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INSURANCE INSTITUTE OF INDIA

INSUNEWS - WEEKLY E-NEWSLETTER

13TH – 19TH JANUARY 2024

QUOTE OF THE WEEK

"Learning how to be still, to really be still and let life happen - that stillness becomes a radiance."

MORGAN FREEMAN

Insurance Term for the Week

Continuous Coverage

Continuous coverage is important for many reasons. In terms of auto insurance, the majority of states require a minimum amount of coverage; thus, a lapse in coverage may result in legal troubles. Moreover, if an individual gets into an accident while uninsured, they will end up paying out of pocket to fix the vehicle. Lastly, they may also see a significant increase in their premium rates once they purchase a new policy. Therefore, it ends up being far more affordable to simply maintain coverage in the long run.

As for health insurance, the Health Insurance Portability and Accountability Act provides individuals with credit against the pre-existing condition exclusion for having continuous coverage. This means individuals with continuous coverage without any significant lapses can switch health insurance without being ineligible due to a pre-existing condition.

INSIDE THE ISSUE

INSURANCE INDUSTRY

IRDAI expresses continued support for insurance industry – AIR – 19th January 2024

In his inaugural address at the 17th India Rendezvous yesterday morning, Insurance Regulatory and Development Authority of India (IRDAI) member (non-life) Thomas Devasia said, "IRDAI is supporting the insurance industry to build strategically on the enormous successes of the innovations and successes of India's digital public infrastructure." He said, “With the launch of the state insurance plan in 2023, the IRDAI has formalised and is working on a strategy of insurance inclusion.”

Speaking about IRDAI’s mission of insurance for all, Mr Devasia said, “It will be achieved via the state plans and the Bima trinity. He said this is strategically designed also to position India as a prominent global reinsurance hub. “The next significant insurance reforms in the Indian insurance industry will be the rolling out of IFRS17 equivalent of Ind AS117 and our own risk-based model,” said Mr Devasia. He said these are being worked on by dedicated mission mode teams and these will feed into the risk-based supervision framework under refinement, by another mission mode team. Mr Devasia said by working in tandem with the International Financial Services Centre Authority at the GIFT City, “IRDAI aims to foster an environment conducive to the growth of reinsurance business both within and outside the conventional Indian market.” He said, “The Indian market in the near future will witness newer opportunities for regional, niche, more monoline, captives, mutuals and microinsurance to add to the momentum of growth.”

Industry must remain prudent and vigilant

In his welcome address, GIC Re CMD Ramaswamy Narayanan said, “The Indian market, in a way, is at the crossroads. The economy is on a growth trajectory, thus ensuring that the insurance market continues its double digit growth momentum. The regulator has been very proactive in ensuring that the regulations are simplified to enable ease of doing business." He said, “There is also enough push to ensure that penetration levels in in the market improve substantially. There is a lot of focus on ensuring that insurance is available to the strata of the people who need it the most.” “But challenges, too, exist. Recent CAT events show that there is a need to take climate change more seriously. As the frequency and severity of the losses increases, there is a fear that some risks may become uninsurable, something unthinkable in a growing economy like ours.” Mr Narayanan said, “Obviously, there is a need for the industry closely to work with the government machinery for the benefit of the country as a whole.”

Speaking about the market-hardening trends, Mr Narayanan said, “We must bear in mind that these trends are not a flash in the pan but are expected to continue for a few more years. It is up to us to brace for the times ahead." He said we must educate our clients on the importance of rate adequacy and sustainability for the future of our industry. “We must speak about the fact that underwriting prudence is now paramount. Sense and sensibility will continue to be rewarded. In a sense, it is back to the basics again – finally.” As many as 800 delegates from 42 countries attended the 17th India Rendezvous. It is being held in Mumbai from 17–19 January.

TOP

Red Sea crisis: Finance Ministry to ease export credit, check insurance cost – The Hindu – 17th January 2024

To help Indian trade deal with the Red Sea crisis unleashed by the continued attacks of the Iran-backed Houthis on cargo ships in the region, top government officials discussed measures including easing export credit, keeping a check on insurance rates and increasing defence surveillance, a senior government official said.

Officials from MEA, Defence Ministry, Shipping Ministry and the Department of Financial Services (DFS) participated in a meeting chaired by Commerce Secretary on Wednesday to take stock of the situation in the Red Sea and how best to redress it. “We are monitoring the situation closely. The Commerce Ministry asked the DFS to ease credit flow to exporters as their operating costs have gone up substantially. Officials also decided to take measures to ensure that insurance costs do not increase,” the official told businessline.

Diplomatic options

The MEA has said that it is exploring diplomatic options and holding talks with all countries linked to the crisis, the official said. Minister of External Affairs S Jaishankar recently visited Iran where he reportedly discussed the Red Sea situation and its effect on Indian trade with his counterpart Hossein Amirabdollahian.

Impact on exports

There is an apprehension that India’s exports could decline by an estimated $30 billion in the on-going financial year if the Red Sea attacks continue. About $230 billion of India’s international trade with Europe, US east coast and parts of West Asia and Africa, takes place through the Red Sea, per industry calculations.

“Almost all the trade that was taking place through the Red Sea is now being diverted through the Cape of Good Hope which has resulted in increased transit time of about 14 days. The Shipping Ministry pointed out that while shipping costs have escalated, the volumes being shipped through all major ports have not declined. It will now keep a strict watch on volumes,” the official said. The Defence Ministry has said that it has increased its surveillance in the Arabian Sea and put more mechanisms in place. “The Inter-Ministerial group will meet again to further monitor the situation and take action,” the official said.

TOP

Insurance sector's premium income to double by FY34 to around USD 450 bn: Report

The domestic insurance sector is on course to log in over 7 per cent annual growth over the next decade and the premium income is likely to double to around USD 450 billion by financial year 2033-34, an industry report said on Tuesday. The total premium income will more than double over the next decade (2024-34) from the present USD 224 billion, and insurance penetration will increase from 3.8 per cent currently to 4.5 per cent by FY34, Swiss Re Institute said in a report.

The report further said over the next five years (2024-28), the total insurance premium income of domestic insurer are likely to grow 7.1 per cent annually in real terms, which is well above the global average growth of 2.4 per cent, 5.1 per cent in emerging markets and 1.7 per cent in advanced markets, the report said. The more than double of the global average growth of the domestic industry is on the back of a resilient domestic economy which will remain the fastest growing large GDP for the next five years, along with the rising awareness about the need for insurance and the very low penetration now along with the low insurance-to-GDP ratio of 3.3 per cent, which will also increase to 4.5 per cent, the report said.

Growth will continue to be led by life market which currently accounts for about three quarters of total insurance premium income at USD 163 billion and is forecast to grow at an annual average of 6.7 per cent during FY24-28, while non-life premium, including health, is expected to expand by an average of 8.3 per cent from USD 61 billion in FY24, the report said. The report also flagged the low risk protection citing the rising incidences of natural calamities such as earthquakes, floods, cyclones, drought and wildfires, with regular frequencies and said with an average annual economic loss (loss to insurance companies in terms payout) of USD 8 billion over the past decade.

As much as 93 per cent in the country is uninsured, it added. The report said if the Bhuj quake were to have happened now, the economic loss would have been USD 30-40 billion, as against USD 100 million then (given the larger size of the economy now) and the actual insured loss would have been USD 4 billion, as against USD 4 million then.

TOP

BimaKavach Surpasses Risk Insured of 15,000 Crore, Eyes 5,000 New Clients in FY24 – Outlook – 16th January 2024

Insurtech start-up BimaKavach which received a direct insurance broking licence from the Insurance Regulatory and Development Authority of India (IRDAI) has surpassed a sum insured value of 15,000 crores. The company aims to expand its client base by 5X in FY 2024, it added in its statement.

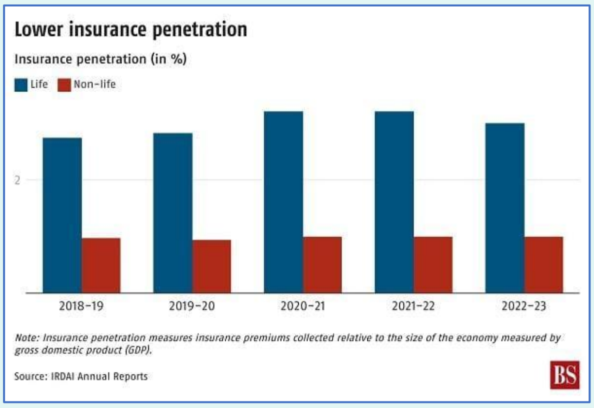
"It has secured over 1000 clients. With a focus on simplicity, digitisation, and transparency, BimaKavach aims to eliminate the complexities associated with insurance for Indian businesses in the SME, and start-ups customising according to their needs," the statement added.

The start-up adopts a phygital model, combining physical and digital elements to improve client accessibility. Specialising in managing claims related to cyber-attacks, disputes, damages from fire and natural disasters, and accidents in engineering projects, the company obtained an IRDAI license, enabling it to offer a range of insurance products tailored to the needs of businesses across India.

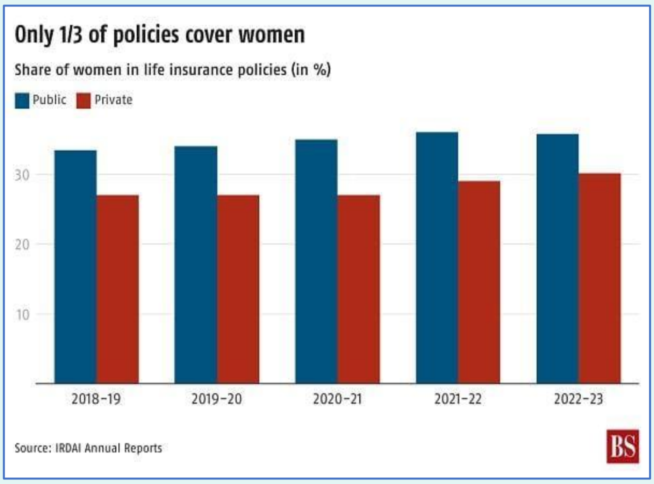
Tejas Jain, founder of BimaKavach, stated, "In today's landscape, insurance has become a necessity. In India, nearly 95 per cent of startups and MSMEs are uninsured. Every enterprise, from seed-funded start-ups to large conglomerates, requires comprehensive business insurance to shield against unforeseen circumstances hindering their growth journey. With a clear vision and unwavering dedication, BimaKavach aims to continue simplifying business insurance for Indian startups, SMEs, and enterprises. Our focus on transparency, innovation, and client satisfaction propels us toward becoming a trusted partner for businesses across India." In 2022, the company raised $2 million in funding from prominent investors such as WaterBridge Ventures, Blume Ventures, Arali Ventures, and Eximius Ventures. In addition, the company has strategic plans for a Series A fundraising round in 2024, as per the reports.

