term financial roadmap without worrying about short-term market downturns.

Life insurance can go above its usual remit and secure the financial future of loved ones in multiple ways by emerging as a valuable asset in the policyholder's lifetime. Its value is in its ability to provide financial security and peace of mind, ensuring the policyholder, much like Sudhir and Anita help navigate life's challenges confidently and resiliently.

For life insurance policies (except unit linked policies) issued on or after 1 April 2023, the tax exemption on maturity benefits under Section 10(10D) will only be applicable if the aggregate annual premium paid by an individual is up to Rs.5 lakh. For premiums beyond this limit, the proceeds will be added to the income and taxed at applicable rates. However, this will not affect the exemption on the amount received on death of the insured.

(The writer is Karthik Chakrapani.)

TOP

GENERAL INSURANCE

Parametric Insurance: Can it provide the financial safety net India needs against climate risks? - Live Mint – 13th August 2024

Between 2000 and 2019, India experienced the third-highest number of natural disaster events globally. The future looks grim as the frequency and intensity of these disasters are projected to increase, causing losses and damages running into billions of U.S. dollars. Traditional government funds may not be enough to cover these costs, highlighting the need for innovative financial solutions.

One such novel tool India is cautiously experimenting with is parametric insurance. Unlike conventional insurance schemes, which rely on indemnity and post-disaster loss evaluations, parametric insurance operates on predefined parameters that, when met, trigger immediate payouts. This approach is particularly crucial in a country like India, which experiences natural disasters quite frequently.

According to a report by the Centre for Science and Environment, India encountered weather-related disasters almost daily in the first nine months of 2022 alone. Between 2019 and 2023, these disasters led to damages worth $56 billion.

The mechanics of parametric insurance

Parametric insurance differs fundamentally from traditional insurance. It utilizes predetermined metrics, such as rainfall levels or wind speeds, to trigger payouts. This system eliminates the need for individual loss assessments, allowing for quicker disbursement of funds.

For example, a parametric insurance policy for floods caused by heavy monsoon rainfall might be structured around cumulative rainfall data. If the total accumulated rainfall in a region exceeds a specific threshold within a set timeframe, the insured parties receive compensation.

Consider a scenario in a location where workers are insured under a parametric policy. If total accumulated rainfall for a specified duration exceeds a certain threshold, the workers are eligible for financial assistance. The compensation increases with the level of rainfall upto a defined limit. This structure ensures that workers receive timely financial support without the need for damage assessment.

The importance of parametric insurance

India's disaster management funds typically come from the National or State Disaster Response Fund (SDRF) and international aid. The National Disaster Management Authority (NDMA) contributes between 75% to 90% of the funds from the central government, with the rest supplied by state governments. However, these funds are not always immediately available. International aid, while beneficial, is unpredictable and complicates comprehensive risk management.

Parametric insurance, by contrast, provides a reliable and prompt financial response to disasters. It allows governments to assess potential damages in advance and ensures financial liquidity, facilitating faster rehabilitation and restoration efforts. This is particularly vital in a country like India, where the economic impact of natural disasters is significant and immediate support can make a substantial difference.

Preventive care data-driven decision making

The success of parametric insurance hinges on accurate data and sophisticated calculations. Insurers must estimate the magnitude and frequency of hazards over time and relate these to potential damages. This data-driven approach helps determine the thresholds for payouts and the cost of insurance premiums. Reliable and precise data from sources like the Indian Meteorological Department (IMD) is critical for setting these parameters.

At the end of the coverage period, for instance, daily rainfall data from the IMD would be analyzed to calculate cumulative rainfall. If the predetermined thresholds are met, the corresponding compensation is disbursed as per the policy terms. This method ensures transparency and efficiency in the payout process, reducing delays and administrative burdens.

The future of parametric insurance in India

As India continues to face the increasing threat of natural disasters, parametric insurance offers a promising solution to bridge the finance gap in disaster management. It complements existing funding mechanisms by providing a rapid and reliable source of financial support. Moreover, it promotes a proactive approach to risk management, encouraging governments and businesses to plan for potential disasters rather than react to them.

The success of parametric insurance in India will depend on several factors, including the availability of accurate data, the willingness of stakeholders to adopt this new model, and the development of affordable and accessible insurance products. As awareness of the benefits of parametric insurance grows, it is likely to become an integral part of India's disaster resilience strategy.

Parametric insurance represents a significant step forward in disaster risk management for India. By providing immediate financial relief based on predefined parameters, it ensures that support reaches those in need without delay.

As climate change continues to exacerbate the frequency and intensity of natural disasters, innovative solutions like parametric insurance will be crucial in safeguarding communities and ensuring sustainable development. With continued investment in data infrastructure and stakeholder engagement, parametric insurance can help India build a more resilient future.

(The writer is Deepak Kumar.)

TOP

RBI Dy Governor highlights urgent need to evolve deposit insurance system - The Hindu – 13th August 2024

Reserve Bank of India (RBI) Deputy Governor Michael Patra on Tuesday (August 13, 2024) asked deposit insurers and other financial safety net participants to put in place frameworks to manage the failure of deposit-taking institutions and prevent potential contagion effects. “With the rapid digitisation of financial transactions, the crisis can propagate quickly requiring emergency liquidity assistance and pre-emptive interventions in troubled institutions,” said Mr. Patra while delivering a keynote address at a conference on ‘Navigating Emerging Challenges for Deposit Insurers and Fortifying Crisis Preparedness’ in Jaipur. To deal with the emerging challenges, he said, “The Deposit Insurance and Credit Guarantee Corporation (DICGC) is prioritising risk management, including contingency planning and crisis management frameworks.” Patra said that it is “imperative for deposit insurers and other financial safety net participants to put in place frameworks for crisis preparedness and management that enhance their ability to manage the failure of deposit-taking institutions while mitigating potential contagion effects.” “Crises tend to propagate quickly and hence must include augmented provisions of emergency liquidity assistance and pre-emptive interventions in troubled institutions.” He also said the digital payments space is undergoing a silent revolution.

In over 70 countries today, domestic payments reach their destination in seconds at near-zero cost to the sender or the recipient with the growing availability of instant payment systems (IPS). “Deposit insurers are having to re-evaluate operational risks posed to depositors and member banks from the emergence of these 24/7 payment systems,” he said. While digital innovations can ease the cross-border supply of financial services, they can also increase the likelihood of deposit insurers being exposed to member banks with a significant share of non-domestic depositors and additional challenges in the case of a payout following bank default. Significant share of non-domestic depositors. File | Photo Credit: Reuters Reserve Bank of India (RBI) Deputy Governor Michael Patra on Tuesday (August 13, 2024) asked deposit insurers and other financial safety net participants to put in place frameworks to manage the failure of deposit-taking institutions and prevent potential contagion effects. “With the rapid digitisation of financial transactions, the crisis can propagate quickly requiring emergency liquidity assistance and pre-emptive interventions in troubled institutions,” said Patra while delivering a keynote address at a conference on ‘Navigating Emerging Challenges for Deposit Insurers and Fortifying Crisis Preparedness’ in Jaipur.

To deal with the emerging challenges, he said, “The Deposit Insurance and Credit Guarantee Corporation (DICGC) is prioritising risk management, including contingency planning and crisis management frameworks.” Patra said that it is “imperative for deposit insurers and other financial safety net participants to put in place frameworks for crisis preparedness and management that enhance their ability to manage the failure of deposit-taking institutions while mitigating potential contagion effects.” RBI Monetary Policy Meeting: RBI keeps repo rate unchanged at 6.5 percent “Crises tend to propagate quickly and hence must include augmented provisions of emergency liquidity assistance and pre-emptive interventions in troubled institutions." He also said the digital payments space is undergoing a silent revolution. In over 70 countries today, domestic payments reach their destination in seconds at near-zero cost to the sender or the recipient with the growing availability of instant payment systems (IPS). "Deposit insurers are having to re-evaluate operational risks posed to depositors and member banks from the emergence of these 24/7 payment systems," he said.

