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INSUNEWS - WEEKLY E-NEWSLETTER

14TH – 20TH DECEMBER 2024

QUOTE OF THE WEEK

"Failure is simply the opportunity to begin again, this time more intelligently."

HENRY FORD

Insurance Term for the Week

Adverse Selection

Adverse selection refers to a situation in which sellers have information that buyers do not have, or vice versa. This asymmetric information can then be exploited.

Asymmetric information, also called information failure, occurs when one party to a transaction has greater material knowledge than the other, typically about product quality. Symmetric information is when both parties have equal knowledge. Usually, the more knowledgeable party is the seller.

In the case of insurance, adverse selection is the tendency of those in dangerous jobs or high-risk lifestyles to purchase products like life insurance. In these cases, it is the buyer who actually has more knowledge. To fight adverse selection, insurance companies reduce exposure to large claims by limiting coverage or raising premiums.

INSIDE THE ISSUE

INSURANCE INDUSTRY

As 2025 approaches, the insurance industry stands at a transformative crossroads – The Hindu Business Line – 19th December 2024

Broad basing of health insurance, strong measures to push life insurance penetration, a move towards further digital leap and stronger corporate governance norms along with groundwork for the next round of growth in the insurance industry are the key trends that marked the year 2024. "As 2025 approaches, the insurance industry stands at a transformative crossroads. Technology, driven by large data sets, is reshaping every aspect of our business and the future of insurance is being defined by those who innovate on, integrate with, and liberate customer encumbrances," Kayzad Hiramanek, Chief Operating Officer, Edelweiss Life Insurance said. Insurers are rising to the challenge of thriving in a world where personalised solutions and communication, seamless digital experiences, and strategic partnerships are essential, he added. The most significant development has been the broad-basing of health insurance, thanks to the Insurance Regulatory and Development Authority of India efforts. Effective from April 1, 2024, the regulator had removed the upper age age cap for seniors and this has shifted the focus to overcoming operational barriers and expanding the reach of health over.

With this, those who are above 65 years are now able to buy health products for all types of existing medical conditions. Since 2016, when an entry age of at least up to 65 years was mentioned by the regulator, the senior citizens had faced many problems with escalating medical inflation and the issue has now been addressed. A transformative shift was the operational dynamics of life insurance's new surrender value of exit payout norms. In June 2024, the IRDAI brought in new norms to guarantee a better exit payout for life insurance policy holders unwilling or unable to continue paying for their insurance. According to Sumit Bohra, President, Insurance Brokers Association of India, in General Insurance, the Gross Direct Premium Income (GDPI) has increased by approximately 11.2 percent compared to the previous year, primarily driven by the health segment, which saw a significant rise in premiums due to increased health awareness. "The State Insurance Plan has also been shown promising results," Bohra said.

How the key reforms of 2024 and their seamless adaptation by the industry will play out is what 2025 will see. It will also mean that there will be efforts to iron-out any challenges in the process and measures to cash in on any opportunities that thereby come knocking in. Industry experts believe that in the long-term both customers and the industry are to gain with the vision of Insurance for all by 2047 and the steps being taken towards achieving it. At the policy level, 100 percent Foreign Direct Investment in the Insurance sector, introduction of a composite product to all, all in one basic insurance and the complete rollout of the Bima Trinity as well as possible exemption of GST on health insurance will be main catalysts for growth going forward. "The proposal to permit 100 percent FDI in is a potential catalyst for capital infusion, innovation, and enhanced service standards. However, they also caution against the complexities it introduces, such as navigating domestic and international regulations, the risk of market saturation potentially stifling smaller domestic insurers, and the challenge for foreign firms to adapt to local consumer preferences." the IBAI President cautioned.