TOP

How the insurance industry is becoming a two-speed sector - Business Standard – 14th January 2024

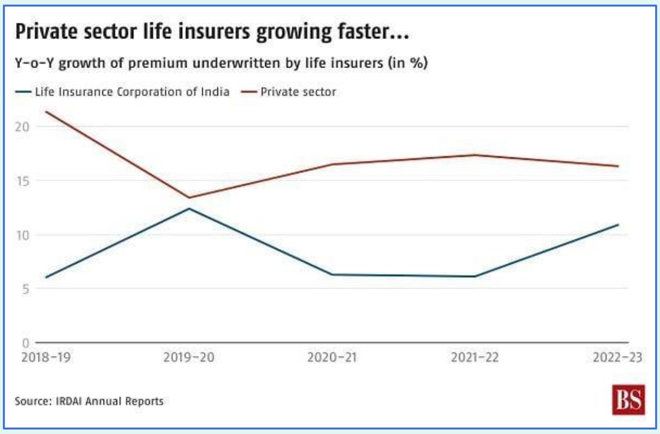


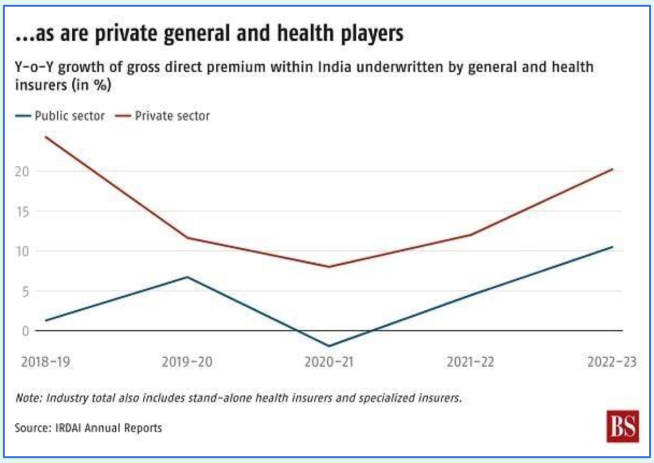
The insurance industry is becoming a two-speed sector. Public-sector companies are growing significantly slower than the private-sector ones, and this may well have implications for the sector's overall penetration. Insurance penetration is the value of the premiums relative to gross domestic product. Life insurance penetration declined in 2022-23 (FY23), dropping 20 basis points from the previous year to end at 3 percent, showed data from the recently released annual report of the Insurance Regulatory and Development Authority of India. It remained at 1 percent for the non-life sector (chart 1).



This means fewer people with insurance coverage, and more so in the case of women. Only around a third of life insurance policies covered women in 2022-23 (chart 2).

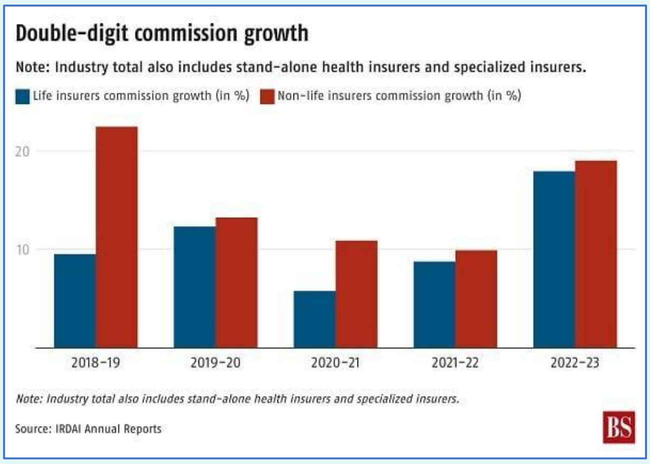
Public-sector life insurance premiums grew at 10.9 percent in 2022-23. But that for the private-sector grew at 16.34 percent. Average growth over the last five years has been twice as fast for the private-sector (chart 3).

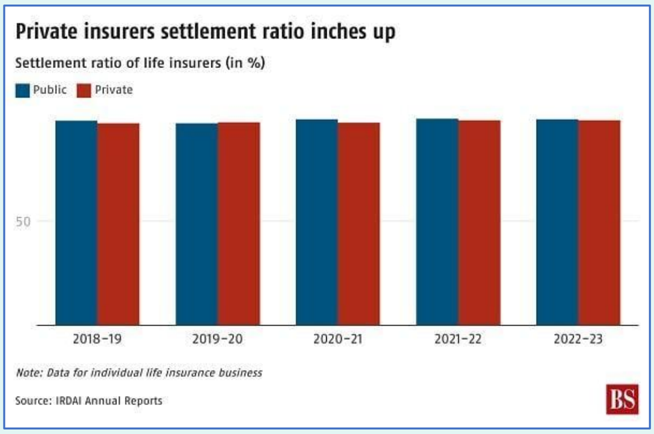




The same story has played out in the non-life segment. The private-sector has grown over three times as fast as the public-sector in terms of premiums collected by general and health insurance companies. The overall non-life space retains a double-digit growth pace while the public-sector companies have lagged with largely single-digit growth in the last five years (chart 4).

Public-sector insurers performed better in settling claims. The latest data shows that the private sector is slowly closing this gap. The gap between the two has dropped from 1.15 percentage points before the pandemic to 50 basis points in 2022-23 (chart 5).





Brokers and intermediaries are raking it in. Both life and non-life players' commission payouts grew in double digits (chart 6).

TOP

Casual labourers in BRO projects to be covered under term insurance – Deccan Herald – 13th January 2024

Defense Minister Rajnath Singh has approved a proposal to roll out a term insurance scheme for casual paid labourers engaged by the Border Roads Organisation (BRO) for various infrastructure projects. Under the scheme, a sum of Rs 10 lakh will be given to the next of kin in case of death of a labourer during project works, according to the defence ministry.

"Defence Minister Rajnath Singh has approved a proposal to launch a group (term) insurance scheme for Casual Paid Labourers (CPLs) engaged by Border Roads Organisation/General Reserve Engineer Force for the ongoing project works," it said in a statement on Saturday.

"This scheme will provide the insured value of Rs 10 lakh as an insurance in any kind of death to CPLs family/next of kin," it said. The ministry said the scheme will serve as a social security and welfare measure to the CPLs working in remote and far-flung areas of the nation.

"Keeping in view the severe risk posed to the lives of CPLs posted in hazardous work-sites, inclement weather, inhospitable terrain and occupational health hazards, and considering the deaths occurred/reported during their engagement, the provision of insurance coverage on humanitarian grounds will prove to be a great morale booster to the CPLs," it added.

The ministry said the scheme will go a 'long way' in securing the livelihoods of the families of the CLPs.

TOP

LIFE INSURANCE

Life insurers expand physical networks outside Tier I cities – AIR – 18th January 2024

The physical network of life insurance companies in Tier-II and Tier-III cities in India increased in the financial year ended 31 March 2023 (FY2023) compared to 12 months previously given the focus on financial inclusion by the government and the insurance regulator, as well as recovery from the COVID-19 pandemic.

The number of life insurance offices in Tier II increased by 3.5% to 1,311 as of 31 March 2023 compared to 1,267 offices at the end of FY2022, Rediff.com reported, citing data released by the IRDAI. In Tier-III cities, the growth was 2.2% to 1,856 offices.

The breakdown of the number of offices is as follows:

	Tier II cities			Tier III cities		
As of 31 Mar	LIC	Private-sector insurers	Total	LIC	Private-sector insurers	Total
2023	562	749	1,311	1,360	496	1,856
2022	561	706	1,267	1,357	458	1,815

According to the IRDAI report, as of 31 March 2023, LIC operated offices in 688 districts, covering 92% of 750 districts in the country whereas private-sector insurers had offices in 604 districts covering 81% of all districts in the country.

In 21 out of 36 states or Union Territories, all the districts were covered by life insurance offices.

The number of districts without a life insurance office stood at 59 in the country, out of which 49 districts are located in northeastern states.

TOP

GENERAL INSURANCE

Red Sea attacks spike marine insurance rates – Deccan Chronicles – 18th January 2024

Insurance companies have increased the premium rates for providing marine war, Strike, Riots, Civil Commotion (SRCC) and piracy cover for shipments passing through the Red Sea by around 25 to 30 times of the existing rates. A host of non-life insurance companies namely New India Assurance, United India Insurance, National Insurance, and Tata AIG have identified the path through the Red Sea to the Suez Canal as a high-risk area and have withdrawn marine war, SRCC and piracy cover. Insurance companies are now asking for an additional premium of 0.10-0.15 per cent (of the insured value) from 0.005 per cent charged earlier. Cancellation notices by these insurers in relation to war, SRCC and piracy cover in the surrounding areas of the Red Sea and Suez Canal have been issued last week sources said.

According to industry officials, national reinsurer General Insurance Corporation of India (GIC Re) is also likely to issue a Notice of Cancellation (NOC) of War Cover. A Notice of Cancellation (NOC) of War Cover by GIC Re would mean that all insurers supported by the state-owned reinsurer would also be issuing a Notice of Cancellation of the existing contracts and are likely to demand an additional premium to provide war cover. An email sent to GIC Re remained unanswered for the past five days. “Exporters and importers are taking a detour to Cape of Good Hope and avoiding the Red Sea and Suez Canal. Till now, the war cover rate was bundled into the main cargo rate and was as low as 0.005 per cent.

However, for cargo transiting through the high-risk area, an additional war risk premium rate will be charged at 0.15 per cent of the cargo value by insurers,” said an industry official. According to media reports, about 65 per cent of India’s crude oil imports in FY2023, worth $105 billion, likely passed through the Suez Canal. In terms of overall merchandise trade with Europe and North Africa, India’s exports and imports in FY2023 were $106 billion and $98 billion, respectively. Approximately 50 per cent of these imports and 60 per cent of exports, totalling a trade value of $113 billion annually, may have utilised the Suez Canal route.

TOP

Flight delayed, cancelled due to fog? You can get up to Rs 2 lakh if you have a travel insurance – 18th January 2024

Stranded, frustrated passengers arguing with airline staff as their flights get massively delayed have been doing rounds on social media platforms and TV news channels this week. Hundreds of flights have been delayed from the Indira Gandhi International Airport in Delhi due to low visibility amid dense fog in the last few days. It has affected operations at airports across the country. It is not uncommon to face flight delays and cancellations due to extreme winter conditions in many parts of the world; in fact in North India it almost happens every year. If you are taking a flight and it has been delayed or cancelled due to natural occurrence like thick fog, what can you do?

Will you get a refund if your flight is delayed or cancelled due to fog? Know DGCA rules

According to the Civil Aviation Requirement (CAR) Section 3, Series M, Part IV titled "Facilities to be provided to passengers by airlines due to denied boarding, cancellation of flights and delays in flights" issued by the Directorate General of Civil Aviation (DGCA) the airlines have to provide following measures to the affected passengers due to cancellation and delay

1) In case of cancellation, the airlines have to either provide an alternate flight or provide compensation in addition to the full refund of the air ticket. Furthermore, the airline should provide meals and

refreshments to the passengers who have already reported for their original flight at the airport while waiting for the alternate flight.
2) In case of a flight delay, the airline is required to provide meals and refreshments, an alternate flight/full refund of the ticket to the passenger, or hotel accommodation (including transfers) depending on the total flight delay.

However, you need to keep in mind that airlines are not obliged to compensate in cases where the cancellation and delay is caused by a force majeure event i.e. extraordinary circumstance(s) beyond the control of the airline.

Flight is delayed due to low visibility amid fog: Will your travel insurance cover it?
When a flight cannot take off due to poor visibility amid dense fog, airlines often wait for the weather to improve. In such cases, flights get delayed. Social media platforms are flooded with claims that flights have been delayed by several hours now from the northern part of India, especially Delhi, even by up to 12 hours. "Travellers are typically not obligated to get any monetary refund from the airline in case the flights are delayed," says Vivek Chaturvedi, CMO and Head of Direct Sales, at Digit Insurance. Then, do you have any other option other than waiting for your flight to fly? Well, if you have bought travel insurance while booking your flight ticket, it may help you if your flight is delayed. Here's how

A travel insurance policy with coverage for flight delay covers serves as a safeguard for travellers, providing compensation for incidental expenses incurred at the airport in the event of a delayed flight beyond the stipulated duration mentioned in the policy, says Manas Kapoor, Business Head - of Travel Insurance, Policybazaar.com.

Flight delay cover is here to protect you from massive delays
A flight delay cover, commonly referred to as common carrier delay cover, is typically part of a comprehensive travel insurance plan. Under a flight delay cover, one can receive a flat benefit of a certain amount as mentioned in the travel policy if the flight is delayed beyond a certain time limit. The insurer will compensate customers when flight delays are caused by various factors, including inclement weather, unavailability of essential airline crew or support staff, technical issues or equipment failure in the aircraft, air traffic congestion, operational challenges like crew scheduling issues, or delays resulting from the cancellation or rescheduling of other flights, says Kapoor. Few online travel aggregators also offer standalone flight delay and cancellation coverage during flight bookings through tie-ups with insurance companies.