While digital innovations can ease the cross-border supply of financial services, they can also increase the likelihood of deposit insurers being exposed to member banks with a significant share of non-domestic depositors and additional challenges in the case of a payout following bank default. RBI forms expert committee to benchmark its statistics "In fact, the increasing ambit of cross-border banking activities makes cross-jurisdiction cooperation between deposit insurers and other financial safety net participants all the more relevant," the Deputy Governor said at the conference. The International Association of Deposit Insurers (IADI) Asia Pacific Regional Committee (APRC) International Conference was hosted by the DICGC. Reserve Bank of India (RBI) Deputy Governor Michael Patra on Tuesday (August 13, 2024) asked deposit insurers and other financial safety net participants to put in place frameworks to manage the failure of deposit-taking institutions and prevent potential contagion effects.

"With the rapid digitisation of financial transactions, the crisis can propagate quickly requiring emergency liquidity assistance and pre-emptive interventions in troubled institutions," said Mr. Patra while delivering a keynote address at a conference on 'Navigating Emerging Challenges for Deposit Insurers and Fortifying Crisis Preparedness' in Jaipur. To deal with the emerging challenges, he said, "The Deposit Insurance and Credit Guarantee Corporation (DICGC) is prioritising risk management, including contingency planning and crisis management frameworks." Mr. Patra said that it is "imperative for deposit insurers and other financial safety net participants to put in place frameworks for crisis preparedness and management that enhance their ability to manage the failure of deposit-taking institutions while mitigating potential contagion effects." RBI Monetary Policy Meeting: RBI keeps repo rate unchanged at 6.5 percent "Crises tend to propagate quickly and hence must include augmented provisions of emergency liquidity assistance and pre-emptive interventions in troubled institutions." He also said the digital payments space is undergoing a silent revolution. In over 70 countries today, domestic payments reach their destination in seconds at near-zero cost to the sender or the recipient with the growing availability of instant payment systems (IPS). "Deposit insurers are having to re-evaluate operational risks posed to depositors and member banks from the emergence of these 24/7 payment systems," he said. While digital innovations can ease the cross-border supply of financial services, they can also increase the likelihood of deposit insurers being exposed to member banks with a significant share of non-domestic depositors and additional challenges in the case of a payout following bank default.

RBI forms expert committee to benchmark its statistics "In fact, the increasing ambit of cross-border banking activities makes cross-jurisdiction cooperation between deposit insurers and other financial safety net participants all the more relevant," the Deputy Governor said at the conference. The International Association of Deposit Insurers (IADI) Asia Pacific Regional Committee (APRC) International Conference was hosted by the DICGC. Patra further said deposit insurers must remain ready for tokenised deposits by reflecting on how to modify their mandates and coverage, considering that tokenised deposits are essentially claims on issuing banks like other forms of deposits. "Moreover, the risks posed by tokenised deposits have to be modelled for determining fund size and premium rates," he said. "They will also have a bearing on the choice of modalities for resolution and claim processing, with different banks using different technologies as also the possibility that tokenised deposits could be held by depositors who are not KYC compliant and not clients of issuing banks. Consequently, verification of the authenticity and genuineness of claims may prove to be a testing challenge," he added. "The global financial landscape is changing rapidly and for deposit insurers and other financial safety net participants, it is a race to stay ahead of the curve amidst these tectonic shifts," he said. The DICGC covers 1,997 banks comprising 140 commercial banks and 1,857 cooperative banks ' the largest number of deposit-taking institutions covered by deposit insurance in the world, second only to the U.S. Currently, the deposit insurance coverage limit (₹5 lakh or approximately $6,000), fully protects 97.8 percent of deposit accounts and 43.1 percent of deposit value. As on March 31, 2024, interim payments were made to 376,661 depositors amounting to ₹5,359 crore.

TOP

RBI proposes risk-based pricing for bank deposit insurance - The Economic Times – 15th August 2024

The Reserve Bank of India (RBI) has proposed implementing risk-based pricing for bank deposit insurance to address concerns about rapid deposit withdrawals through digital channels, which could be exacerbated by the fast spread of information via social media. RBI Deputy Governor Swaminathan J articulated this proposal at a conference organized by the International Association of Deposit Insurers. "The implementation of risk-based premium for deposit insurance merits consideration. By tying insurance premiums to the level of risk posed by individual financial institutions, deposit insurers can incentivize banks to adopt stronger risk management practices," said Swaminathan. Swaminathan's statement comes amid a competitive race for deposits among banks, as credit growth currently surpasses the growth in deposits. He highlighted that the constant availability of online and mobile banking platforms could escalate vulnerabilities and potentially lead to bank runs and liquidity crises during stressful periods. Swaminathan also noted that this behavior is further intensified with the influence of digital sources like social media platforms.

Currently, the Deposit Insurance and Credit Guarantee Corporation (DICGC) provides insurance cover up to Rs 5 lakh per depositor, which is payable when a bank fails. There have been earlier recommendations suggesting that the RBI, through the DICGC, should shift to risk-based pricing. However, there are concerns among some bankers that labeling a bank as weak and increasing deposit premium rates could have a self-fulfilling impact. Swaminathan proposed that deposit insurers could mitigate technology risks by relying on supervisory rating assessments. "By using these assessments as a basis for setting insurance premiums or determining intervention strategies, deposit insurers can ensure that their actions are informed by a comprehensive understanding of each institution's risk profile," he stated. The move towards risk-based pricing aims to promote stronger risk management among banks and address the challenges posed by the digital era in the context of banking stability.

TOP

Financial strain of disability in India high, insurance aims to bridge gap – Business Standard – 11th August 2024

A staggering number of Indians face financial hardship due to disability, with lakhs suffering temporary or permanent limitations each year and recognising this critical gap in financial security, insurance companies are stepping forward with innovative solutions, officials said on Sunday.

A 2018 report by the Ministry of Road Transport and Highways (MoRTH) revealed that India, despite having only 1 per cent of the world's vehicles, accounts for 6 per cent of all road crashes. According to experts, close to 5 to 7 lakh people in the country suffer from temporary or permanent disability each year due to the high rates of accidents and crippling diseases and lose their ability to work and earn a livelihood. "The onset of disability often brings substantial healthcare expenses, making comprehensive insurance coverage crucial to prevent social and financial decline," Future Generali India Insurance, Chief Distribution Officer, Ramit Goyal said. A study titled 'Measuring the financial impact of disabilities in India' available on the National Institutes of Health

(NIH) website, suggests around one-fifth (20.32 per cent) of the household's monthly consumption expenditure was spent on out-of-pocket expenses for disability.

More than half (57.1 per cent) of the households were pushed to catastrophic health expenditure due to one of the members being disabled. Almost one-fifth (19.1 per cent) of the households that were above the poverty line before one of the members was treated for disability were pushed below the poverty line. According to R Garg, Head-Term Insurance, Policybazaar.com, in a country like India where there is no social security coverage like those in developed nations and where 2.2 per cent of the population is disabled, having disability income protection becomes prudent. FGII's said recently launched group health insurance product covers both temporary and permanent disabilities arising from physical or mental illnesses, accidents, and unforeseen events that result in income loss. The plan provides a safety net by replacing up to 75 per cent of pre-disability income per month, along with potential coverage for loan EMIs and credit card minimum payments. Bajaj Allianz another leading insurer said it has seen a steady increase in personal accident insurance uptake, which includes disability income protection.

Bhaskar Nerurkar, Head of the Health Administration Team at Bajaj Allianz General Insurance, noted that rising living costs and greater awareness of financial security through insurance are driving this trend. He added that as accident rates climb, more individuals and companies are seeking disability and income loss coverage, leading to higher penetration rates. Continued support and favourable regulations from IRDAI can further boost this growth, Nerurkar emphasised. P Nanda Gopal, Founder and CEO of Upsure, emphasizes the critical need for DIP plans among vulnerable groups like daily wage earners and gig workers. "These individuals face a devastating financial situation when disability strikes," said Gopal.