Without meticulous oversight, there's a looming risk of market imbalance and monopolistic tendencies. Therefore, robust regulatory frameworks are imperative to safeguard local players and ensure equitable competition. Technology will also have an increased role as embedded insurance is emerging as a powerful growth driver, revolutionising how coverage is delivered. By seamlessly integrating insurance products into non-insurance services, insurers are poised to enhance accessibility and convenience.

Strategic partnerships with sectors such as automotive, real estate, and healthcare will enable insurers to tap into real-time data, ensuring that coverage meets the immediate needs of customers at the moment of necessity. “AI-powered solutions will be central to this transformation, automating processes and offering real-time, personalised experiences. By analysing context and individual customer needs, AI will provide tailored protection, making insurance an effortless part of daily life. This shift will redefine how consumers engage with insurance, creating a frictionless experience that is as natural as any other service they use regularly,” Kayzad said. With its latest reforms, IRDAI has underscored its agenda of sustained growth for the industry and insurance for all. Significantly, the focus on ensuring ease of business will bring a positive structural transformation. It is possible to expect higher capital inflows into the sector and also India is set to become one of the fastest growing insurance markets globally. So, there is more to come.

(The writer is G. Naga Sridhar.)

TOP

Insurance ombudsman doesn't allow third party help: A dilemma for policyholders – Live Mint – 19th December 2024

For most policyholders, navigating this process can be daunting. After an insurance company rejects a claim, the policyholder’s first step is approaching the insurer’s grievance handling department. If the issue remains unresolved, they can reach out to the ombudsman. The hearing date is fixed (online or physical), and both sides present their arguments. One does not have to pay any fee to lodge a complaint with the insurance ombudsman. It is a cost-effective system where claims up to ₹50 lakh can be resolved quicker. However, people unaware of its existence or who do not understand the process sometimes reach out to third parties to seek support. Ombudsman officers cannot generally learn about it, but if they do, they may view it in a negative light.

A couple of complainants said they were asked to write a letter stating they would not pay money to any third party. Mint has seen one such copy. "I was told that my case is genuine but I still would not get my claim because I sought an agency's help in filing my case with the ombudsman. I am in a full-time job. My husband is going through health issues. I don't understand insurance. If I sought somebody's help in doing the paperwork to ease my mental burden, why is it wrong?" said a person on condition of anonymity because her case is sub-judice in the consumer court. Consumer policy expert Bejon Misra, who was a member of the insurance ombudsman advisory committee, highlighted the lack of a level playing field between insurers and policyholders.

“Insurers may not be sending lawyers to the ombudsman's office, but whoever represents them before the ombudsman has a rich insurance background and access to expert lawyers in the company or has a legal background. It is a fight between a common man and a large entity. You cannot question complainants if they seek support from insurance experts. In fact, Irdai (Insurance Regulatory and Development Authority of India) should allow representation if complainants so desire," he said. Ombudsman officers fear it will hurt the free-of-cost nature of the system. "Ombudsman officers are impartial and understand that policyholders cannot present their case as structurally as an insurance company will," said R.M. Singh who retired as insurance ombudsman of Madhya Pradesh and Chhattisgarh in November.

“People should rely on them. Most complaints at ombudsman go in complainants' favour. Lately, it has been observed that small agencies have mushroomed to charge policyholders to assist them. It should not be encouraged because otherwise it would become part of the process and gullible policyholders may be taken for a ride by unscrupulous players," he said. Policyholder Arjun Singh trusted the system and approached the ombudsman officer in his location. But he was disappointed. "It was apparent that the ombudsman officer was biased towards the representative of the insurance company. The ombudsman chief insulted me and did not let me speak. Too much back and forth of the paperwork happened with the insurance company and ombudsman to get my claim," said Singh.

Milind A. Kharat, who worked as insurance ombudsman for Mumbai and Goa says the objective of the insurance ombudsman is quick resolution of insurance complaints where complainants do not have to bear any expenses. Consumer courts involve legal costs such as advocate fees and stamp duty and still lead to delayed resolution. Sumit Bohra, president, Insurance Brokers Association of India, said at least brokers should be allowed to represent their clients. "We brought up the matter with the regulator as our clients reach out to us when they face issues in claims settlement. If we want to ensure that illegal players do not dupe policyholders, the regulator should recognise a few entities who can offer such a support if they seek it," said Bohra.