Flight delayed or cancelled due to fog? How flight delay covers work
If you are travelling abroad, travel insurance policies with flight delay cover may be even more beneficial to you. The insurer will pay you a flat sum insured in case your flight is delayed by a stipulated time if you follow all the other terms and conditions mentioned in the policy. Go Digit's 'On-the-move' travel insurance policy offers a maximum sum insured of Rs 50,000 for common carrier delay for domestic travel. For overseas travel, the maximum sum insured for common carrier delay has been set at US$5,000.

Bajaj Travel Ace is another travel insurance policy that covers flight delays due to fog or inclement weather. Under Bajaj Travel Ace, the maximum sum insured will be Rs 50,000 for domestic travel and US$1,000 for international flights. "Tata AIG has started offering a unique solution for the Flight delay cases where the claim is paid as Instant gratification. In case of instant gratification, claim amounts are disbursed upfront, with usually up to Rs 2,500," says Amrish Dubey, Vice President, Travel Insurance of Tata AIG.

However, otherwise in general case, for domestic flight delays, the claim limit can extend to Rs 8,000-10,000, while for international delays, it may reach up to Rs 40,000-50,000. Ease My Trip flight cancellation coverage will pay a fixed payout of Rs 1,000 if your flight is delayed beyond four hours from the scheduled time of departure. It is available only for domestic flights. “Customer needs to send us an email at care@easemytrip.com with delay proof and after validating by the team they process the said amount,” says EaseMyTrip.

"Under Go Digit's 'On-the-move' insurance, if a flight is delayed beyond a stipulated number of hours (typically two to three hours), then a flat benefit payout is given to the customer that typically helps in covering for any additional expenses a traveller ends up making during the time spent at the airport," says Chaturvedi. "As this is a flat benefit payout, no bills or additional documents need to be submitted in case the flight is delayed beyond the stipulated hours. Once the boarding pass is uploaded/submitted, the claim benefit is directly paid to the customer," he adds.

In case of severe delay of your flight, you may have to stay at a nearby hotel. In such cases, you can claim reimbursement for additional expenses for accommodation and food. "If your trip is delayed by over five hours due to a covered issue and you're not in the city of your residence, we'll reimburse you for the cost of additional accommodation required, if any," says Tata AIG domestic travel insurance for domestic travel insurance. It is important to know about the deductible associated with this benefit. For instance, if there's a six-hour deductible for flight delays, customers can avail benefits only after this duration, says Kapoor.

Flight cancelled or missed connecting flights? Will your insurance cover it?
If you are unable to start your trip due to any natural calamity such as a storm or fog because your flight is cancelled due to such reasons and the airline is unable to provide you with any alternate booking, then you can make a claim under the trip cancellation cover, which typically covers you for any loss you might incur due to any non-cancellable or non-refundable component of your trip up to the sum insured mentioned in your policy. Under Go Digit's 'On-the-move', a maximum sum insured of Rs 2 lakh can be claimed in case of trip cancellation for the domestic travel, as per policy document. For international trips, the maximum sum insurer will be US$10,000, according to the policy. Certain travel insurance policies cover missed connecting flights that allow travelers to claim compensation for additional expenses only if it meets pre-defined terms and conditions, says Chirag Nihalani, General Manager, Insurance Samadhan.

Flight delayed due to fog? Documents you must keep handy to claim refund, reimbursement
To initiate a claim for delay in flights, you need to contact the assistance service provider from the insurer. Most insurance has a 24/7 helpline number to address customer queries and grievances. He or she will have to give a duly filled claim form and supporting bills for the incurred expenses. Submission of any reports or documents from the common carrier can further strengthen the claim process for the policyholder," says Kapoor.

Travel insurance: How much does flight delay cover cost?
Flight delay cover is typically a part of your comprehensive travel policy. "Travel policies are not expensive policies and the premium starts from Rs 150- 200 for domestic travel whereas the premium for Overseas Travel starts from Rs 500 and depends on the trip duration, destination and deductibles/sum insured opted," says Dubey. But do remember that the devils are in details. So read your policy document carefully before buying. Your travel insurance policy must cover trip delays flight cancellations or missed connecting flight options. In case of delays in a flight, it is important to know how your insurance will pay, what it will pay, and how it will calculate the time of departure.

TOP

HEALTH INSURANCE

Does Health Insurance Premium Increase Every Year – Forbes Advisor – 18th January 2024

There are many creative ways to invest in health. These could be buying nutritious food, getting a gym membership and indulging yourself in stress busting hobbies. Another one of the most critical ways to invest in health is to purchase a healthcare insurance policy. Medical emergencies can happen anytime due to which a valid health insurance policy is non-negotiable. Not only does it save you from extravagant spending on medical facilities, a healthcare insurance policy can ensure you receive the best treatment if and when that happens.

However, many people have concerns regarding the growing rate of health insurance premiums every year. Even though it seems like a big investment to make every year, opting out of a health insurance policy is a risk you should never take.

In this guide, we'll tell you why the health insurance premium increases every year and how you can reduce it.

How Does Health Insurance Work

Health insurance needs no introduction. These days, almost everyone is a beneficiary of a health insurance plan. Big and small organizations alike tend to include health insurance for their employees. The government of India has curated national and state specific healthcare policies for the lower income class. Possessing health insurance has also become commonplace especially after the Covid-19 pandemic. The premise of health insurance is simple. In case you face a medical emergency, your insurer will pay for all the medical expenses based on the policy's terms and conditions. Moreover, most insurers and hospitals have tie-ups that provide cashless claims facilities. This means that you will not have to pay a single penny as your insurer will directly pay your hospital.

Health insurance policies are also designed to fulfill all your needs. There are policies that cover hospitalization room rent, ambulance charge, pre and post hospitalization care, consultation fees and more. This allows you to stay rest assured at every step of the journey of receiving medical care. You can easily purchase and renew health insurance policies online. The process of purchasing health insurance policies is super simple and has several more benefits that we will talk about in detail.

Benefits of Health Insurance Policies

Before we dive into understanding why the premiums of health insurance policies increase every year, it is important to understand the benefits that health insurance policies offer that are listed below. Hospitalization Cost: Ofcourse, hospital bills shoot up for every treatment and that too when they're least expected. That's where health insurance saves the day. Many health insurance policies ensure that you receive the best treatment experience when admitted to a hospital so you can recover quickly and easily. This includes room charges, doctor's fees, surgery charges as well as charges for prescribed diagnostic tests.

Pre- and Post-hospitalization Care: Health insurance policies have also started providing coverage for expenditures related to consultations and treatments done before the hospitalization as well as follow ups done after the hospitalization. This really helps the policy holder to avoid spending an extraordinary amount of money. Diagnostic Tests and Check Ups: Many healthcare insurance providers also include annual health check ups for policyholders that do not require extra payment. These help to keep policyholders aware of their health as well as detect early signs of ailments.

Income Tax Rebate: The government of India provides rebates on income tax payments of up to INR 50,000/- for policyholders based on various circumstances. This is a major cost-effective benefit of purchasing healthcare insurance.

Factors Affecting Health Insurance Premiums

There are several factors due to which health insurance premiums rise with every year passing by. While some of these may not apply to your personal circumstance, many of them are unavoidable. Knowing the factors that affect health insurance premiums can help you plan ahead. This may also help you select insurance policies with terms and conditions that do not require you to pay significantly more every year.

The factors affecting health insurance premiums are:

Your Age: It is no secret that you are at your best health when you are young. As you age, you are likely to incur more expenses on medical care and for this reason, your insurance policy premium will increase as you age.

Your Family: If you are at a stage of life where you wish to provide your family, such as parents, spouses or children, with healthcare insurance then the premium of the health care policy will also increase. However, you can avail cost effective family floater insurance policy offers through this way. Your

Insurance Claim History: If you have claimed insurance several times in the past, some insurance providers are likely to increase the rate of the premium. In this scenario, it is important to read the terms and conditions of the policy carefully.

Inflation in the Healthcare Industry: The healthcare industry is prone to inflation every year and due to this factor, insurance providers also increase the premiums for their policy offerings. This means you are likely to incur some increment in the premiums even if all other factors do not affect you. Changes in Requirements: Your policy premium could increase in case there is a change in your requirements related to healthcare, such as planned hospitalization for a surgery, ongoing treatments, opting for family floater coverage.

How to Reduce Health Insurance Premium
While health insurance is non-negotiable, of course, there is a way out of everything. In this case, we'll discuss the various ways out of spending too much on health insurance. Take long-term plans: Insurance providers generally pack many features and benefits into long term policy plans that are also more cost effective than paying monthly premiums. Opting for annual, or three-year, five-year plans will be more cost effective in the longer run. It is also convenient as you will not have to remember renewal dates. Renew on time or even earlier: Renewing on time is as important as it is a hassle. Nobody will remember policy renewal dates unless reminded frequently. Many insurance providers provide discounts and offers on renewing before time which you must look out for.

Consider Add-ons wisely: While add-ons can prove to be highly beneficial, it is important to consider which ones will be most effective for your requirement. However, prioritizing health is foremost when making such critical decisions. Saving a few extra bucks could cause a serious financial burden in case of a medical emergency. Use No Claim Bonus (NCB): The option of NCB is truly a secret weapon when it comes to reducing the insurance health premium. If you haven't applied for an insurance claim, your insurance provider is likely to give you a NCB which means you will receive a discounted premium on the renewal of your policy.

TOP

Insurance cover under Ayushman Bharat health scheme likely to be doubled – Business Standard – 17th January 2024

The government is working on finalising a proposal to double the insurance cover under its flagship Ayushman Bharat health scheme to Rs 10 lakh to ensure that serious diseases like cancer and transplants that entail more expenditure are supported by it, official sources said on Wednesday. An announcement to this effect is likely to be made in the interim Union Budget on February 1, the sources told PTI. The Union health ministry is also planning to double the beneficiaries to 100 crore under the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB PM-JAY) to include Kisan Samman Nidhi recipients, construction workers, non-coal mine workers and ASHA workers in the next three years.

"In order to ensure that serious illnesses requiring expenditure of more than Rs 5 lakh such as transplants and high-cost cancer treatments etc. are also covered under AB PMJAY, the ministry is working on finalising a proposal to increase the cover amount from Rs 5 lakh per family per year to Rs 10 lakh per family per year from 2024-25 onwards," the sources said. The increase in coverage to Rs 10 lakh per family per year and increase in beneficiary base to 100 crore individuals will involve an additional allocation of Rs 12,076 crore per annum, the sources stated.

The scheme has successfully catered to 6.2 crore hospital admissions amounting to more than Rs 79,157 crore till now since its launch in 2018. If the beneficiary had availed the same treatment on his own outside the ambit of AB PM-JAY, the total cost of the treatment would have gone up nearly two times, the official said. The budget allocated for Ayushman Bharat PM-JAY for the financial year 2023-24 is Rs 7,200 crore, which is likely to more than double to around Rs 15,000 crore in the financial year 2025.

The AB PMJAY crossed the milestone of generating 30 crore Ayushman cards on January 12. With 4.83 crore cards, Uttar Pradesh tops the list of states having the maximum Ayushman cards. Madhya Pradesh and Maharashtra stand at number two and three positions with 3.78 crore and 2.39 crore Ayushman cards respectively, they said. Eleven states have more than one crore Ayushman card holders.

The flagship scheme being implemented by the National Health Authority (NHA) aims to provide health cover of Rs 5 lakh per family per year for secondary and tertiary care hospitalisation to 12 crore beneficiary families. Ayushman card creation is the most fundamental activity under the Ayushman Bharat PM-JAY and concerted efforts are being made to ensure that every beneficiary under the scheme has an Ayushman card, the ministry said.

Ayushman card creation has been included in the on-spot services being offered during the Viksit Bharat Sankalp Yatra launched on November 15, 2023 with the intent to ensure saturation of different schemes of the government. "The scheme is striving to achieve gender parity along with regional parity and income parity in access to healthcare services with 49 per cent Ayushman cards issued to female beneficiaries. Also, 48 per cent of treatment provided under the scheme has been availed by females," the official said, adding gender equity is part of core design of the scheme.