TOP

HEALTH INSURANCE

Diabetes health insurance plans for young adults in India - News18 – 15th August 2024

India is often called the Diabetes Capital of the World. With the diseases now affecting millions of individuals irrespective of age or gender, India indeed is home to a large number of Diabetic and pre-diabetic people with an alarming rise in young patients. To put it in perspective, in recent years, young adults in India have increasingly adopted a sedentary lifestyle, characterised by extended hours of screen time, decreased physical activity, and a shift towards convenience-based living. All these factors have significantly contributed to an increase in lifestyle diseases including diabetes. Gone are the days when people only aged above 40 years used to be diabetic. Nowadays, young adults even in the age group of 30-35 years are suffering from Diabetes. According to a 2021 study, the number of Indians diagnosed with diabetes increased by 31 million between 2019 and 2021. The study revealed that India has 101 million people living with diabetes and 136 million with prediabetes. Moreover, the cost of critical illnesses like diabetes is surging exponentially. India has been clocking medical inflation at 14%. Considering the kind of critical diseases that Diabetes can lead to, robust health insurance coverage is necessary to battle medical expenses.

Self (35) yrs	Insurer Name	Plans	Annual Premium	Sum Insured	Chronic Disease Coverage:
ABHI	Aditya Birla	Activ Health Platinum	9580	500000	ABCD(Asthma, BP, Cholesterol and Diabetes)
Star Health	Star Health	Diabetes Safe Plan B	16319	500000	Diabetes & hypertension
Care	Care Health Insurance	Care Freedom For Diabetes	12846	500000	ABCD(Asthma, BP, Cholesterol and Diabetes)

Product innovations

Nowadays, many insurers offer health insurance plans that provide early coverage for pre-existing diseases, even from day one at an additional cost of approximately 20%. Insurers provide coverage for both Type 1 and Type 2 diabetes, including individuals on insulin. The outpatient department (OPD) coverage includes expenses for medicine, diagnostics, and consultations. Wellness discounts are available, offering up to 100% off for customers who take care of their health. Additionally, insurance companies accept diabetes customers with HbA1c levels up to 10. Plans now offer early coverage for diabetes and cover outpatient department (OPD) benefits from day one and hospitalisation expenses after 30 days for diabetes-related complications. They often include a free chronic management program that activates if a chronic condition develops after purchasing the policy, offering doctor consultations (three visits), diagnostic tests (HbA1c and creatinine), and reward points for staying healthy that reduce premiums. Additionally, they provide access to experts in medical, nutritional, fitness, mental counselling, and homoeopathy teleconsultation. Similarly, there are plans available to individuals with Type I or Type II Diabetes Mellitus and cover hospitalisation expenses, including room charges, surgeon's fees, blood, oxygen, diagnostic expenses, and the cost of medicines and drugs. It also covers the cost of fasting, postprandial, and HbA1c tests once every six months, up to Rs.750 per event and Rs.1500 per policy period. Day 1 coverage for diabetes and hypertension is also available with a discount of up to 20% for renewal. Health insurance premiums for these plans for a 29-year-old living in Delhi can range anywhere between Rs 10,000 and Rs 19,000 annually.

Disclose your medical history when buying health insurance

It is crucial to disclose your medical history when purchasing health insurance. Many people make the mistake of not doing so, which can lead to serious consequences, including claim rejections later on. If you have a pre-existing disease (PED), always read the policy's terms and conditions carefully before buying. Check for sub-limits, co-payments, and room rent charges to avoid out-of-pocket expenses during hospitalisation. Additionally, buying health insurance online is preferable as it is faster and reduces the chances of mis-selling. Nowadays, telemedical and videomedical services have been introduced, facilitating quicker policy issuance.

(The writer is Siddharth Singhal.)

TOP

Co-paying in health insurance: Know about this option for senior citizen policyholders - Business Today – 15th August 2024

Health insurance norms for senior citizens have seen many crucial changes in the last few months. Besides the new rules introduced by the Insurance Regulatory and Development Authority of India (IRDAI), a key feature available for all senior citizens is the co-pay option that has an significant impact on policyholders and their healthcare expenses. The co-payment option in health insurance for senior citizens is a contractual arrangement in which the policyholder is responsible for paying a specified percentage of the medical costs upfront, while the insurance provider covers the rest. For example, if a policy features a 10 percent co-payment clause and the total hospital bill amounts to approximately Rs 1 lakh rupees, the insured individual would contribute around Rs 10,000, with the insurer covering the remaining Rs 90,000.

The co-payment clause in a health insurance policy becomes applicable once a claim is initiated. Upon filing a claim, it is mandatory for you to fulfill the co-payment requirement, following which the insurance company covers the balance of the claim amount. Failure to meet the co-payment obligation will result in a delay in receiving the remaining claim funds from your insurance provider. "Typically, insurance products with a co-pay feature come with lower premiums. This often makes health insurance more affordable for seniors. However, the co-payment clause encourages policyholders to focus on healthcare expenses, as they bear a significant share of the treatment cost. Insurance companies benefit from this feature as it helps manage risks, particularly for senior citizens who need frequent medical care. However, senior citizens are advised to assess this clause and its scope," Shilpa Arora, co-founder and COO of Insurance Samadhan told Business Standard.

Should you go for a Health Insurance Plan with a co-pay clause?
Health insurance policies with a co-pay clause offer a beneficial option for policyholders. One of the primary advantages is the potential for a lower premium cost. The presence of a co-payment clause allows policyholders to share the financial responsibility with the insurance company, resulting in reduced premium rates. It is important to note that the higher the co-payment amount, the lower the premium will likely be. Another significant benefit of opting for a health insurance plan with a co-pay clause is its ability to deter individuals from making unnecessary or frivolous claims. By requiring policyholders to contribute a portion of the claim amount, the co-pay clause discourages the filing of minor claims for ailments that can typically be managed at home, such as common colds, fevers, and diarrhoea. The inclusion of a co-payment obligation serves as a financial disincentive and can also mitigate the administrative burden associated with processing minor claims, thus encouraging policyholders to be more judicious in their claim submissions.

HA health plan with a co-pay clause functions to discourage individuals from seeking admission to costly hospitals. Consider a health policy incorporating a 10% co-pay provision. In a scenario where a minor treatment is pursued at a standard hospital, the approximate cost totals to Rs 20,000. With a 10% co-pay requirement, the individual's out-of-pocket expense reduces to Rs 2,000. Conversely, if the identical treatment is sought at a specialized hospital, the expenses escalate to over Rs 50,000. The amplified cost is attributed to high-end hospitals charging 40-50% more in comparison to smaller healthcare facilities. Consequently, the individual would be responsible for a payment of around Rs 5,000 from their personal funds.

Points to note before buying co-pay insurance plan
> Begin by thoroughly evaluating your current health conditions as well as potential future healthcare needs. This assessment will aid in determining the most suitable co-pay percentage.

> Take the time to carefully review the offerings of various insurance providers to strike a balance between premium costs and co-pay obligations.

> It is essential to have a comprehensive understanding of all the terms and conditions associated with co-pays, including any exceptions or limitations on coverage.

> Prior to purchasing a policy, it is crucial to ascertain the waiting period for pre-existing conditions to avoid any unexpected issues.

> Consider seeking guidance from insurance advisors or financial planners as they can offer tailored insights based on your individual circumstances.

Experts suggest that senior citizens carefully evaluate their health condition and financial capacity when selecting a policy with a co-pay option. While co-pay can render premiums more affordable, it is imperative to ensure that you are prepared to manage potential out-of-pocket expenses in the event of a medical emergency.

TOP

PM-JAY's free hospital care crosses Rs 90,000 crore - Financial Express – 16th August 2024

Free hospitalisation benefits worth Rs 90,204 crore have been provided to beneficiaries of the Pradhan Mantri-Jan Arogya Yojana (PM-JAY) since the scheme was rolled out, according to the latest official data. More than 68.62 million people have so far benefited from the scheme, which offers Rs 5,00,000-a-year free health cover. The scheme has been made available for 107 million poor households in the country since September 2018, roughly covering the bottom 40 percent of the population.