There are 17 ombudsman offices in India. Data shows in FY2023-24, they resolved 49,705 complaints, out of which 16 percent were in favour of complainants, 15 percent in favour of companies, 6 percent complaints were withdrawn, 23 percent were non-entertainable and 27 percent were recommendations, also called mediation. “In this, the ombudsman makes fair recommendations to the complainant. If he accepts it, it is forwarded to the insurance company for compliance. In such cases, actual hearing with the complainant and the insurance company is not needed, so it leads to even prompt resolution. It could either be in favour of the complaint or insurance company or a mid-way out," said Kharat. Data shows 67.40 percent of complaints, including awards and mediation, favoured complainants in FY24.

A detailed analysis showed Mumbai, Bengaluru and Jaipur were the top states where awards favoured the complainant. Delhi ranks the lowest in this regard with only 53 awards going in favour of complainants versus 612 in favour of the insurance company. Looking into expenses, ombudsman offices spend an average ₹12,000 per complaint to process the complaints, which was earlier more than double. The Insurance Ombudsman Council receives funds from insurance companies based on their turnover. Misra suggests the cost of disposing complaints should be recovered directly from the insurance company against whom the complaint is registered. "It would nudge insurers to resolve complaints at their end and policyholders will not have to reach out to the ombudsman in the first place," said Misra.

Kerala-based Ajit Kumar faced a different challenge. He filed a complaint against an online broking platform at the ombudsman, but they did not accept it. “They told me that they need a record of my communication with the grievance officer of the broking platform. The broking platform does not have such an officer. I have mails from the CEO, but the ombudsman office has been demanding my communication record with the grievance officer," he said. To be sure, brokers have been included in the ambit of ombudsman only recently, but most of them do not have a designated grievance officer like insurance companies. "The ombudsman should entertain Ajit Kumar's complaint by accepting a claims denial statement by any claims executive of the concerned broker if they do not have a grievance officer. However, Irdai should make it mandatory for broking houses to have a designated grievance officer in order to bring symmetry in operations, otherwise the decisions will be based on perceptions of each ombudsman," said R.M. Singh.

(The writer is Aprajita Sharma.)

TOP

Insurance Premium Financing Expected to See Healthy Growth of 25% Annually - Business Standard - 20th December 2024

Insurance premium financing, currently in its early stages, is expected to see a healthy growth of 25 percent annually over the next few years amid increasing awareness of insurance and higher liquidity management needs among customers, according to an industry expert. In premium financing, a borrower secures a loan from a third-party provider to cover the policy’s premiums. The borrower, like other loans, pays the interest till the loan is fully paid off. The financing option, which is a sizable market outside India, is in its early stages in the country. However, according to industry players, amid the sustained growth in the overall insurance industry and more insurers developing tailored solutions, and increased acceptance of premium financing in the Indian financial landscape by the insurers, the industry is likely to see healthy growth.


ROAD TO GROWTH

8-12% Interest rate that premium financers charge in partnership with NBFCs

3-5% Platform fee charged by premium financing platforms

20-25% Share of premium that policyholders pay as down payment

₹40,000-₹45,000 Average ticket size of such loans and the sum insured can range from ₹4-5 lakh to ₹2- 3 crore