TOP

ESIC considers to extend medical benefits to unorganised, gig workers – Business Standard – 17th January 2024

In a bid to broaden the reach of social security, the government is considering extending medical benefits under its primary social security scheme for the organised sector — Employee State Insurance (ESI) — also to unorganised and gig sector workers. The Employee State Insurance Corporation (ESIC) has already initiated several discussions with various stakeholders in this regard. “The ESIC has held talks with various stakeholders on drawing plans to extend the coverage. Typically, the focus would have been on enhancing compliance to bolster the scheme’s subscriber base. But, now the ESIC wants to include both unorganised sector and gig/platform workers,” a person aware of the development said. Queries sent in this regard to the ESIC did not elicit response until the time of going to press.

Established under the Employees State Insurance Act, 1948, the ESI scheme currently applies to all factories employing 10 or more individuals earning up to Rs 21,000 per month, but only in notified areas. Recent data from the labour ministry revealed that the ESI scheme extends to 611 districts across 36 states/Union territories, with a network of 161 hospitals and 1,574 dispensaries. The number of insured persons (IPs) stands at 37.2 million. Sandeep Sachdeva, co-founder of Safe in India Foundation, said that while extending the benefits of the scheme to unorganised and gig sector workers, the ESIC must be cautious to manage the downside risks to ensure that the quality of their currently sub-par services does not deteriorate further. “We certainly need improved social security for unorganised and gig-economy workers. However, unless the new set of workers are included in the scheme at the same current rate of 4 percent of wages as insurance premium, funded by their employers or the government, the accumulated contributions of the existing subscribers over all these years and possibly in future may end up being used to subsidise benefits for the newly joined unorganised sector workers. The ESIC must, therefore, add new segments extremely judiciously and in a very controlled and phased manner, if at all," he further said.

Under the new Code on Social Security, 2020, the coverage of the ESI scheme is set to extend across India to all establishments employing 10 or more employees under the Code, as opposed to the currently notified districts/areas. A provision for voluntary coverage of establishments with fewer than 10 persons has also been incorporated. "The code also has provisions for formulating special schemes for unorganised workers, like platform workers and gig workers. The current deliberations by the ESIC to extend the currently functional ESI scheme to these categories is part of this policy," said the source cited above. A report by the Parliamentary Standing Committee on Labour in September of the previous year also expressed concerns about the ESIC's capacity to provide extended coverage as envisaged under the social security code. "The Committee notes that with the implementation of the Code, the coverage of ESI is to expand pan-India. The (labour) ministry has admitted that considering the existing infrastructure, expanding the coverage without proper development/ augmentation of facilities will not be in the interest of insured persons/beneficiaries," the report noted.

TOP

MOTOR INSURANCE

Forceful selling of insurance by automobile dealers call for regulation – CAM – 17th January 2024

Background

Automobile sector in India has been growing at a rapid pace, contributing to over 7% of India's total Gross Domestic Product[1]. With annual sales exceeding 20 million passenger vehicles the mandatory vehicle insurance requirement has led to a commensurate increase in motor insurance business sales. This sector now constitutes 45% of the overall business of general insurance in India.[2]

Automobile dealers are the primary touch points for customers while buying motor insurance products in the market. Prior to 2017, such dealers used to tie-up with insurers, brokers or agents to source motor insurance. In 2017, the Insurance Regulatory and Development Authority of India ("IRDAI") framed Guidelines on Motor Insurance Service Provider, 2017 ("MISP Guidelines"), following the report of a committee set up to review payouts to automobile dealers. The guidelines regulated the distribution of motor insurance business by automobile dealers.

The recent years have witnessed an increase in the instances of Motor Insurance Service Providers ("MISPs") forcing prospective customers to buy specific policies at specific prices. In fact, a refusal to buy insurance from such MISP, while within the customer's rights, could lead to an outright denial of the automobile sale. In response to the complaints relating to the above practice, the Road and Transport Authority (RTA) has also issued warnings to automobile dealers.[3]

Similarly, the IRDAI has strongly objected to the indirect exploitation practiced by MISPs and associated brokers, wherein a customer's refusal to buy a policy from them is met with the threat of denial of the cashless claim facility. In a case against Maruti Insurance Broking ltd. ("MIBL"), the IRDAI, found denying cashless claims to policyholders, who did not buy insurance from MIBL-sponsored MISPs, discriminatory and in violation of the code of conduct prescribed under the MISP Guidelines.[4] The IRDAI also observed that the MISP sponsored by MIBL violated guidelines by conducting business in a manner that was prejudicial to the interests of the policyholder and manipulated the insurance business. The IRDAI imposed a penalty of INR 3 crore on MIBL for the violation of the MISP guidelines.

MISPs associated with an insurer or insurance intermediary stand to gain handsomely by selling motor insurance policies to directly to the customers. This is because the margin earned is almost equal to or more than the margin involved in the sale of an automobile. The IRDAI allows insurance companies to pay around 19-22% of total premium as commission to MISPs[5], whereas automobile dealers earn around 4-7% profits from the sale of vehicles.[6] These dealers find the commissions earned from the sale of vehicles to be at par with those earned from the sale of insurance policy. For automobile dealers functioning as MISPs, motor insurance may become one of the primary products instead of an ancillary risk-hedging instrument while undertaking their usual business of automobile sales.

The IRDAI had set up a committee for review of MISP Guidelines in 2019. The Committee for Review of MISP Guidelines submitted its report in January 2021 ("Committee Report, 2021"). The Committee Report, 2021 acknowledged the issue of MISPs looking to solicit only select policies from a limited number of insurance companies limiting the choice provided to the customer. The Committee Report, 2021, while highlighting the practices reported in onsite inspection reports pertaining to MISPs, observed that "MISP has failed to offer a choice of motor insurance policies of different insurers to the prospect".

MISP Guidelines

Motor Insurance Service Provider is defined under the MISP Guidelines as an automobile dealer appointed by an insurer or an insurance intermediary to distribute and/ or service motor insurance policies of automobiles sold through it. Under the MISP Guidelines, any automobile dealer is eligible to become a MISP for distribution and servicing of motor insurance policies including add-ons.

The IRDAI has also laid down a code of conduct to be followed by MISPs ("Code of Conduct") under the MISP Guidelines in Chapter III. Further, the IRDAI has reserved the power to cancel the appointment of a MISP in an instance of violation of the Code of Conduct. Under the Code of Conduct, an obligation has been casted upon the MISP to offer a choice of motor insurance policies of different insurer(s) to the customer. Further, the Code of Conduct also provides that an MISP shall not: (a) force the prospect/ policyholder to necessarily buy motor insurance policy through a particular insurance intermediary or insurer, (b) deny the customer his rights and options to seek motor insurance policy or renewal of motor insurance policy from any insurer or insurance intermediary, (c) direct or indirect imposition of risk selection by insurers or curtailment of choice of the prospect/ policyholder, and (d) solicit motor insurance business from those customers who have not purchased vehicles from the respective MISP.

Therefore, actions of MISPs prevalent in the industry are in direct violation of the multiple stipulations under the Code of Conduct. However, the customers are left remediless in the absence of an effective grievance redressal mechanism. Further, MISPs are not categorised as 'insurance intermediaries' under the IRDAI Act, 1999. It hinders effective regulatory oversight by the IRDAI, which it exercises for other intermediaries. Non-recognition as an insurance intermediary means that MISPs are neither required to register with the IRDAI nor renew their registration in terms of Section 42D of the Insurance Act, 1938.

The Way Forward

The following can be considered by the IRDAI and the insurance industry as possible solutions:

MISP to be brought under regulatory purview of IRDAI: Under the MISP Guidelines, there is no provision empowering the IRDAI to impose penalties against automobile dealers operating as MISPs. IRDAI may impose penalties on insurers or intermediaries if any malpractice associated with their MISPs surface. However, the only recourse available to IRDAI against MISPs is to cancel their appointment directly. Since MISPs are similar to other insurance intermediaries and perform comparable functions, the IRDAI will be able to directly address the issue of policyholder exploitation by putting them under regulatory supervision by notifying them as intermediaries.

Necessary safeguards to be available for policyholder/customers of motor insurance: The IRDAI, in consultation with insurers, can help set up a specific grievance redressal unit/helpdesk for complaints by customers while dealing with MISPs. Violations by MISPs should then be recorded and followed up by the actions that may be taken by the IRDAI either during renewal or ad-hoc.

Adoption of suggestions of the Committee Report, 2021: The Committee Report, 2021 suggested institutionalisation of MISPs under IRDAI intermediary framework by providing two alternatives:

First, the MISPs can be transitioned into a distribution channel for soliciting motor insurance business, subject to certain conditions such as agreements with insurers, prohibition to collect premiums, and access made available to customers for online payment to insurers. For incorporating this structure under the current IRDAI framework, the authority will need to introduce regulations for governing MISPs similar to regulations for corporate agents, brokers, etc.

Second, MISPs can be transitioned to become a sub-broker or a sub-agent and work for a broker or a corporate agent, subject to regulatory requirements such as registration requirements, code of conduct, and use of technology for oversight and monitoring of MISPs. These options can be made available to automobile dealers acting as MISPs along with other regulatory requirements if suggestions of the Committee Report, 2021 are accepted by IRDAI. However, the viability of implementing this suggestion may run afoul of Section 42A of the Insurance Act, 1938, which provides for prohibition of insurance business through multi-level marketing.

Conclusion

Mis-selling has always been a hurdle to increasing insurance penetration in India. The MISP Guidelines of the IRDAI were introduced to ensure fair practices in the distribution and servicing of motor insurance policies. However, instances of malpractice by MISPs continue to increase, as have been highlighted above along with suggestions to curb such practices. Effective solutions incorporated under regulations can help address these issues and protect the interests of customers in the motor insurance market.

Bringing the public-facing MISPs into the regulatory purview and strictly enforcing the code of conduct can aid policyholders in protecting their interests. Additionally, introducing an efficient mechanism of customers grievance redressal specifically for complaints against MISPs may incentivise MISPs to comply with their responsibilities under the MISP Guidelines. These measures, if implemented effectively in the MISP-brokers-insurer network, may lead to overall development of insurance market in the future.

Further, it is yet to be seen how the newly-formed Central Consumer Protection Authority reacts to the aforementioned practice of forced selling, since, arguably, it can also be brought under the ambit of 'unfair trade practices' under the Consumer Protection Act, 2019 while scrutinizing it under the IRDAI regulatory framework.

TOP

CROP INSURANCE

Centre's crop insurance scheme finds more takers – The Indian Express – 13th January 2024

The insured gross cropped area of non-loanee farmers under Pradhan Mantri Fasal Bima Yojana (PMFBY) has reached a new high, indicating growing acceptance of the Centre's crop insurance scheme.

According to the data available with the Ministry of Agriculture and Farmers' Welfare, the non-loanee area, the gross cropped area for which farmers have not taken any loan from bank or other financial institutions, has jumped to 180 lakh hectares during crop year 2022-23 under the PMFBY, which is 70 per cent higher as compared to 106 lakh hectares during 2021-22.

In fact, the insured non-loanee area accounted for 36.07 per cent of the total insured area under the PMFBY during 2022-23, which is the highest in the last five years. The proportion of non-loanee area in the total insured area under the PMFBY have been hovering around 24 per cent during the last five years

— 23.93 per cent in 2021-22, 24.52 per cent in 2020-21, 22.38 per cent in 2019-20, and 24.3 per cent in 2018-19. While the insured non-loanee area has increased during the last five years, the loanee area has seen a decline from 444 lakh hectares in 2019-20 to 354 in 2020-21 to 336 lakh hectares in 2021-22 to 320 lakh hectares in 2022-23. In 2018-19, the loanee area stood at 406 lakh hectares.