PM-JAY has played a pivotal role in reducing out-of-pocket expenditures which used to push millions into poverty earlier. When the scheme was launched, an estimated 62% of healthcare costs were borne out of pocket pushing millions of Indians into poverty every year. People from Tamil Nadu, Karnataka, Rajasthan, Kerala, Andhra Pradesh and Gujarat were the top beneficiaries under the scheme. Under

PMJAY, close to 2,000 procedures are available for beneficiaries to get cashless treatment which includes all the costs related to treatment, medicines, supplies, diagnostic services, physician's fees, room charges, surgeon charges, OT & ICU charges, etc.

The top speciality care treatments availed by beneficiaries to date are general medicine, infectious diseases, general surgery, medical oncology, ophthalmology and orthopaedics. Among the procedures availed by the people, are hemodialysis, screening for Covid-19, multiple packages and acute febrile illness. More than 353.4 million Ayushman Cards have been issued to beneficiaries so far. As many as 30,357 public and private hospitals are empanelled under the scheme. Considering that many people in the country are just one medical bill away from slipping into poverty, the Parliamentary Standing Committee on Finance recently recommended that the PM-JAY scheme be extended to the 'missing middle' on a paid basis. According to a Niti Aayog report unveiled in October 2021, at least 30% of the population, or 400 million individuals – called the missing middle in this report – are devoid of any financial protection for health.

TOP

Disability insurance in India: Bridging the financial gap - Rediff Money – 11th August 2024

A staggering number of Indians face financial hardship due to disability, with lakhs suffering temporary or permanent limitations each year and recognising this critical gap in financial security, insurance companies are stepping forward with innovative solutions, officials said on Sunday. A 2018 report by the Ministry of Road Transport and Highways (MoRTH) revealed that India, despite having only 1 percent of the world's vehicles, accounts for 6 percent of all road crashes. According to experts, close to 5 to 7 lakh people in the country suffer from temporary or permanent disability each year due to the high rates of accidents and crippling diseases and lose their ability to work and earn a livelihood. "The onset of disability often brings substantial healthcare expenses, making comprehensive insurance coverage crucial to prevent social and financial decline," Future Generali India Insurance, Chief Distribution Officer, Ramit Goyal said. A study titled 'Measuring the financial impact of disabilities in India' available on the National Institutes of Health (NIH) website, suggests around one-fifth (20.32 percent) of the household's monthly consumption expenditure was spent on out-of-pocket expenses for disability.

More than half (57.1 per cent) of the households were pushed to catastrophic health expenditure due to one of the members being disabled. Almost one-fifth (19.1 per cent) of the households that were above the poverty line before one of the members was treated for disability were pushed below the poverty line. According to R Garg, Head-Term Insurance, Policybazaar.com, in a country like India where there is no social security coverage like those in developed nations and where 2.2 per cent of the population is disabled, having disability income protection becomes prudent. FGII's said recently launched group health insurance product covers both temporary and permanent disabilities arising from physical or mental illnesses, accidents, and unforeseen events that result in income loss. The plan provides a safety net by replacing up to 75 per cent of pre-disability income per month, along with potential coverage for loan EMIs and credit card minimum payments.

Bajaj Allianz another leading insurer said it has seen a steady increase in personal accident insurance uptake, which includes disability income protection. Bhaskar Nerurkar, Head of the Health Administration Team at Bajaj Allianz General Insurance, noted that rising living costs and greater awareness of financial security through insurance are driving this trend. He added that as accident rates climb, more individuals and companies are seeking disability and income loss coverage, leading to higher penetration rates. Continued support and favourable regulations from IRDAI can further boost this growth, Nerurkar emphasised.

P Nanda Gopal, Founder and CEO of Upsure, emphasizes the critical need for DIP plans among vulnerable groups like daily wage earners and gig workers.

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TOP

Can the National Health Claims Exchange rollout be the UPI moment for health insurance claims? – Moneycontrol – 12th August 2024

India's health insurance landscape has undergone a significant transformation in recent years. This progress is driven by new regulatory reforms, increased awareness, and technological advancements.

India's health insurance landscape has undergone a significant transformation in recent years. This progress is driven by new regulatory reforms, increased awareness, and technological advancements.

On one hand, the insurance regulator, Insurance Regulatory and Development Authority (IRDAI), has introduced measures to enhance transparency and standardise policies. On the other hand, the government's Ayushman Bharat scheme has expanded coverage to millions of vulnerable families. The raging Covid-19 pandemic that broke out four years ago further accelerated the adoption of telemedicine and highlighted the importance of health insurance.

Insurers have diversified product offerings to include critical illness, disease-specific, and wellness-focused plans. Group health insurance provided by employers has grown, contributing to an uptick in overall coverage. However, despite all these progresses, the traditional claims process — known for its paperwork and delays — remained a bottleneck.

The challenge of traditional claims
The claims process has been a paradox to the health insurance industry. The current system is cumbersome, with claims processing taking weeks or even months. This creates a stressful situation for both policyholders and hospitals. Though there were attempts to address the critical issue, it remained a stumbling block. With the advent of digital tools, insurers have strived to pave the way for a smoother claims experience.

NHCX: A UPI moment for health insurance claims
Recognising these challenges, the IRDAI has taken significant steps to improve the cashless claims process. The introduction of the National Health Claims Exchange (NHCX) and the master circular on health insurance mark critical milestones in this journey. These initiatives aim to standardise claim procedures, ensure timely settlements, and foster transparency. The NHCX will serve as a centralised platform for the exchange of information and quick decisions. It will not only streamline the claims process but also reduce the scope for discrepancies and fraud. The exchange is a routing switch. Today, health insurance faces significant challenges in ensuring proper and efficient claim service, which leads to delays in discharges and hospitals struggling to understand health insurance products and protocols. This lack of clarity between hospitals and insurance companies erodes trust and confidence in the insurance system for policyholders.

Benefits for policyholders

- Smooth claims experience
- Reduces waiting time for approval during discharge from hospital
- Availability of electronic health records can help doctors make faster decisions in medical management
- **How do hospitals gain?**
- Single unified portal instead of multiple portals

- More hospitals willing to get empanelled can help regulator's objective of 100 percent cashless settlement
- Ease in tracking payments and delays
- Better insurance services with optimal manpower
- Timely service will help making hospital beds available for critical patients during emergencies such as epidemic and pandemic

Advantages for insurers

- Timely service
- Customer satisfaction
- Fraud prevention
- Reduces cost of claims processing
- Eliminates friction between payer and provider

Focused processes, lower operating expenses and better consumer contentment can lead to higher penetration of insurance. An increase in health insurance adoption is likely if a greater number of individuals get to experience the ease of the claim-making process, in turn, expanding universal health coverage.

The road ahead

In the initial phase, both the hospitals and insurance companies might face teething problems in aligning with the new directives. Inconsistent data management systems, varying administrative practices, and resistance to change are notable hurdles. However, these challenges are not insurmountable. The IRDAI's initiatives are designed to bridge the gap, providing a framework for hospitals to transition smoothly to digital mechanisms. Training programmes, financial incentives, and collaborative efforts between insurers and healthcare providers can facilitate this transition, ensuring that the benefits of digital claims processing are realised across the board.

Insurance companies' role

Insurance companies should be the first to initiate efficient cashless claims payment methods by adopting technology. Advanced claim management systems using artificial intelligence (AI) and machine learning (ML) can automate pre-authorisation, detect fraud, and speed up approvals. It will be prudent for insurers to invest in learning programmes that enable their personnel as well as healthcare partners to understand how to use digital platforms. Creating specialised desks for assistance plus customer service teams can ensure smoother and faster settlements.

The NHCX is a revolutionary step towards a more efficient, transparent, and patient-centred healthcare system. By working together, regulators, insurers, and healthcare providers can leverage technology to unlock the full potential of cashless claims processing, ultimately contributing to the vision of 'Insurance for all by 2047'.