BimaPay, Finsall, Mudrasree, and Insurfin are some of the players facilitating premium financing in India currently. "Over the next few years, the market is projected to grow at a steady pace of 20-25 percent annually. This forecast reflects a maturing market, where insurers, financial providers, and clients have a deeper understanding of premium financing and its long-term benefits" said Hanut Mehta, co-founder and CEO, Bimapay Finsure. "…this combination of early explosive adoption followed by steady expansion positions premium financing as a critical tool in modern financial and insurance strategies," Mehta said. These premium financers in partnership with non-banking finance companies (NBFCs) charge an 8–12 percent interest rate where the tenure can be customised, said industry insiders, adding that the policyholders pay 20-25 percent of the premium as a down payment depending on the customer profile and the insurance policy acting as the collateral. The insurance premium financing platforms charge a platform fee of around 3-5 percent, they said. These companies which started off with a focus on the motor segment have shifted to health insurance financing amid a surge in medical costs in the country. The average ticket size of these loans ranges from ~40,000 to ~45,000 and the sum insured can range from ~4-5 lakh to ~2– 3 crore.

"When we started, it (average ticket size of premium financing) was about ~16,000–~20,000. Now we have graduated to ~35,000 to ~40,000", said Prabal Khanna, Co-Founder & COO, Finsall. Premium financing has been extended to policies as low as ~7,000, as well as for retail insurance policies ranging from ~8.5 lakh to ~9 lakh, Khanna said.

Generally, there is an increase in demand for premium financing in the last quarter of the financial year, mainly as the retail customers and business houses purchase or renew policies ahead of the tax deadline when customers are already grappling with other payments and investments.

Mehta said this is primarily because individuals and businesses purchase or renew policies to save on taxes under sections like 80D of the Income Tax Act. "During this time, insurers also offer promotions or discounts, encouraging customers to opt for better or longer-term policies," Mehta added.

Customers can avail themselves of premium financing through any channel - the website of the insurer, or individual agent, or through the broker at the end of the payment page. The insurance policy acts as the collateral. In case of default in loan by customers, companies surrender the policies and the contract turns void. "(In case of delinquency,) the policy is cancelled. Basically policy is the contract between the insurance company and the insured. This contract is void," said Tim Mathews, Co-Founder & CEO, Finsall.

Although premium financing companies work closely with the Reserve Bank of India (RBI) and the Insurance Regulatory and Development Authority of India (Irdai), they are not regulated by them. Mathews said that Finsall was trying to be part of the first fintech Self-Regulatory Organisation (SRO) set by the RBI – FACE and to ensure that the company also follows all rules.

(The writer is Aathira Varier.)

TOP

GoM proposes GST cuts for health insurance, exemption for term policies – Business Standard – 19th December 2024

A Group of Ministers (GoM), led by Bihar's Deputy Chief Minister Samrat Chaudhary, has recommended full goods and services tax (GST) exemption on pure term life insurance policies and a reduction in the GST rate on individual health insurance premiums to 5 per cent from 18 per cent at present, a government official said requesting anonymity.

The GoM has submitted its report to the GST Council, which is expected to discuss it during the Council's upcoming meeting scheduled for December 21. Other recommendations of the GoM include an exemption for health insurance aimed at senior citizens. However, the GoM has proposed no changes for other insurance products, such as Unit Linked Insurance Plans (ULIPs), the official said. On December 2, Finance Minister Nirmala Sitharaman had informed the Lok Sabha that any reduction in GST rates on life and health insurance premiums would likely benefit policyholders, especially in a competitive market.

She explained that lower GST rates would reduce the overall cost of insurance for consumers. As it stands, the GST on health, term, and ULIPs is 18 per cent, while endowment policies are subject to a tiered GST rate — 4.5 per cent for premiums in the first year, and 2.25 per cent for subsequent years. Single premium annuity policies attract a GST of 1.8 per cent. The push for rationalising GST on insurance has gained momentum, with both the Financial Services Department and the Insurance Regulatory and Development Authority of India (Irdai) backing the proposal. In a submission to a parliamentary panel, the Irdai highlighted that several developed countries, including those in the European Union and Canada, have exempted insurance products from VAT (value-added tax), or GST. This, they argued, makes a strong case for similar benefits in India to promote greater insurance coverage.