The NDA government launched the PMFBY from kharif 2016. After implementation of the scheme for initial two years, the government reviewed it and introduced some changes with effect from October 1, 2018. In 2020, the government revamped the scheme's operational guidelines, and the revised guidelines came into effect from kharif 2020. Initially, the scheme was compulsory for loanee farmers, who possess a crop loan account/Kisan Credit Card (KCC) account to whom credit limit is sanctioned/renewed for the notified crop during the crop season. However, from Kharif 2020, it was made voluntarily. This explains the drop in the loanee area.

Under the PMFBY, farmers have to pay premium at the rate of 2 per cent of sum insured or actuarial rate whichever is less for kharif food and oilseeds crops (all cereals, millets, and oilseeds, pulses), 1.5 per cent for rabi food and oilseeds crops (all cereals, millets, and oilseeds, pulses), and 5 per cent for kharif and rabi annual commercial/annual horticultural crops. In several states, including Assam, Andhra Pradesh, Odisha, Maharashtra, and Tripura, the state governments are paying farmers' premiums, providing insurance for free. In kharif 2023, the scheme is notified by 20 states and Union Territories across 411 districts, covering 29 agricultural crops and 59 horticultural crops. In kharif 2022, the scheme was implemented by 20 states and Union Territories in 409 districts, and it covered 33 agricultural crops and 52 horticultural crops.

Experts said the steady rise in the non-loanee area under the PMFBY indicates growing acceptance of the scheme. "Since a large number of farmers have benefited from the scheme, even non-loanee farmers are getting enrolled so that they can benefit from the scheme. In view of highly subsidised premiums where a farmer is required to pay a negligible amount, the scheme has become popular. This trend indicates wider acceptance of the scheme," said Rajeev Chaudhary, the former CMD of Agriculture Insurance Company of India Limited.

TOP

SURVEY AND REPORTS

Uninsured losses of $32.94 billion in India due to natural disasters in five years: Swiss Re – The Indian Express – 17th January 2024

Natural catastrophes in India have led to uninsured economic losses of $32.94 billion (Rs 273,500 crore) during the five period of 2018-22, indicating the low insurance penetration in the country, global insurance giant Swiss Re said. Insured economic losses during the period were just $1.10 billion (Rs 9,130 crore) as 93 per cent of exposures were uninsured, it said.

Alongside the expanding economy and growing insurance market, India is exposed to many natural catastrophes, including earthquakes, floods, tropical cyclones, drought and wildfires."However, insurance protection against natural catastrophe risks is low: our resilience analysis indicates that 93% of the exposures are uninsured," Swiss Re said in a report.

In 2014, uninsured economic losses were a whopping $ 15.18 billion (Rs 126,000 crore) — biggest ever loss — while insured losses were just $ 1.29 billion. The total uninsured economic losses since 2014 amounted to $74.83 billion (Rs 621,000 crore) whereas insured losses were just $5.41 billion (Rs 44,900 crore).

"Economic losses due to natural disasters have been on an upward trend for many years, driven mainly by economic growth and rapid urbanisation," it said. India's major cities have high population- and asset-value concentrations, and many are exposed to multiple natural hazards. Mahesh H Puttaiah, Head Group Economic and Sigma Research, Swiss Re Institute, said, " India has also made good progress on risk mitigation measures for tropical cyclones, such as setting up early warning systems. But there is a long way to go on this front for other hazards (for example, floods)."

One challenge in bridging the large protection gap is limited awareness and perception of the risks. "The industry also faces challenges in underwriting, with a need for more granular data on existing natural catastrophe exposures, and establishing more robust modelling capabilities," Swiss Re said. The insurance industry has solutions to help individuals and companies to manage financial losses that result from natural catastrophes, while at the state level, reinsurance solutions can support governments in relief and rehabilitation work, in reinstating crucial services and in the rebuilding of public infrastructure, Puttaiah said.

Swiss Re has forecast that total insurance premiums in India will grow by 7.1 per cent in real terms, well above the global (2.4 per cent), emerging market (5.1 per cent) and advanced market (1.7 per cent) over the next five years (2024-28)."At this rate, India will have the fastest growing insurance sector of the G20 countries," it said. "In 2023 alone, premium growth moderated slightly from the previous year, reflecting still-in-process adjustments to the post Covid-19 era," Swiss Re said. Life premium growth slowed to an estimated 4.1 per cent from 5.9 per cent in 2022 as memories (risk awareness) of the pandemic faded, and a recent change in tax norms for high-ticket policies weighed on new premium growth, it said.

"We expect robust growth in life business (premiums up 6.7 per cent in 2024-28), supported by rising demand for term life cover by the middle-class and the country's young population, and also increasing industry adoption of Insurtech," Swiss Re said. Swiss Re said non-life premium growth moderated slightly from 9.0 per cent in 2022 to an estimated 7.7 per cent in 2023, as the market continued to stabilise after the pandemic. "Macro dynamics such as high interest rates, and elevated retail and medical inflation also presented some headwinds to non-life sector growth," it said. Non-life premiums are forecast to grow by an annual average of 8.3 per cent during 2024-28, driven by economic growth, improvement in distribution channels, government support and a favourable regulatory environment.

TOP

Insurance sector may see further listing, M&A activity in coming months: Moody's – Financial Express – 17th January 2024

Having raised Rs 1,930 crore in FY23, the insurance sector may witness further capital transactions, including stock market listings and M&A, to improve the sector's capital adequacy and financial flexibility in the months ahead, a report said. Indian insurers' favourable growth prospects have encouraged the sector to raise capital, outweighing the adverse impact of their weak underwriting profitability, Moody's said in a report. In FY23, the sector's paid capital rose to Rs 75,300 crore from Rs 73,400 crore a year earlier, an increase of 2.6 per cent. "We expect more such transactions, as well as more merger and acquisition (M&A) deals and initial public offerings (IPOs), to improve the Indian insurance sector's capital adequacy and financial flexibility in the months ahead," it said.

The report said foreign insurers would continue investing in the Indian insurance market and many foreign companies already present in the country through joint ventures could seek to increase their ownership stakes in their Indian affiliates. "We believe the presence of foreign stakeholders brings particular benefits in the areas of capital adequacy, financial flexibility and governance standards. The raising of limits on foreign ownership of insurance companies has been credit positive for the market," it said.

India's privately-owned insurers, where foreign shareholdings are concentrated, have cut their exposure to high risk assets and have been early adopters of actuarial-led reserve management and risk-based capital management, it said, adding, this will help private insurers reap benefits of India's economic growth. The report said the overall insurance sector's profitability after tax was positive in FY23, helped by better investment returns. However, the general insurance sector's result remained negative as rising claims pushed it to an underwriting loss, it said, adding, a sustained increase in prices as a result of the government's reform programme would significantly improve the sector's underwriting performance and profitability.

TOP

Insurance to grow fastest in India among G20: Swiss Re – Times of India – 17th January 2024

India's insurance sector is set to be the fastest-growing among G20 countries from 2024 to 2028, reinsurance giant Swiss Re said. The insurer forecasts a robust inflation-adjusted growth rate of 7.1% for India's insurance market over the next five years, nearly three times higher than the global average of 2.4%. The Swiss Re Institute (SRI) anticipates an increase in insurance penetration (the contribution of insurance to GDP) from 3.8% to 4.5% by 2034.

Despite annual economic losses in India reaching $8 billion (inflation-adjusted) due to natural calamities over the last decade, insurance protection against such risks remains low, with 93% of exposures uninsured, according to SRI's resilience analysis. The rise in premiums is expected to be fuelled by economic growth, an expanding middle class, and regulatory support, with Irdai aiming for universal coverage by 2047.

Emerging markets, including India, are projected to grow at 5.1% over the next five years, while advanced markets are expected to grow at a slower rate of 1.7%. In terms of segment split, the life insurance market, comprising about three-quarters of total premiums in India, is forecasted to grow at an annual average of 6.7% from 2024 to 2028, while non-life premiums, including health, are expected to expand by an average of 8.3%.

Swiss Re Institute recognises India's progress in risk mitigation for tropical cyclones but notes the need for further measures, especially for hazards like floods. The institute emphasises the role of the insurance industry in providing solutions to manage financial losses resulting from natural catastrophes. Mahesh H Puttaiah, head of group economic & sigma research Bangalore at Swiss Re Institute, highlights that insurance and reinsurance solutions at the state level can support governments in relief efforts, reinstating crucial services, and rebuilding public infrastructure.

TOP

INSURANCE CASES

After death of home loan borrower, husband fights for 13 years for life insurance claim against SBI Life Insurance and wins

SBI Life Insurance was ordered by the National Consumer Disputes Redressal Commission (NCDRC) to pay a deceased customer's husband the full amount of insurance claim to settle the remaining amount of home loan taken from State Bank of India (SBI). To get the insurance claim, the husband of the deceased policyholder had to fight for 13 years

Harjit Kaur took a home loan from SBI for Rs 9 lakh. However, the bank while sanctioning the loan also made her buy SBI Life Dhanraksha Plus LPPT insurance policy. She had to pay a premium of Rs 63,445 for this policy. Only because of this policy the total loan amount disbursed by SBI went up to Rs 9.63 lakh

The insurance policy was sold to settle the home loan outstanding in case of the borrower's death. Without the insurance protection, the liability to pay EMIs for the remaining tenure or paying off the outstanding balance of the house loan would have fallen on the husband or other family members. Unfortunately, on June 10, 2011, Mrs Kaur died in a hospital at Amritsar after a brief illness. Shortly after that, her husband filed an insurance claim with SBI Life Insurance, however, it was rejected.

Why did SBI Life Insurance reject the policy claim?

SBI Life Insurance rejected the insurance claim because the insurance policy had been obtained by suppressing material evidence pertaining to pre-existing illnesses of the policyholder who was then deceased. After the rejection of the insurance claim from the insurance company, the husband of the deceased policyholder filed a case in the District Consumer Forum.

Fight in District Consumer Forum

It was a case of forced insurance selling, and the insurance company was found to be denying the rightful claim of the relative of the home loan borrower.

The District Consumer Forum in their order dated October 15, 2015, said, "We find that the insurance death claim has been repudiated for the other prime reason that the deceased policyholder suppressed the fact of her continuing ailments (as alleged) in her 'proposal form' pertaining to the policy in question. However, it needs to be examined against the backdrop that the policyholder never herself opted for the insurance policy out of her free will (since it was never routine/standard life/health policy etc.,) and she had to compulsorily go in for its purchase at the instance/ compelling persuasion of the bank from who she had availed 'housing loan' and thus being in a subservient position she had to join the bank's group insurance as member and to purchase the said policy that indemnified the housing loan outstanding but only in the remotest event of the sad demise of the borrowing policyholder."

The District Forum had passed an order which was favourable for the deceased policyholder. The order read, "In the light of all discussions, while partly allowing the present complaint we hold the titled bank service providers as guilty of unfair trade practice/ deficiency in service and thus order them to settle the impugned claim in full in terms of the related policy (i.e., liquidate the housing loan outstanding)." A compensation and cost of litigation award was also given by the District Commission.

Fight lost in State Consumer Forum

After the insurance company lost in the District Consumer Forum, they filed an appeal in the State Consumer Forum. The State Consumer Commission passed an order in favour of the insurance company.

They said in their order dated August 19, 2016, "It is evident from the medical treatment record that the policyholder suppressed the material information with regard to her health prior to her enrolment to the insurance policy. The policy in question was obtained by concealing the material facts regarding her health as such, the insurance contract became void-ab-initio, and the claim of the complainant was rightly repudiated by the company. The findings of the District Forum are contrary to the facts brought on the record. Therefore, the order of the District Forum cannot be sustained in this appeal."

Case goes to NCDRC

The husband of the deceased policyholder filed an appeal in NCDRC. NCDRC made the following observations, "It is evident that the deceased policyholder did not approach the company for an insurance policy. It was rather, a policy that was required to be taken as part of the house building loan that was sanctioned by the bank. There is no evidence on record that the deceased policyholder approached the insurance company for a policy of life insurance. This is also evidenced by the fact that the insurance policy proposer was SBI."