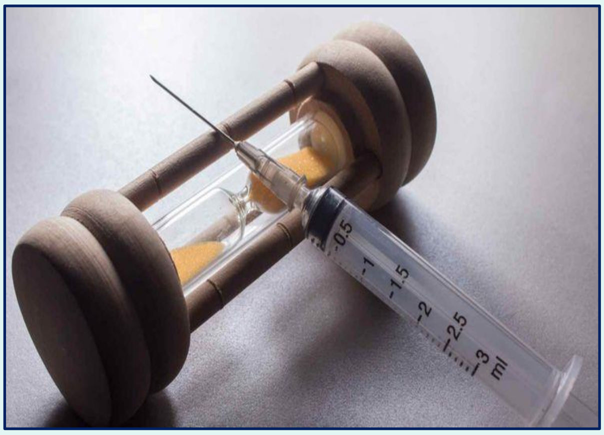
(The writer is Dr S Prakash.)

TOP

Take add-on covers with the shortest waiting period – Financial Express – 12th August 2024

Individuals, especially senior citizens, should take an add-on policy that covers pre-existing diseases such as asthma, hypertension, and diabetes from day one by paying an extra premium. This will ensure comprehensive coverage for health conditions that require regular check-ups, treatment and reduce the out-of-pocket expenses. Pre-existing diseases such as diabetes and hypertension are now quite common across all age groups due to sedentary lifestyles. The coverage for such pre-existing diseases eventually starts after a waiting period of three to four years. Recently, the insurance regulator has reduced the waiting period for pre-existing diseases in health insurance to 36 months from 48 months. Insurance companies cannot reject any claim on the grounds of pre-existence of ailment after three years of issuing the policy. In fact, almost all health insurance plans have an initial waiting period of one month during which no claims are accepted, except for accidental cases.

Siddharth Singhal, head, Health Insurance, Policybazaar.com, says, the waiting period acts as a barrier for people with such ailments to opt for health insurance. However, day one cover helps bridge this gap. "It makes sure that you are covered against pre-existing diseases immediately after the initial 30 days period. It is advisable, especially for senior citizens, to take a policy with the shortest waiting period.



Similarly, Pankaj Goenka, business head, InsuranceDekho, says for individuals with pre-existing diseases, it is advisable to opt for a policy with a minimum waiting period, even if this requires a 10-15% increase in the base premium. "By paying an extra 10-15%, policyholders can ensure they have the necessary coverage without unnecessary delays," he says. The premium difference between an add-on policy offering immediate coverage for pre-existing conditions and a policy with standard waiting period will depend on factors such as the insured's age, the specific pre-existing condition, the sum insured and even the location.

Disclose health conditions

Policyholders must accurately declare their health condition. By presenting all relevant facts about their pre-existing diseases to the insurer, policyholders can secure coverage from day one. Once the insurer provides this coverage, there are no exclusions related to the declared pre-existing conditions. Often, waiting period reductions are allowed for slow-growing diseases, but not for critical conditions like cancer. However, individuals must note that in day-one covers there might be certain exclusions. "These can include specific treatments or procedures related to pre-existing conditions, cosmetic surgeries, non-essential medical treatments, and conditions not disclosed during the application process," says Rakesh Goyal, director, Probus Insurance Brokers. So, it is crucial to thoroughly read the policy terms and conditions to understand exclusions to avoid surprises during claims.

Points to consider

Foremost, an individual must note that a higher premium for the add-on cover fits within his budget. He must consider the long-term affordability of the premiums as health insurance is a recurring expense, and he needs to ensure that he can maintain the policy over the years. He must check if there are any sub-limits on treatments for these conditions and verify that there is no capping on the claim amount for related pre-existing diseases. This can affect the overall coverage. An individual must choose a reputable insurer with a good claim settlement ratio and customer service to ensure a smooth process in times of need. By addressing these points, individuals can secure a policy that provides a better claim experience without any hassles.

(The writer is Saikat Neogi.)

TOP

Lack of health insurance coverage in rural areas, family member still primary caregivers: study – The Hindu – 12th August 2024

Only half of the rural households have government health insurance while 34 percent lack any health insurance coverage at all and 61 percent of those surveyed lack life insurance. This is coupled with limited access to diagnostic facilities and affordable medicines further posing challenges to this cohort notes the 'State of Healthcare in Rural India, 2024' report, released recently. The survey was jointly undertaken by the non-government organisation Transform Rural India and Development Intelligence

Unit, which works in the healthcare sector. Only half of the rural households have government health insurance while 34 percent lack any health insurance coverage at all and 61 percent of those surveyed lack life insurance. This is coupled with limited access to diagnostic facilities and affordable medicines further posing challenges to this cohort notes the 'State of Healthcare in Rural India, 2024' report, released recently. The survey was jointly undertaken by the non-government organisation Transform Rural India and Development Intelligence Unit, which works in the healthcare sector.

Additionally, only 12.2 percent households of the survey have access to subsidised medicines from Pradhan Mantri Jan Aushadhi Kendras, while 21 percent lack a commutable medical store. The survey encompassed 5,389 rural households with an average size of 5.7 members and spanned 21 States including — Andhra Pradesh, Bihar, Maharashtra, Mizoram, Punjab, Tamil Nādu, and Uttar Pradesh. Significant demographic segments included children under 10 years (15 percent), elderly above 60 years (11.4 percent), pregnant women (6 percent), and infants (15.4 percent). Predominantly, the households belong to Other Backward Classes (40 percent), followed by Scheduled Castes (22 percent) and the general category (21 percent). Of the surveyed households, major income sources for them are farming (43 percent) and daily wage labour (21 percent).

The study revealed that there is a lack of diagnostic facilities in the rural areas mostly because of shortage of trained personnel. Only 39 percent of the respondents confirmed that there was a diagnostic facility within a commutable distance from their village where they could visit only for blood tests or medical imaging. However, 90 percent of respondents do not get a routine health checkup done on their own wish, unless and until the doctor suggests them to do so. Accessibility to affordable medicine at government medical stores is a challenge for the rural population.

As per the report, only 12.2 percent respondents have access (within commutable distance from their villages) to subsidised medicines at Pradhan Mantri Jan Aushadhi Kendras. A total of 61 percent respondents had access (within commutable distance from their village) to a private medical store, whereas only 26 percent respondents had access to a government medical store located within the premises of a health facility that provides free medicines. Around 21 percent do not have a medical store within commutable distance. Also on the marker for sanitation and environmental hygiene, which are important interventions for disease control in a community — one in five reported no drainage system in their villages and only 23 percent had a covered drainage network system in their villages, 43 percent of households did not have any scientific system of waste disposal and they ended up with dumping their waste everywhere. Only 11 percent burn the dry waste and convert their wet waste into compost, while 28 percent reported that the local panchayat has made plans to collect household waste.

Meanwhile, the report further notes that 73 percent of the households with elderly members need constant care and the majority (95.7 percent) prefer family caregivers, predominantly female (72.1 percent), highlighting the need for caregiver training on home-based care. Engaging an external caregiver as a paid service does not seem to have a great deal of traction in rural India, with only 3 percent of such households ever having opted for the same. Only 10 percent of the households rely on neighbourhood support in the absence of family caregivers. Key caregivers for pregnant women include husbands (62.7 percent), mothers-in-law (50 percent), and mothers (36.4 percent). "In both cases, there is a need for strong social networks and supportive environments, and a need for capacity building for family members," said the report, recommending focus on a people-centred system that integrates systems and schemes locally to address well-being and healthy lifestyle.

(The writer is Bindu Shajan Perappadan.)

TOP

Health insurance master circular: General insurers seek 2-month extension – Business Standard – 11th August 2024

General insurers seek an extension in deadline until December 2024 from the regulator to comply with the revised master circular guidelines on health insurance products, people aware of the development told Business Standard.

The Insurance Regulatory and Development Authority of India (Irdai) issued the 'Master Circular on Health Insurance Products' in June and asked general/health insurers to offer a wider range of products to customers, including those with all types of existing medical conditions and pre-existing diseases and chronic conditions. The regulator had also asked insurance companies to provide customers with a Customer Information Sheet (CIS) – a document that will explain and simplify the policy details for the policyholder. These norms were proposed to be effective from October 1, 2024.

However, the industry has sought an extension till December 2024 to comply with these norms relating to CIS. Insurance companies have also sought help in issuing letters to the relevant authorities to strengthen business in rural areas and to meet their mandatory business in these areas. "The industry has requested time to revise the products as per the new circular as it requires necessary changes to be made in the IT systems," said an industry source.