The regulator also emphasised the need for more accessible health insurance due to increasing life expectancy and healthcare requirements. In particular, the Irdai proposed extending GST exemptions to micro-insurance policies, senior citizen health insurance, and term life insurance policies up to a certain limit, as this would benefit vulnerable sections of society. The inconsistency, where medical services are GST-exempt while insurance premiums are taxed, was noted as an unfair burden. The Financial Services Department has also expressed support for reducing GST on health insurance products, particularly for senior citizens, micro-insurance policies (up to the prescribed limit under the Pradhan Mantri Jan Arogya Yojana, currently Rs 5 lakh), and term life insurance.

(The writer is Harsh Kumar.)

TOP

Limiting insurers' business through parent banks' bancassurance channel will fail to address rampant mis-selling – Asia Insurance Review – 18th December 2024

Any steps taken by the IRDAI to limit the business share of life insurance companies from the parent bank channel or bancassurance channel will be misdirected and stifle the growth of the sector, while not addressing the actual underlying problem of rampant mis-selling, said an Emkay Research report.

Reports emerged last week that suggested that IRDAI is likely to introduce regulations to limit the degree of dependence of life insurance companies on their parent banks for business sources through bank channels. IRDAI is also reportedly planning to encourage diversification across multiple distribution channels to ensure balanced growth across the industry, according to Business Standard. In October

2023, IRDAI formed a task force to review the existing bancassurance framework and improve its efficiency amid complaints of mis-selling or forced selling of policies.

Concerns

Recently, both the finance minister and the IRDAI chairman expressed concerns about mis-selling or forced selling of insurance products via banks and stressed the need to restore customer confidence in the system while urging lenders to focus on their core banking services. The Emkay report said, "The government and regulator may be duly concerned about the mis-selling of insurance products, but the prescriptive nature of a solution is far from addressing it. Neither is insurance the only financial product being mis-sold, nor does data support that it is the banca channel that is leading the mis-selling. Using the 13th-month persistency (lapses) as the wider measure of mis-selling, data suggests a relatively better position of banca-driven private life insurers. According to the report, poor products and misaligned incentives for distributors are the underlying causes of mis-selling. "In actuality, once the commissions in ULIPs (unit-linked insurance plans) were rationalised, the agency distribution collapsed, and it was banca that helped in the distribution of low-cost ULIP products. Hence, there is a need to focus on continuously improving the product proposition for customers, which the regulator has been doing," the report said.

TOP

Private-sector insurers may beat government-run rivals in race to clinch composite licences – Asia Insurance Review – 17th December 2024

The government's move to introduce composite insurance licences by amending the Insurance Act is likely to put public-sector insurers at a disadvantage vis-a-vis their private sector counterparts as only the latter will be eligible for these licences under the proposed amendment. Excluding state-controlled insurers from obtaining composite licences may raise concerns about their long-term viability and ability to compete with private-sector players. On 26 November, the Finance Ministry had proposed an Insurance (Amendment) Act, 2024 by amending various provisions of the Insurance Act, 1938, including raising foreign direct investment (FDI) in the insurance sector to 100% and the provision of composite licences allowing insurers to undertake life/general/health in a single registration, reported The Indian Express. A composite licence is currently not allowed.

However, going by ongoing plans, after legislative changes, the composite licences can only be provided to private-sector insurers and not by state-run insurers, insurance sector officials said. If the PSU insurers want to hold composite licences, the government needs to amend the two existing Acts — The Life Insurance Corporation Act of 1956 and the General Insurance Business (Nationalisation) Act, 1972 (GIBNA). However, as per the Office Memorandum (OM) and the list of proposed amendments, no such provisions have been made in these documents. The Finance Ministry said that a comprehensive review of the legislative framework governing the sector was carried out in consultation with the IRDAI and the industry.