NCDRC also said that the insurance policy purchase has been processed as a collateral compulsion of the housing loan disbursement. "The complainant simply 'signed' at the 'pre-marked' destinations on the 'proposal form' along with the other documents," said NCDRC in their order dated December 4, 2023. NCDRC passed the award that SBI Life was indeed at fault and practised unfair trade practices and was also deficient in service. Hence, the order passed by the district consumer forum was held true.

"Such acts and omissions do add up to amount to 'unfair trade practice' and 'deficiency in service' under the act and thus making them vulnerable to an adverse award. The order of the State Commission is set aside, and the order of the District Forum affirmed," said NCDRC in the order.

TOP

LIC Asked To Pay Rs1.60 Lakh Claim for Ventral Hernia Surgery under Jeevan Arogya Policy – Money Life – 16th January 2024

Rejecting the contention of the Life Insurance Corporation of India Ltd (LIC) that ventral hernia surgery is not covered under the list of major surgical benefits under its Jeevan Arogya policy, the national consumer disputes redressal commission (NCDRC) directed LIC to pay Rs1.60 lakh as claim for medical treatment to the policyholder.

In an order last week, the NCDRC bench of Dr Inder Jit Singh (presiding member) says, "We are not in agreement with the contentions of the petitioner (LIC) that 'ventral hernia' is not covered under the list of major surgical benefit. We also do not agree with the contentions of the petitioner that there was any suppression of material facts by the respondent herein. Under the policy, major surgical benefit sum assured is equal to 100 times the applicable benefit in any policy year for each insured. Surgery or surgical procedure means a medically necessary procedure or intervention performed by a qualified medical practitioner and carried out through a natural orifice or approached by cutting or penetration of any part of the body to treat a disease deformity or injury."

The case is related to a Jeevan Arogya insurance policy bought by Tripura-based Purbita Gupta. The policy also covered her father, Purnendu Gupta and mother Sumita Gupta. During the subsistence of the policy, Mr Gupta, the father of Purbita, underwent ventral hernia surgery on 18 July 2016 at Apollo Hospital in Chennai. After completion of treatment, the Gupta family returned to Agartala, and Ms Gupta submitted a claim of Rs2.17 lakh being the cost of treatment of her father under the policy along with medical prescriptions, bills and vouchers with a forwarding letter addressed to the chief manager of LIC at Agartala branch.

After receiving the claim, LIC's manager for health insurance from its Silchar divisional office sought some clarification from Ms Gupta. On 14 September 2016, she replied to the queries. On 12 January 2017, the chief manager from the Agartala branch personally visited the Guptas' house and did physical verification of the claim and related documents. However, on 27 March 2017, LIC's manager for health insurance from its Silchar divisional office informed Ms Gupta that her claim was reduced to Rs17,100 as other surgical benefits under the Jeevan Arogya policy.

According to Ms Gupta, she has fulfilled the terms and conditions of the policy but, in spite of that, LIC denied her justified claim on the grounds that 'ventral hernia' surgery is not a major surgery. Being aggrieved, she filed a complaint before the West Tripura district consumer disputes redressal forum. On 28 June 2019, the district forum partly allowed the complaint. It says, "Admittedly, the hernia surgery of the father of Ms Gupta was performed in the year 2017, which is five years after the date of purchase of the policy. As per the policy, the specific waiting period for getting benefits out of the policy for treatment of hernia is two years."

"Moreover, it is on record that the father of Ms Gupta remained as an indoor patient for five days in the Apollo Hospitals for undergoing the surgery. This is a significant aspect to make us understand the health condition of the father of Ms Gupta at the pre-and post-operation stages, who is also a senior citizen. Having regard to this position, we are of the opinion that Ms Gupta should not be deprived of getting insurance benefits for the ventral hernia surgery, which was undertaken by her father at the Apollo Hospital, simply on the ground that such a surgery does not find place in the list of major surgical benefit," the district forum ruled.

Being aggrieved by the order, LIC filed an appeal before the Tripura state consumer disputes redressal commission. On 18 January 2020, the state commission dismissed the petition filed by LIC.

In its order, the state commission observed that while Ms Gupta had filed a claim of Rs2.17 lakh, the district forum directed LIC to pay Rs1.60 lakh. The district forum did not allow other charges like equipment, medical administration, and non-pharmaceutical material and also did not allow the entire actual cost of treatment.

"Though according to us, the complainant is entitled to get the entire cost of treatment. We are of the opinion that if surgery like a ventral hernia comes within the purview of the policy in question, then an insured is entitled to get the actual cost of treatment, but there is no appeal before us by the complainant. Thus, we are not in a position to provide the actual cost of treatment..," the state commission says in its order.

LIC then filed a revision petition before NCDRC.

During the hearing, the counsel for LIC argued that the state commission had not given independent reasons in the order but had merely endorsed the reasons of the district forum. "As per the terms and conditions of the policy, the surgery is not included in the list of surgery charts and, therefore, no amount is payable. No amount of premium has been paid by Ms Gupta on underwriting the risk. Further, at the time of taking the policy, she was fully aware that surgery conducted upon her father is not covered under the policy," the counsel says.

The amicus curiae, on behalf of Ms Gupta, argued that LIC arbitrarily paid Rs17,100 by wrongfully considering the claim under other surgical benefits where the same should have been allowed in totality under major surgical benefits. "The medical condition of her father first arose after the commencement of the policy, after the prescribed waiting period of two years." He further argued that vide a letter dated 11 September 2017, for the first time, LIC provided a list of major surgeries and day care procedures allowed under the plan; however, these things are already there in the policy bond, although in a very small size.

After going through the orders of the state commission, district forum, other relevant records and rival contentions of the parties, NCDRC noted that the state commission and district forum had passed well-reasoned orders. "We find no illegality or material irregularity or jurisdictional error in the order of the state commission; hence, the same is upheld. Accordingly, the revision petition (filed by LIC) is dismissed," Dr Singh says in the order.

(Revision Petition No724 of 2020 Date: 12 January 2024)

TOP

PENSION

NPS new withdrawal rules from Feb 1: Check clauses, eligibility highlighted by PFRDA – Business Today – 18th January 2024

The Pension Fund Regulatory and Development Authority PFRDA) has introduced new provisions of withdrawal of pension under the National Pension System (NPS). These provisions will come into effect from Feb 1, 2024. The pension body issued a master circular dated January 12, 2024, and gave clauses for partial withdrawals. As per the rules, NPS subscribers cannot withdraw more than 25 per cent of their contributions to their individual pension account excluding the employer's contribution.

Subscribers can make partial withdrawals only three times throughout the duration of their subscription. To qualify for a partial withdrawal, subscribers must have been a member of this scheme for a minimum of three years. NPS partial Withdrawal is permitted for purposes such as education expenses for children, marriage, house construction, or medical emergencies.

As per the new rules, subscribers can go for partial withdrawals, if:
> Higher education expenses for the subscriber's children. This is also applicable for legally adopted children.
> Marriage expenses for the subscriber's children. Also applicable for legally adopted children.
> Purchase or construction of a residential house or flat in the subscriber's name or jointly owned.
> Medical expenses for specified illnesses, such as cancer, kidney failure, primary pulmonary arterial hypertension, multiple sclerosis, major organ transplant, coronary artery bypass graft, and others.
> Medical and incidental expenses arising from the disability or incapacitation suffered by the subscriber.
> Expenses for skill development or re-skilling.
> Expenses incurred by the subscriber for establishing their venture or any start-up.

Other clauses for partial withdrawals:
> Subscribers should be a member of the NPS for a minimum of three years from the date of joining.
> The partial withdrawal amount should not exceed one-fourth of the subscriber's total contributions (25%) in their pension account.
> For subsequent partial withdrawals, only incremental contributions made by the subscriber from the date of the previous partial withdrawal shall be allowed.

How to apply for the withdrawal?
Subscribers are required to submit their withdrawal request to the Central Recordkeeping Agency (CRA) through their respective government nodal office or point of presence. The request should include a self-declaration explaining the purpose for the withdrawal. If the subscriber is ill, his or her's family member can submit a request for withdrawal. Once a withdrawal request is received, the Point of Presence or Government Nodal Office will identify the recipient.

TOP

PFRDA notifies new point of presence regulations for NPS subscribers - Business Standard – 17th January 2024

In a bid to further the ease of doing business, increase the use of digital mode and bring down compliance costs, the Pension Fund Regulatory and Development Authority (PFRDA) notified the new simplified Point of Presence (PoP) Regulations on Wednesday.

With this notification, banks and non-banks can now act as PoPs to onboard National Pension System (NPS) subscribers, and they will require only a single registration for NPS, instead of multiple registrations earlier. The timeline for disposing of applications has also been reduced from 60 days to 30 days, and banks can operate with just one branch with a wider digital presence. The simplification in PoP regulations is in line with the Union Budget 2023-24 announcement to review regulations to reduce the cost of compliance and enhance the ease of doing business. "To simplify, ease, and reduce the cost of compliance, financial sector regulators will be requested to carry out a comprehensive review of existing regulations," Finance Minister Nirmala Sitharaman had said in her budget speech.

Put simply, PoPs are the first point of contact for NPS account holders in the NPS architecture, and they facilitate registration, contribution, and other transactions for NPS account holders. PoPs are entities that provide services under NPS through their network of branches called PoP Service Providers (PoP-SP). For a PoP to be considered eligible, the new regulations stipulate a minimum net worth of Rs 2 crore, which shall include a minimum paid-up equity capital of Rs fifty lakh, as on the last day of the immediately preceding quarter, duly certified by the statutory auditor.

TOP

Allow NPS investment tax break of Rs 50,000 in new tax regime in interim budget 2024: Experts – The Economic Times – 13th January 2024

The government wants to encourage people to move to the new tax regime which combines lower tax rates with a very limited number of exemptions. As of now, an individual's contribution of up to Rs 50,000 to the National Pension System (NPS) under Section 80CCD (1B) as deduction under the old tax regime but not under the new tax regime. Promotion of retirement saving is also a stated goal of the government because of which the above-mentioned deduction was allowed over and above the tax saving investment limit of Rs 1.5 lakh under Section 80C in the old tax regime.

Consequently, it becomes all the more necessary to allow the tax break for NPS contribution of up to Rs 50,000 under section 80CCD (1B) also in the new tax regime, say experts. It is hoped that the interim budget 2024 would add this important and necessary exemption to those available under the new tax regime, they add. This may encourage more people to shift from the old to the new tax regime as NPS is slowly becoming popular as a retirement planning tool.

In Budget 2020, the government had introduced a concessional tax regime - called the new tax regime - with lower tax rates and varying income slabs. However, the new regime did not allow most of the commonly availed deductions and tax exemptions. Only the NPS-related deduction under Section 80CCD (2) of the Income-tax Act, 1961, was allowed under the new tax regime. This deduction is on employer's contribution to employee's NPS account and is available in the old tax regime also. To make the regime more attractive, the government also allowed the benefit of standard deduction from salary and pension income in the new tax regime in Budget 2023. A salaried individual opting for the new tax regime in FY 2023-24 can claim a deduction of Rs 50,000 from the gross salary income.

The Income-tax Act allows a salaried individual to claim three separate deductions on NPS investments under the old tax regime but only on employer's contribution to employee's NPS account in the new tax regime at present.

Here is what experts say:
Dr Suresh Surana, Founder, RSM India - business consulting group: An additional deduction of Rs, 50,000 (over and above the threshold limit of Rs 1.5 lakh under Section 80C) on contribution to NPS can be claimed by a taxpayer under Section 80CCD(1B) of the Income-tax Act. It is pertinent to note that while taxpayers opting for the old tax regime can avail the aforementioned deductions, taxpayers opting for the new tax regime cannot do so. The government may consider allowing deduction under Section 80CCD (1B) under the new tax regime for the following reasons:
Allowing deductions for NPS contributions can incentivise taxpayers to save for retirement, promoting long-term financial planning
NPS contributions enable in building a social security net, ensuring taxpayers have a source of income in their post-retirement years
Encouraging contributions to NPS supports the goal of financial inclusion by providing taxpayers with a tax benefit for participating in a government-backed pension scheme

Akhil Chandna, Partner, Grant Thornton Bharat - business consulting group: The deduction under Section 80CCD(1B) was introduced to accelerate investment in NPS. As per Section 80CCD(1B), employees or self-employed can claim an additional deduction (over and above the Rs 1.5 lakh under Section 80C) of Rs 50,000 for contribution to NPS. Currently, this deduction benefit is restricted to taxpayers opting for the old tax regime and taxpayers under the new tax regime cannot avail it.