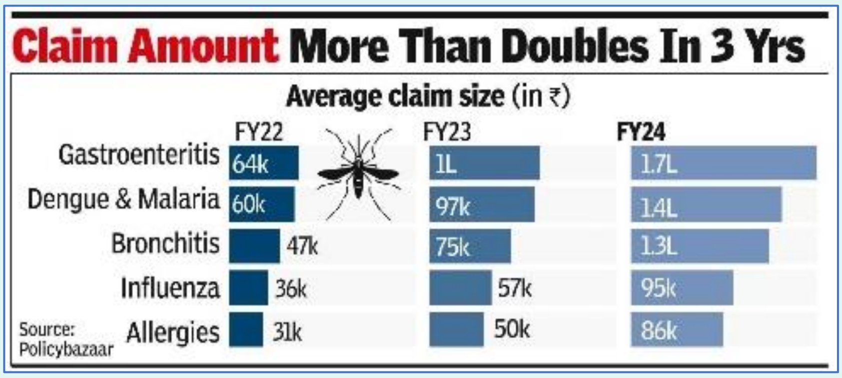
Aiming to reach the goal of 'Insurance for All by 2047', Irdai, through its June master circular, had asked the companies to undertake a certain percentage of business in a selected gram panchayat to meet their rural, social sector, and motor third party obligations. The general and health insurance companies have requested help from Irdai in issuing these letters to the local authorities and state governments to get the relevant data from these gram panchayats.

(The writer is Aathira Varier.)

TOP

Mosquitoes bite into health insurance claims – The Times of India – 10th August 2024

Nearly a third of the health insurance claims recorded by insurers are due to seasonal infectious diseases. These include vector-borne diseases such as dengue and malaria, which give rise to high claims in July and August, or water-borne infections such as gastroenteritis. In winter, it is usually bronchitis or influenza. As many of these claims are related to hygiene conditions in the locality they are avoidable to a large extent. However, they impact all segments of society as evident from claims data. According to a study of reported health insurance claims by Policybazaar, vector borne diseases like Dengue and Malaria account for 15 percent of total seasonal illnesses claims. The cost for treating these mosquito-borne diseases typically ranges from Rs 50,000 to Rs 1,50,000. These claims surge in July and August when humid conditions create ideal breeding grounds for mosquitoes.



Another illness that peaks during the monsoon is gastroenteritis or stomach flu which has the same treatment expenses as Malaria. This ailment accounts for 18 percent of seasonal claims. Another 10 percent of seasonal illness claims are due to allergic reactions where the periodicity varies according to region. Winter sees claims due to influenza and bronchitis peaking to 20 percent and 12 percent of seasonal illnesses. However, the cost of treatment is lower ranging from Rs 25,000 to Rs 1 lakh.

(The writer is Mayur Shetty.)

TOP

MOTOR INSURANCE

In a 1st, motor insurance share drops below 30 percent - The Times of India – 10th August 2024

The share of motor insurance in non-life industry premiums has slipped below 30 percent for the first time following a slowdown in car sales, even as health cover premiums continue to race ahead. The non-life industry wrote premium of Rs 72,758 crore up to June-end, according to segment-wise industry data released by the General Insurance Council. This is an increase of 13.3 percent over the previous year. Much of the growth has come from health insurance, which grew 16.6 percent raking in premium of Rs 29,915 crore. As compared to this, motor insurance grew 11.9 percent with total premium of Rs 21,348 crore. At the end of the quarter, the share of motor insurance slipped to 29.3 percent while that of health insurance rose to 41.1 percent. The share of health insurance is likely to go up further as motor insurance continues to be a drag on growth. Insurers said that motor insurance's focus is largely on new cars because of a rule that requires buyers to purchase three years of cover upfront in case of cars and five years in case of two-wheelers.

Flash figures for the month of July reveal that growth in non-life insurance continues to be in single digits for the second month in a row. The data showed that total premium collected by the industry in July was Rs 26,567 crore and increase of 9% over July 2023. The premium collection was marginally higher than June when the industry recorded a collection of Rs 20,384 crore. The slowdown in premium collection appears to be on account of motor insurance growing slower than the overall industry. Health insurance continues to a major driver of the non-life sector. This is reflected by the 25% growth in standalone health insurance companies in premium income up to June 2024. The non-life insurance industry is dominated by health and motor, which together account for over 70% of total premiums. Property insurance, as reflected by the sale of fire insurance, continues to be less than 10% of total industry premium. Crop insurance, personal accident, liability covers and other miscellaneous covers account for around 10%.

(The writer is Mayur Shetty.)

TOP

SURVEY AND REPORTS

Navigating the right insurance coverage for India's SMEs and MSMEs - The Times of India – 12th August 2024

India's Small and Medium Enterprises (SMEs) and Micro, Small, and Medium Enterprises (MSMEs) form the backbone of the country's economy. Together, they account for 45 percent of the country's total manufacturing output and contribute nearly 30 percent to India's GDP. Moreover, they provide employment to over 110 million people, making them a critical driver of economic growth.Despite their pivotal role, these enterprises often face considerable risks that can threaten their sustainability and growth. A survey by ICICI Lombard found that 70 percent of SMEs in India have faced at least one business-related risk in the last three years, yet less than 20 percent have comprehensive insurance coverage to mitigate these risks. Ensuring adequate insurance coverage is crucial for safeguarding these businesses against potential threats.

India's SME sector is vast and diverse. According to the Ministry of Micro, Small, and Medium Enterprises (MSME) Annual Report 2023, the sector comprises over 63 million enterprises, contributing to 30% of India's GDP and employing more than 110 million people. Despite their importance, a report by the

National Institute for Micro, Small and Medium Enterprises (NI-MSME) reveals that less than 10% of these enterprises have adequate insurance coverage, leaving them vulnerable to various risks. Here, we explore the essential aspects of navigating the right insurance coverage for India's SMEs and MSMEs.

Understanding the insurance needs of SMEs and MSMEs

The diverse nature of SMEs and MSMEs means their insurance needs can vary significantly based on factors like industry, size, location, and operational risks. Common types of insurance essential for these businesses include property insurance, which covers damage or loss to business property due to incidents like fire, theft, or natural disasters. General liability insurance protects businesses from legal liabilities arising from third-party claims due to bodily injury, property damage, or personal injury. This is particularly important for businesses that interact frequently with customers, vendors, or the general public.

Key insurance policies for SMEs and MSMEs

Business interruption insurance is another critical coverage, compensating for lost income and operational expenses if a business is temporarily unable to operate due to an insured event like a fire or natural disaster. It ensures that the business can survive financially during the downtime. Additionally, providing employee benefits insurance, such as health insurance and other benefits to employees, is not only a regulatory requirement in some cases but also crucial for attracting and retaining talent. Group health insurance, group personal accident insurance, and group term life insurance are common options.

Professional liability insurance, also known as Errors and Omissions (E&O) insurance, covers legal costs and damages arising from claims of negligence or inadequate work. This is essential for service-based businesses, such as consultants, IT firms, and professional service providers. Workmen's compensation insurance provides coverage for employees who suffer job-related injuries or illnesses. It’s mandatory in India and ensures that businesses can cover medical expenses and lost wages without facing legal action.

With the increasing reliance on digital infrastructure, cyber threats have become a significant risk. Cyber risk insurance covers data breaches, cyber-attacks, and other technology-related risks, making it vital for businesses of all sizes.

Tailoring insurance coverage to business needs

While understanding the types of insurance available is the first step, tailoring coverage to the specific needs of the business is equally important. Conducting a thorough risk assessment helps identify potential threats and vulnerabilities. This includes evaluating physical risks, operational risks, financial risks, and digital risks. Understanding these risks allows businesses to prioritise their insurance needs effectively. Engaging with insurance advisors or brokers who specialise in SME and MSME insurance can provide valuable insights. These experts can help in understanding the fine print of policies, ensuring adequate coverage, and avoiding overlaps or gaps in insurance.