TOP

GST rate rejig on insurance, used cars likely on council agenda; big-ticket changes remain uncertain – The Hindu Business Line – 17th December 2024

The GST Council is expected to consider a set of recommendations by a Group of Ministers on insurance products, which include lowering the GST rate on all individual health insurance policies to 5 percent, extending the exemption on health insurance for senior citizens, and introducing pure term life insurance. However, the issue of rate rationalisation on a long list of goods and services may take more time to finalise. The Council, chaired by Finance Minister Nirmala Sitharaman, is scheduled to meet on December 21 at Jaisalmer (Rajasthan). It is also likely to consider a suggestion by its committee of officers to raise the rates to 18 percent on all cars, including EVs (Electrical Vehicles). In addition to discussing a clarification on input tax credit for Swiggy and Zomato, the Council is expected to discuss other issues. According to sources, GoM favours a GST exemption for pure-term life insurance policies that cover family members. This would mean that these policies will not be subject to GST, reducing the financial burden on policyholders. It also suggests waving GST on health insurance policies specifically for senior citizens and reducing the GST rate on all individual health insurance policies to 5 percent but without the option for Input Tax Credit (ITC).

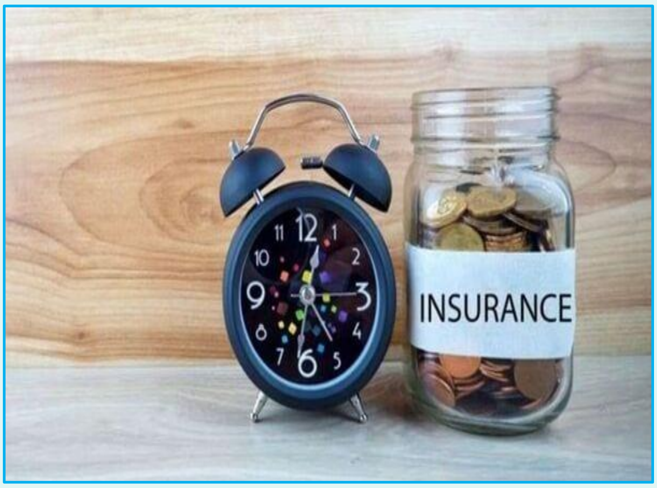
As of date, the GST rate on premia for health insurance, term and unit-linked insurance plans attracts 18 percent GST. On endowment plans, the GST is applied differently. While it is 4.5 percent for premium paid during the first year, it is 2.25 percent from the second year. For life insurance, in the form of single premium annuity policies, the GST rate is 1.8 percent. Rates are the same for all age groups. Sources also said that the committee of Officials, better known as the Fitment Committee, has finalised suggestions on old and used cars. As on date, GST is levied on the margin of the supplier. There are four categories of old and used cars for GST applicability. The first category includes petrol, LPG, and CNG cars with an engine capacity of 1200 cc or more and 4 meters or more long. The second category includes diesel-driven motor vehicles with an engine capacity of 1500 cc or more and a length of 4 meters. The third category has motor vehicles with an engine capacity exceeding 1500 cc, popularly known as Sports Utility Vehicles (SUVs), including utility vehicles. All these attract GST at 18 percent.

The fourth category is for all other vehicles, including EVs, and the rate is 12 percent. Now, the Fitment Committee has suggested Fitment increase the rate from 12 percent to 18 percent. Another source said the issue of a big-ticket rate rejigs may have to wait some more time. A Group of Ministers on rate rationalisation, chaired by Bihar Deputy Chief Minister Samrat Chaudhary, is believed to have suggested a rejig in GST rates of nearly 150 items, including clothing and footwear, as well as a special rate of 35 percent for tobacco and aerated drinks. However, the Central Board of Indirect Taxes and Customs had underlined that any decision would be taken by the GST Council. “The GST Council has not yet deliberated on any GST rate changes. The Council has not even received the recommendations of the GoM. Infact the GoM has yet to finalise and present its recommendations to the Council after which the Council will take a final view on the recommendations of the GoM,” it had said in a post on X on December 3.