As the new tax regime is now the default tax regime, allowing deduction under 80CCD(1B) would make NPS more lucrative, and help promote retirement savings. Therefore, as the yearly finance budget is fast approaching, individual taxpayers have high expectations that the NPS deduction under section 80CCD (1B) would be introduced under the new tax regime as well.

Kurian Jose, CEO, Tata Pension Management under NPS: NPS is a superior avenue for creating a long-term pension corpus for retirement. The partial exempt-exempt-exempt (EEE) tax status of NPS may have been playing an important role in increasing its awareness and popularity. However, as per latest information available on the PFRDA website, the year-on-year (YoY) growth in NPS Assets Under Management (AUM) under the All-Citizen model until November 2023 was 32% vis-à-vis growth of 40% YoY as of November 2022.

Similarly, the growth in number of subscribers as of November 2023 has fallen to 23% YoY vis-à-vis 37% as of November 2022. This may be attributable to not allowing the Rs 50,000 deduction under NPS under Section 80CCD (1B) in the new tax regime.

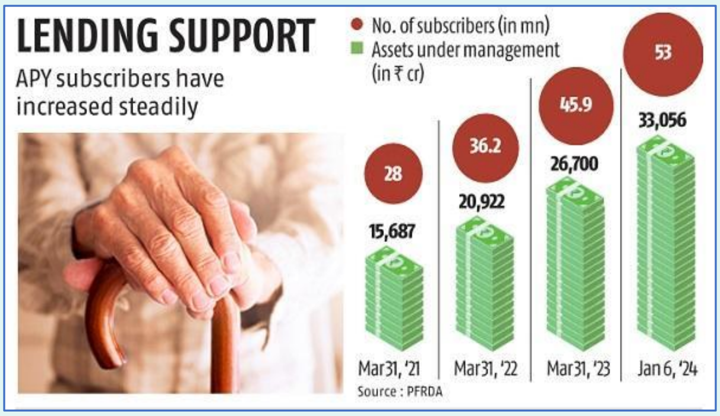
This benefit under Section 80CCD (1B) was largely known and played a key role in getting individuals to invest in the NPS - whether they were employed in the organised sector or otherwise. We believe that including this exemption in the new tax regime could play a big role in popularising NPS.

TOP

Interim Budget may raise pension floor for unorganised sector workers – Business Standard – 15th January 2024

The government is learnt to be considering raising the minimum pension amount under the Atal Pension Yojana (APY), its flagship scheme for unorganised sector workers.

“We are considering the proposal. A decision is likely either in the Interim Budget or outside of it,” a government official said, requesting anonymity.



The Pension Fund Regulatory and Development Authority (PFRDA) had earlier written to the government seeking an increase in the guaranteed pension amount under the scheme, as the current amount may not be attractive enough for potential subscribers to enroll.

“We have requested the government to raise the limit. In the case of guaranteed pensions, the government has to make budgetary proposals. If the pension amount is increased, the funding must also be increased.

The promise has to be backed by actual money. So, we have sent a proposal to increase the limit, as the current amount may not retain the same value after 20 years,” PFRDA Chairman Deepak Mohanty had told Business Standard in September last year. Currently administered by the PFRDA, the pension scheme, launched in June 2015, aims to cover the vast unorganised sector (approximately 450 million people).

Such workers don’t receive social security benefits, such as pension or health insurance. APY subscribers, contributing between the ages of 18 and 40 years, receive a minimum guaranteed pension of Rs 1,000, Rs 2,000, Rs 3,000, Rs 4,000, or Rs 5,000 per month upon reaching the age of 60, depending on their contributions for the chosen pension amount.

For instance, for a minimum pension of Rs 1,000, a person joining at the age of 18 years has to deposit Rs 42 per month. For a minimum pension of Rs 5,000, the same person has to deposit Rs 210 per month. The benefit of minimum pension is guaranteed by the government, as it contributes 50 per cent of the contribution amount, or Rs 1,000 per annum, whichever is lower, for a period of five years.

As on January 6, APY has over 53 million subscribers and Rs 33,056 crore in assets under management.

TOP

Southern region takes lead in NPS enrolment: PFRDA – The Hindu – 12th January 2024

Pension Fund Regulatory and Development Authority (PFRDA) revealed that the asset under management (AUM) has reached ₹11-lakh crore as of January 10, 2023, with the southern region leading in the National Pension System (NPS) enrolment, contributing the highest share in the current fiscal year across India. Approximately 31 per cent of all India enrolments in the NPS private sector (corporate + all citizens) are from the southern region. In NPS Corporate, the Southern region holds a substantial 39 per cent share, while for All Citizen, it stands at 29 per cent.

Within 4 months and 18 days (from August 24, 2023 to January 10, 2024), the AUM surged from ₹10-lakh crore to ₹11-lakh crore. Additionally, the private sector AUM achieved ₹ 2-lakh crore as of December 9, 2023. In FY 2023-24, the NPS private sector witnessed significant growth -- the total subscriber base surged to 51 lakh, with an AUM of ₹2.04-lakh crore as of December 23, 2023.

All citizen subscribers grew to 32.17 lakh (22 per cent) from 26.3 lakh, and AUM increased to ₹0.53-lakh crore (38 per cent) year-on-year. While corporate subscribers increased to 18.83 lakh (16 per cent) from 16.24 lakh, with AUM rising to ₹1.5-lakh crore (38 per cent) from the previous year. The number of corporates registered under NPS reached 14,991 in December 2023, up from 12,865 in March 2023. Moreover, projections indicate the private sector's subscriber base is expected to surpass 55 lakh, with AUM reaching ₹2.20-lakh crore by the fiscal year's end. As of December 23, 2023, NPS/APY collectively boasts 6.99 crore subscribers and an AUM of ₹10.85-lakh crore.

TOP

India shares data on social security programmes such as EPFO, NPS and ESIC with US – The Telegraph – 14th January 2024

India has supplied comprehensive data on its social security programmes such as EPFO, NPS and ESIC to the United States, marking a significant step towards initiating negotiations on a bilateral totalisation agreement. This agreement aims to exempt short-term visa holders from mandatory contributions to social security. US Trade Representative Katherine Tai on Saturday said they have received information from India recently on the proposed social security agreement and there is a lot of work to be done on the subject.

Social security totalisation agreement was one of the key asks from the Indian side in the meeting of the Trade Policy Forum here, as it will significantly contribute towards enhancing services trade between countries and help Indian IT professionals who temporarily work in the US. India has submitted all the relevant data on its social security schemes which was sought by the US to start negotiations on the agreement.

"Yes, the Indian government is in touch with our social security administration... We have received that information on the eve of the TPF... We have the information and the ball is back in our court, but it's just landed in our court. So there is a lot more work to do to facilitate the conversation on India's proposal," Tai told reporters here. She was here for the 14th TPF meeting. It was co-chaired by her and commerce and industry minister Piyush Goyal.

Under this agreement, an expatriate in either country need not contribute to the social security scheme of the host country. It will benefit a number of Indians, particularly from the IT sector, who are working in America and paying social security but are unable to get any benefit out of it. When asked about the issues being raised by the US side on India's import management system for specified IT hardware, Tai said they have asked India to hold consultations with them and other stakeholders on such matters.

Goyal in the TPF meet has elaborated on India's objectives, including those related to national security concerns on the matter. "We want to ensure that New Delhi creates a space for consultation not with us but with others, all stakeholders including our stakeholders," she said. She added that the consultation would ensure that such decisions do not disrupt the regulatory environment, which is important for both sides.

On increasing cooperation in the critical minerals sector, the USTR said these goods are critical to sustainable and resilient economic industrial future for both the nations. The two ministers expressed commitment to launch future joint initiatives in certain areas, including critical minerals and trade in high tech products.

TOP

Centre reconstitutes EPFO governing body without representatives from INTUC, AITUC – The Hindu – 14th January 2024

The Centre reconstituted the Central Board of Trustees (CBT) of the Employees Provident Fund Organisation (EPFO) by excluding representatives of the Opposition trade unions INTUC, AITUC and AIUTUC from the panel. All India Manufacturers Association, an organisation of employers started by legendary engineer M. Visvesvaraya in 1941, also couldn't find a place in the new panel. Laghu Udyog Bharti, an organisation of employers supported by the RSS, has managed to send two members to the panel, as per the notification released by the Union Labour Ministry on Saturday.

The new panel will get a five-year tenure in the post. Both the employees and the employers have ten representatives each in the panel, apart from representatives of the Union and State Labour departments. Union Labour Minister Bhupender Yadav is the Chairman of the CBT. Expressing surprise at the exclusion, INTUC president G. Sanjeeva Reddy said the Centre has done them an injustice. "We represent millions of workers. By excluding us, the Centre has excluded workers," he said.

In the outgoing panel, three posts had been kept vacant for the INTUC. The Centre has been claiming that INTUC is not included in government panels as there are several different groups claiming leadership over it. The AITUC, one of the oldest trade unions in the country, has decided to raise its protests with Mr. Yadav. "We were the second biggest trade union after INTUC according to the 2002 referendum of unions. We have strong protests in this action and we will raise it with the Minister," said Sukumar Damle, a member representing AITUC in the outgoing CBT. The CITU too protested the exclusion of the three unions. "The BJP government has consistently weakened the tripartite mechanism and this move is yet another example of it. We oppose the exclusion of INTUC, AITUC and AIUTUC from the panel," said senior CITU leader and member of the outgoing CBT A.K. Padmanabhan.

Government sources indicated that the selection of members was done after consultation with the trade unions. Each trade union was asked to send three names to be included in the CBT. Ten central trade unions, however, opposed this and said they would send just one name to the government. In the place of INTUC, AITUC and AIUTUC, the Centre has newly inducted to the panel the Trade Union Coordination Centre, Self Employed Women's Association and the National Front of Indian Trade Unions. The BMS, the trade union of Sangh Parivar, has retained three members in the panel. The trade unions have also been demanding that the Centre carry out a referendum of central trade unions to know the exact membership of each organisation. The BMS is considered as the largest union at present, followed by the INTUC. HMS and CITU have retained their membership in the CBT.

TOP

GLOBAL NEWS

Bangladesh: Securities regulator's governance code clashes with insurance law – AIR – 15th January 2024

A recent notification by the Bangladesh Securities and Exchange Commission (BSEC) concerning the number of independent directors on the boards of listed companies is at odds with the country's insurance law. The BSEC notification, issued in November 2023, is about a corporate governance code amendment for listed companies. It specifies that any fractional count of neutral directors should be rounded up to the next whole number, according to a report by The Financial Express.

"At least one-fifth of the total number of directors on a company's board shall be independent directors; any fraction shall be considered to the next integer or whole number for calculating the number of independent directors," said the BSEC corporate governance code. The Insurance Development and Regulatory Authority (IDRA) said that the clause in the Code conflicts with the Insurance Act 2010. It urges the BSEC to adhere to provisions in the Insurance Act 2010 for the appointment of independent directors on the boards of life and non-life insurers listed on the stock exchange.

The insurance regulator highlights that at least two directors, or one-fifth of the total director count, on a company's board must be independent. The IDRA asserts that the Act's provisions take precedence over the Code. The Bangladesh Insurance Association (BIA) has discussed the issue with the IDRA, said BIA vice-president AKM Hoque. The IDRA said that the provision in question would apply to listed insurance companies only. There are 78 companies in the insurance sector of Bangladesh. Fifty-seven life and non-life insurers are listed with the Dhaka Stock Exchange.