Customisable policies and regular reviews

Many insurance providers offer customisable policies that can be tailored to the specific needs of the business. Customisation might include adjusting coverage limits, adding riders for specific risks, or bundling different types of insurance for comprehensive coverage. Business needs and risks evolve over time. It’s essential to review insurance policies regularly and update them to reflect changes in the business environment, such as expansion, new product lines, or changes in regulations.

The role of digital platforms in simplifying insurance

In recent years, digital platforms have revolutionised the way insurance is purchased and managed. For SMEs and MSMEs, leveraging digital platforms can simplify the insurance process in several ways. Online platforms allow businesses to compare various insurance products from different providers easily. This transparency helps in making informed decisions and choosing the best coverage options. Digital platforms also provide tools for managing policies, filing claims, and tracking renewals. This convenience ensures that businesses can handle their insurance needs efficiently without disrupting their operations. Additionally, many digital insurance platforms offer educational resources, risk management tools, and advisory services. These resources can help SMEs and MSMEs better understand their insurance needs and stay informed about industry trends and regulations.

Educating SMEs and MSMEs about insurance

Despite the availability of various insurance products and digital tools, a significant challenge remains in educating SMEs and MSMEs about the importance of insurance. Many small business owners still view insurance as an unnecessary expense rather than a vital investment. Government agencies, industry associations, and insurance providers can collaborate on awareness campaigns to highlight the importance of insurance for SMEs and MSMEs. These campaigns can use real-life case studies to demonstrate the impact of insurance in mitigating risks. Organising training sessions and workshops can provide hands-on knowledge about different types of insurance, how to assess risks, and the process of selecting and purchasing policies. These sessions can empower business owners to make informed decisions. Offering financial incentives, such as tax benefits or subsidies for insurance premiums, can encourage more SMEs and MSMEs to invest in insurance. Government policies that support insurance adoption can also play a significant role. For India's SMEs and MSMEs, navigating the right insurance coverage is a critical aspect of business resilience and growth. By understanding their unique insurance needs, leveraging digital platforms, and participating in educational initiatives, these businesses can protect themselves against a myriad of risks. As the backbone of the Indian economy, ensuring the sustainability and growth of SMEs and MSMEs through adequate insurance coverage is not just beneficial for the businesses themselves but for the entire nation.

The writer is Sajja Praveen Chowdary.

TOP

INSURANCE CASES

Insurance firm told to pay damages to man - The Times of India – 15th August 2024

Ernakulam District Consumer Disputes Redressal Commission has directed an insurance company to fully compensate a man who lost his left arm in a bus accident. The order came in response to a case filed by Vishnu Raj from Vaikom against Navi General Insurance Company. Commission criticized that the insurance company's refusal to pay by narrowly interpreting policy terms constitutes a deficiency in service and is an unfair trade practice. The 31-year-old man lost his left arm in a bus accident on Jan 1, 2020, at North Paravur.Raj, who was a welder, also lost his job as a result. He had applied for compensation under a group critical illness insurance policy, but the company denied the claim, stating that arm amputation was due to accident and did not fall under policy's coverage. He initially approached Insurance Ombudsman, who directed the company to pay. When the company failed to comply, he took the matter to the commission.

TOP

Can't cut insurance claim of biker for not wearing helmet: HC - The Times of India – 16th August 2024

An insurance firm can't reduce the claim amount due to an injured biker for not wearing a helmet if the rider is not at fault for the accident, Karnataka high court has ruled. "While wearing a helmet is crucial for safety, it should not be the sole criteria in reducing (the quantum of) compensation. The concept of contributory negligence in motor vehicle accidents appears only when the injured party's own negligence contributes to the accident," said an HC bench. Sadath Ali Khan, from Ramanagara district, sustained multiple injuries when a speeding car rammed into his motorcycle on March 5, 2016.Khan moved Motor Accident Claims Tribunal, seeking insurance claims after his treatment cost him Rs 10 lakh.

However, the tribunal in its Sept 24, 2020, order awarded him Rs 5.6 lakh as compensation, stating the claimant was not wearing a helmet at the time of the accident. Khan challenged the order, submitting in HC that he was incapacitated to continue his Rs 35,000 a month job after the accident. The court awarded Rs 6,80,200 as enhanced compensation to Khan, payable by the insurer of the car involved in the accident.

TOP

Delhi HC directs RBI, SEBI to expedite probe into alleged - The Economic Times – 12th August 2024

The Delhi High Court on Monday directed the Reserve Bank of India and the Securities and Exchange Board of India to expedite their investigations into the alleged "fraudulent acts" by Max Life Insurance and Max Financial Services. A Bench led by acting chief Justice Manmohan, however, turned down a petition by former Rajya Sabha member Subramanian Swamy, seeking to set up a committee to probe "alleged fraudulent acts." Alleging a scam of nearly Rs 5100 crore by the Axis Bank and also accused the private lender of "making undue gains by way of transactions in shares of Max Life Insurance," Swamy had asked the court to direct RBI, SEBI and Insurance Regulatory and Development Authority of India (IRDA) to formulate "proper and comprehensive guidelines" to prevent such future acts/transactions of such nature and to regulate the arrangements entered into between banks or other financial/ insurance institutions.

TOP

Insurance co asked to pay car owner 6.8L - The Times of India – 12th August 2024

The Ernakulam District Consumer Disputes Redressal Commission has directed the United India Insurance Company to pay a compensation of Rs 6.81 lakh to a customer who was denied a claim for his car that met with an accident. Khaja Mueenudeen, a resident of Kaloor, had filed a complaint against the insurance company for denying his claim. The company had cited technical reasons and delay in informing the company about the accident. The complainant, a businessman from Thiruvananthapuram now settled in Ernakulam, said in his complaint that his car, driven by his driver, met with an accident near the Vytilla flyover.The complainant, informed by the driver, had the car moved to Peninsular Honda, a service centre at Maradu. Upon returning to Ernakulam, the complainant was advised to claim a total loss due to severe damage.

He submitted the claim on 04.06.2020. The insurance company required clarifications regarding toll receipts and the apartment gate register. The complainant explained that toll receipts were not kept as drivers take internal routes to save toll fees, and the vehicle's movements were not recorded in the apartment register due to being parked in the lawn area and lax recording during the Covid period. The complainant alleged that the insurance company is using these clarifications as an excuse to delay and deny the rightful claim. Due to the delay, the complainant and his family struggled to find safe transportation during the pandemic and faced financial constraints in buying another car.

The forum, comprising president D B Binu and members V Ramachandran and T N Srividya, observed that the insurance company's action was unfair . The forum directed the insurance company to pay Rs 6,26 as insurance claim, Rs 40,000 as compensation, and Rs 15,000 as court expenses within 45 days

TOP

PENSION

Wage ceiling for employees' provident fund contribution may be hiked to Rs 21,000 - Financial Express – 15th August 2024

The Ministry of Labour and Employment has proposed to the Union Ministry of Finance to consider raising the wage ceiling from Rs 15,000 to Rs 21,000 for calculating employees' provident fund, according to sources. Since September 1, 2014, the Centre has kept the maximum wage limit for provident fund deduction for employees fixed at Rs 15,000 under the Employees' Provident Fund Organisation (EPFO). Earlier, the wage ceiling for employee contributions under EPFO was Rs 6,500.

Sources said the labour ministry finalised the proposal after considering various recommendations and after the April meeting of the Central Board of Trustees (CBT), EPF. The CBT is a statutory body constituted by the central government. The proposal was, however, sent to the finance ministry in July after the Lok Sabha polls were over and the new government at the Centre was formed. Under EPFO rules, PF contributions are based on an employee's basic salary. Both the employee and employer are required to contribute 12% each to the EPF account. The full amount of the employee's contribution goes into the provident fund account, while 8.33% of the employer's contribution is allocated to the Employees' Pension Scheme (EPS), with the remaining 3.67% going into the provident fund account. Wage ceiling hike impact on EPF and EPS contributions and retirement pension. If the Ministry of Labour's proposal is approved, it would affect the contributions made to the EPF scheme and the Employees' Pension Scheme (EPS), ultimately influencing the pension amount an employee is entitled to upon retirement.