TOP

Japan: Life Insurance Association chairman spells out 2024 action plan – AIR – 16th January 2024

The Life Insurance Association of Japan (LIAJ) will continue its proactive approach this year, focusing on three pillars of action, says Mr Hiroshi Shimizu, the association's chairperson in his New Year message for 2024.

The three pillars, first outlined when Mr Shimizu was appointed as LIAJ chair in July 2023, are:

1. Promoting customer-first business operations for a "Safe and Secure Society"
To deliver constant peace of mind to customers and to continue to serve the well-being of society, the life insurance industry's focus on promoting its "customer-first business operations" in the utmost interest of customers is the LIAJ's top priority.

Accordingly, the LIAJ held a dialogue to exchange opinions and ideas among member companies on "the viewpoints for the enhancement of the compliance risk management structure related to the direct salesperson channel" last September. The LIAJ will hold another dialogue again based on the results of a member company survey related to their efforts which was conducted last October.

The LIAJ is also planning to publish in late February 2024 the results of the sales agencies that satisfied all the basic criteria under the LIAJ's Agency Operations Quality Review which is in its second year.

In addition, the LIAJ published a report November 2023 on "the initiatives taken by the life insurance industry against COVID-19 and passing down the lessons learned that could be applied in the event of another pandemic.

Moreover, the LIAJ concluded "the comprehensive collaboration arrangement on insurance education" with the General Insurance Association of Japan and the Japan Institute of Life Insurance in November 2023 to cooperate and work together on insurance education more effectively improve financial literacy among citizens by emphasising the importance of self-help or individual awareness and preparation against risks.

2. Contributing to solving regional societal issues for a "Society Full of Hope"
Faced with the urgent challenge of the falling birth rate, the LIAJ seeks to contribute to the momentum of supporting childrearing throughout society. It will highlight the initiatives taken by the LIAJ and its member companies responding to the falling birth rate, as well as re-emphasising the responsibility of the life insurance industry.

The LIAJ will also focus on childrearing in local communities by developing guidance materials on topics related to raising children and protecting children's rights, as well as communicating the initiatives both within and outside the industry. These initiatives will be published in April 2024.

Furthermore, the LIAJ and its member companies have been proactively engaging in activities that contribute to local communities. It will also revamp its website to raise the visibility of these activities and its annual report in June 2024 to enhance the communication in an easy-to-understand way for the public.

In addition, amid the rapid pace of digitalisation, the LIAJ will compile a report as well as hold workshops to support member companies in digital transformation.

3. Contributing to solving global environmental issues for a "Sustainable Society"
Given the importance of taking concrete actions, such as de-carbonisation, to ensure sustainability, LIAJ members will continue to contribute to the improvement of investee companies' corporate values and their sustainable economic growth through ESG investment/financing and stewardship activities.

The LIAJ also proactively communicated its industrywide efforts at international conferences such as "PRI in Person 2023" and the IAIS annual conference, both of which took place in Tokyo last year, as well as exchanged views and opinions among member companies to enhance the efforts made by member companies in this regard.

Furthermore, the LIAJ will publish two booklets in April 2024 on global environmental issues. One will be a basic edition providing summaries and guidance on fundamental environmental challenges, and the other will be an advanced edition covering more specific and technical topics such as global initiatives and developments.

Mr Shimizu says that in addition to these three pillars of action, the LIAJ will continue to foster an environment that maintains the trust of customers and ensures the sound development of the life insurance industry.

The life insurance industry will proactively communicate the expansion of the life insurance premium tax deduction system and international and domestic financial regulations to support and promote peoples' efforts to obtain the various types of private insurance coverage that they need.

TOP

Australia: Cyber named as top risk in 2024 – AIR – 17th January 2024

'Cyber incidents' replaces 'natural catastrophes' as this year's top business concern in Australia, while 'shortage of skilled workforce' becomes a Top-Three ranked peril, according to Allianz Commercial, which is Allianz Group's corporate insurer. The "13th Allianz Risk Barometer" report, released yesterday, shows that cyber incidents ousted natural catastrophes as the topmost risk in Australia. Mr Phuong Ly, chief general manager of Allianz Australia Commercial, said, "In Australia, cyber has become the top issue for businesses moving from fourth place in 2023 to first place in 2024, which isn't surprising, given some of the high profile cyber breaches that Australia witnessed in 2023. We encourage businesses to proactively understand their cyber security posture and ensure that the appropriate risk mitigations and insurance covers are in place.

“The other big mover in Australia was concerns around shortage of skilled workforce which has moved in rankings from fifth to third place. This is driven predominately by a shortage of workers in the hospitality, tourism and manufacturing sectors left after COVID, as well as a genuine shortage in skilled labour particularly in the healthcare and technology sectors”. He added, “Interestingly we have a new entry at ninth place which is New Technologies (eg. AI, Lithium batteries EV etc.) This is understandable since many organisations are still grappling with how to adopt new technologies whilst balancing the ethical and safety issues. At Allianz in Australia, we have seen a huge impact when it comes to lithium batteries in household appliances and e-bikes/scooters and increased claims”.

The top 10 risks in Australia, according to the Barometer, are:

2024 Rank	Risk	2024 Percent	2023 Rank	Ranking Trend
1	Cyber incidents	52%	4 (27%)	↑
2	Natural catastrophes	34%	1 (45%)	↓
3	Shortage of skilled workforce	23%	5 (25%)	↑
4	Business interruption	21%	2 (34%)	↓
5	Changes in legislation and regulation	18%	7(16%)	↑
5	Macroeconomic developments	18%	5 (25%)	-
7	Climate change	16%	2 (34%)	↓
7	Fire, explosion	16%	New	↑
9	New technologies	12%	New	↑
10	Market developments	10%	10 (11%)	-
Source: Allianz Commercial. Figures represent how often a risk was selected as a percentage of all responses for that country. *Respondents: 82. Figures don’t add up to 100% as up to three risks could be selected*				

Globally, the top three risks in descending order are cyber incidents (eg. ransomware attacks, data breaches, and IT disruptions), business interruption (including supply chain disruption) and natural catastrophes (eg. storm, flood, earthquake, wildfire, extreme weather events). Allianz Global Commercial CEO Petros Papanikolaou said, “The top risks and major risers in this year’s Allianz Risk Barometer reflect the big issues facing companies around the world right now – digitalisation, climate change and an uncertain geopolitical environment. Many of these risks are already hitting home, with extreme weather, ransomware attacks and regional conflicts expected to test the resilience of supply chains and business models further in 2024. Brokers and customers of insurance companies should be aware and adjust their insurance covers accordingly.”

The 13th Allianz Risk Barometer incorporates the views of 3,069 respondents from 92 countries and territories. The number of respondents in Australia was 82. The annual corporate risk survey was conducted among Allianz customers (businesses around the globe), brokers and industry trade organisations. It also surveyed risk consultants, underwriters, senior managers, claims experts, as well as other risk management professionals in the corporate insurance segment of Allianz Commercial and other Allianz entities.

TOP

Taiwan: Regulator raises liability ceiling in Residential Earthquake Insurance Programme – AIR – 19th January 2024

The Insurance Bureau has released for public consultation a draft of amendments that it plans to make to the Taiwan Residential Earthquake Insurance Programme. The changes are set to come into effect on 1 April, the bureau says in a statement. One major change is to revise the total liability limit of the risk dispersion mechanism in the Taiwan Residential Earthquake Insurance Programme to NT$120bn ($3.8bn) from NT$100bn at present.

The Insurance Bureau hopes that the higher limit would be enough to cover losses and reduce the probability of having to reduce benefits. For instance, if earthquake residential losses were to exceed NT$100bn, then the maximum payout to each policyholder could be cut from NT$1.5m to NT$1.4m. The aim is also to strengthen the capacity of the co-insurance pool in the programme.

The limits at each level of the programme are adjusted as follows:

Participants	Current limit NT$	New Limit NT$
Co-insurance pool	4.2bn (Tier 1)	5.0bn (Tier 1)
Taiwan Residential Earthquake Insurance Fund	81.8bn, of which - 51.8bn (Tier 2) -30.0bn (Tier 3)	98.2bn (Tier 2)
Government	14.0bn (between Tiers 2 & 3)	16.8bn (Tier 3)
Total	**100.0bn**	**120.0bn**

Another change is the special reserve recovery threshold for policyholders. The current threshold for members of the co-insurance pool is mainly calculated based on the average insurance premium income share of each member in the past three years. However, given that an earthquake is catastrophic, it takes a long time for the special reserves of the members of the pool to accumulate premiums to cover the losses caused by a large-scale earthquake. The amendment changes the basis for the calculation to be the pure insurance premium income of all past years.

According to statistics from the Insurance Bureau, as of the end of last year, there were around 3.5m earthquake insurance policies in effect, with an insurance coverage rate of 37.85%, exceeding 35.3% in neighbouring Japan and 11.4% in the US.

TOP

Indonesia:Insurers await regulations and tariff rates for EV insurance – AIR – 19th January 2024

The Financial Services Authority (OJK) is currently studying premium rates for electric vehicle (EV) insurance. Mr Ogi Prastomiyono, OJK chief executive of insurance, guarantee and pension fund supervision (PPDP), said that the regulator is aware that the insurance value of electric vehicles is different from that of conventional vehicles, reported Bisnis.com.

"One of the considerations is that the value of electric vehicles is mostly in the battery," he said.

Indonesian General Insurance Association (AAUI) executive director Bern Dwiyanto, revealed that the obstacle to finalising the EV insurance regulations and tariff rates was that the needed data was very limited.

He said that the AAUI could not confirm what the premium rates would be. "I don't think we know yet, because research regarding this is still needed."

In the meanwhile, insurers that offer EV insurance are observing regulations for conventional vehicles.

The Indonesian government is promoting the use of EVs such as through tax incentives and plans to make the country a regional manufacturing hub for EVS and components like batteries.

TOP

COI Training Programs

Mumbai – January - February 2024

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Consumer Grievances and Redressal Machinery	31-Jan-24	31-Jan-24	ClickHere	Register
2	Managing Project Insurance	01-Feb-24	02-Feb-24	ClickHere	Register
3	Motor Insurance (Own Damage) Workshop	05-Feb-24	07-Feb-24	ClickHere	Register
4	Marine Hull & Energy Insurance-Underwriting & Claims	26-Feb-24	27-Feb-24	ClickHere	Register
5	Cyber Security, Resilience and Cyber Claims	07-Feb-24	07-Feb-24	ClickHere	Register
6	Workshop on Soft Skills for team managers and team leaders	12-Feb-24	14-Feb-24	ClickHere	Register
7	Corporate Finance & Post listing compliances	01-Feb-24	02-Feb-24	ClickHere	Register
8	Policyholders Service and Protection of Policyholders Interests for Life Insurance	15-Feb-24	16-Feb-24	ClickHere	Register
9	Market Segmentation and product placement – Non par products (ULIPs, Guaranteed maturity products and Annuities)	15-Feb-24	16-Feb-24	ClickHere	Register
10	Up-skilling teams on CRM	20-Feb-24	21-Feb-24	ClickHere	Register
11	Regulatory Drawing Board–A Comprehensive Program for Insurance Regulators	05-Feb-24	10-Feb-24	ClickHere	Common

Kolkata – February 2024

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Learning Aviation Insurance-Bracing for the future - CT (Kolkata)	07-Feb-24	07-Feb-24	ClickHere	Register
2	Learning Aviation Insurance-Bracing for the future - CVT (Kolkata)	07-Feb-24	07-Feb-24	ClickHere	Register
3	Augmenting Women Power in Leadership - CT (Kolkata)	22-Feb-24	22-Feb-24	ClickHere	Register

4	Augmenting Women Power in Leadership - CVT (Kolkata)	22-Feb-24	22-Feb-24	ClickHere	Register
5	Wealth accumulation through ULIP & Annuities - CVT	08-Feb-24	08-Feb-24	ClickHere	Register
6	Raising Effectiveness of Business Development Executives & Managers- CT	20-Feb-24	20-Feb-24	ClickHere	Register