What will be the new EPS contribution after the proposed wage hike is effected?

Currently, EPS contributions are calculated on the basic salary of Rs 15,000 per month, limiting the maximum contribution at Rs 1,250 per month. If the government hikes the wage ceiling to Rs 21,000, this contribution will increase to Rs 1,749 (8.33% of Rs 21,000). An increase in the wage ceiling under the EPF scheme will also result in a higher pension amount at the time of retirement. According to the Employees' Pension (Amendment) Scheme, 2014, the formula to calculate the EPS pension is as follows: (Number of years of pensionable service X Average monthly salary for 60 months)/70.

Pensionable service period: Pensionable service refers to the period during which an employee actively contributed to the EPF and EPS accounts. The formula for calculating the EPS pension was revised by the EPFO in 2014. Before this amendment, the pensionable salary was determined by the average basic salary of an individual's last year of service.

(The writer is Mithilesh Jha.)

TOP

Online module for surrender of exemption from EPF unveiled - The Economic Times – 13th August 2024

The government on Tuesday launched a new online facility for surrender of exemption from the Employees' Provident Fund (EPF) Scheme, which will reduce the time and effort on the part of the members while providing facilities such as online submission of applications, validation of applications and transfer of past accumulations of the subscribers. "This facility will benefit at least 1 lakh members of 70 establishments to transfer the accumulations of almost ₹1,000 crore, as and when their surrenders are admitted," labour and employment minister Mansukh Mandaviya said at the launch. He said the online facility will replace the earlier system of physical submission with voluminous documents and allow the establishment to track the applications with a tracking ID.

Exempted establishments have been found to be surrendering their exemptions primarily due to their inability to match the benefits under the EPF scheme, which is mostly rate of interest generated by the statutory EPF scheme and digital services of claim settlement, e-nomination and member passbook available on the Employees' Provident Fund Organisation (EPFO) portal. Mandaviya said the EPFO has taken a number of initiatives to address a number of issues. "These are the first steps of the many other initiatives that are planned in the immediate future," he said and urged officers to find timely solutions to the current issues while having a vision for the future.

TOP

Free Insurance without paying premium; Claim up to seven lakhs, scheme of EPFO – 10th August 2024

Employees Provident Fund Organization (EPFO) with an insurance cover of up to 7 lakhs for its members. EPFO provides insurance cover to its members through the Employees Deposit Linked Insurance (EDLI) scheme. Members do not need to pay premium to get insurance under this scheme. All employees whose basic salary is less than Rs.15,000 are eligible for this. Members whose basic salary is more than Rs 15,000 will get insurance benefits up to a maximum of Rs 6 lakh. Nominees of EPFO members can benefit from this. Know the features of the scheme and how nominees can benefit from it.

TOP

IRDAI CIRCULAR

Circular	*Reference*
Prevention of Money-Laundering (Maintenance of Records) Amendment Rules, 2024	https://irdai.gov.in/web/guest/document-detail?documentId=5422747

TOP

GLOBAL NEWS

Singapore: Life insurance market sees nearly 27% jump in new business premiums in 1H2024 – Asia Insurance Review

Singapore's life insurance industry achieved a total of S$2.77bn ($2.12bn) in weighted new business premiums for 1H2024, an increase of 26.6% compared to the corresponding period a year ago, announced the Life Insurance Association, Singapore (LIA Singapore).

The increase in weighted new business premiums aligns with a more positive macroeconomic environment as Singapore's economy continued to expand, recording higher growth than forecasted in the second quarter of 2024.

Demand for both single and annual premium policies increased in 2Q2024, reflecting the continued prioritisation of savings and protection needs.

In-force premiums for Group Life & Health continued to show steady growth with an 11% increase in 2Q2024 from 2Q2023 to record a total of S$2.40bn to date. Total premiums for individual health insurance also recorded a 7.1% growth in 1H2024, compared to the same period last year.

Focus on protection

The industry saw a boost in demand for both single-premium and annual premium policies in the second quarter.

Single-premium policies increased 32.9% in weighted premiums compared to the same period last year, amounting to S$918.0m in total for 1H2024. Annual premium policies also saw an increase of 23.7% compared to the same period last year, amounting to S$1.85bn in 1H2024.

The industry recorded a total of S$70.2bn in total sum assured during 1H2024 – a growth of 6.7% over the same period last year.

New Business Sales (Weighted Basis)

Weighted basis	1H2024 S$ m	1H2023 S$ m	2Q2024 S$ m	2Q2023 S$ m	Year-on-Year Change	
					1H	2Q
Single Premium	918.0	691.0	417.7	349.0	32.9%	19.7%
Annual Premium	1,854.1	1,498.7	1,019.8	807.5	23.7%	26.3%
Total	2,772.1	2,189.7	1,437.5	1,156.6	26.6%	24.3%
Source: LIA Singapore						

Integrated Shield Plans (IPs)

Approximately 71,000 Singaporeans and Permanent Residents took up new IPs as of 30 June 2024. In total, 2.9m lives – approximately 71% of Singapore residents – are protected by IPs.

An IP is an optional health coverage provided by private insurance companies which includes the government-run MediShield Life health insurance scheme and additional coverage.

Total new business premiums for individual health insurance for 1H 2024 amounted to S$220.7m, an increase of 7.1% compared to the same period last year. Overall, IPs and IP rider premiums accounted for 85.4% (S$188.5m) and the remaining 14.6% (S$32.2m) comprised of other medical plans and riders in 1H2023.

Claims payouts
Between 1 January 2024 and 30 June 2024, the life insurance industry paid out S$10.96bn to policyholders and beneficiaries, an 82.8% increase compared to the same period last year. Of this amount, S$10.04bn was for policies that matured. The remaining S$927m was for death, critical illness, or disability claims for more than 10,600 policies.

Looking ahead
Mr Dennis Tan, LIA Singapore president, said, "As Singapore's economy continues to pick up, with GDP forecasted to come in closer to its potential rate of 2% to 3% for this year, the life insurance industry remains cognisant and agile to seize opportunities to grow as we prioritise efforts to meet the protection needs in Singapore.

"Healthcare inflation remains a top-of-mind challenge, as medical costs are projected to rise by 10.7% this year, attributable to multiple factors such as the rising costs of medical treatments and medical advancements, possible over-consumption and over-prescription of medical services, an ageing population to care for, as well as increased staffing costs amid a tight healthcare talent pool.

"As an industry, we remain committed to collaborating with government agencies and the medical fraternity to ensure the continued accessibility of medically necessary treatments. We believe that, together, we can ensure the continued accessibility of quality healthcare in Singapore, while keeping healthcare costs and premiums sustainable."

TOP

COI TRAINING PROGRAMS

Mumbai – September 2024

Sr No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Management of Fire and Property Insurance (Material Damage and LOP)	09-Sep-24	10-Sep-24	ClickHere	Register
2	Strategic Selling in Life Insurance	11-Sep-24	11-Sep-24	ClickHere	Register
3	Mega Risk Insurance	11-Sep-24	12-Sep-24	ClickHere	Register
4	Suitability Assessment and Product Recommendation	12-Sep-24	13-Sep-24	ClickHere	Register
5	Liability Insurance Focus - Financial Lines	17-Sep-24	18-Sep-24	ClickHere	Register
6	Comprehensive Financial Planning –Focus Insurance Planning	17-Sep-24	18-Sep-24	ClickHere	Register
7	Emerging Issues of Regulatory Compliance in Life Insurance	18-Sep-24	18-Sep-24	ClickHere	Register
8	Enterprise Risk Management (ERM)	18-Sep-24	19-Sep-24	ClickHere	Register

9	Health Insurance Underwriting	19-Sep-24	19-Sep-24	ClickHere	Register
10	Challenges in Fighting Fraud - Motor OD Insurance	19-Sep-24	20-Sep-24	ClickHere	Register
11	Appreciation of Project Insurance – Customer Perspective	23-Sep-24	23-Sep-24	ClickHere	Register
12	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 Marketers	10-Sep-24	10-Sep-24	ClickHere	Register
	Managing Motor TP Claims and Controlling Frauds	18-Sep-24	19-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 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

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