(The writer is Shishir Sinha.)

TOP

Your rights in life and health insurance claims: Unpacking the moratorium clause Live Mint – 16th December 2024



The fatal shooting of Brian Thompson, who was chief executive of UnitedHealth Group Inc.’s insurance arm, has turned the spotlight on insurance companies rejecting policyholders’ claims for various reasons. In India, insurance laws offer policyholders a powerful tool they can invoke if insurance companies reject their claims arbitrarily. But it may still require some running around before getting insurance companies to pay up.

Take the case of Kolkata-based Sabita Mukherjea, who had been hospitalized due to a respiratory tract infection. “First, the insurer did not approve the cashless claim and later rejected the reimbursement claim saying hospitalisation was not necessary. I had paid more than seven premiums in the policy," Mukherjea said. However, as per the moratorium clause for health insurance policies as defined by the Insurance Regulatory and Development Authority of India (Irdai), if a policyholder has paid five or more annual premiums, an insurance company cannot reject their claim even if they had not disclosed a pre-existing disease or any other important information. “No policy and claim of health insurance shall be contestable on any grounds of non-disclosure and/or misrepresentation except for established fraud, after the completion of the moratorium period, i.e., 60 months of continuous coverage," reads section 13 of chapter I of the Master Circular on IRDAI (Insurance Products) Regulations 2024–Health Insurance. In life insurance, if a policyholder has consistently paid three annual premiums, an insurance company cannot reject a claim on grounds of misstatement or non-disclosures, or even fraud.

“No insurer shall repudiate a life insurance policy on the ground of fraud, if the insured/beneficiary can prove that the misstatement was true to the best of his knowledge and there was no deliberate intention to suppress the fact or that such misstatement of or suppression of material fact are within the knowledge of the insurer," states the Insurance Laws (Amendment) Act, 2015.In health insurance, an insurer can contest a claim on the grounds of fraud even after five years. “One should not misread the (moratorium) clause. When you buy a policy, you must declare your health conditions in totality. If you hide a major disease which would have caused the insurance company to reject your policy proposal in the first place, they can reject your claim even after 5 years are over, and rightfully so," said Harshvardhan Roongta, chief executive of Roongta Securities. “The (moratorium) clause is valid only if an insurer has rejected your claim for a non-critical disease."

The moratorium clause came to the aid of Mukherjea after she reached out to Insurance Samadhan, an insurance grievance redressal company. “We often receive such cases in health insurance where the moratorium period is over but the insurer still rejects the claim classifying it as fraud," said Shilpa Arora, co-founder of Insurance Samadhan. “Sabita’s claim was finally approved when we emphasized on the moratorium clause and the fact that the doctor advised hospitalisation." The years specified under the moratorium clause apply even when a policyholder ports a policy to another insurer. “The accrued credits gained under the ported and migrated policies shall be counted for the purpose of calculating the moratorium period," Irdai stated in its circular. For example, if you have paid two annual premiums for a health insurance policy and then ported it to another insurer, you only have to pay three more annual premiums to complete the moratorium period. However, if you increase the insurance cover in the ported policy, the moratorium period will start afresh on the increased sum insured. If you had a cover of ₹10 lakh in the original health insurance policy and ₹30 lakh in the ported policy, the original ₹10 lakh cover will have a remaining moratorium period of three years and the additional ₹20 lakh will have a five-year moratorium period. Also, if you include a no-claim bonus of, say, ₹10 lakh in the ported policy, the new 5-year moratorium will apply only to ₹10 lakh. The moratorium period in health insurance used to be 8 years but was reduced to 5 years in May 2024.

Section 45 of the Insurance Act, 1938 states that no life insurance policy shall be called in question on any ground whatsoever after the expiry of three years from the date of the policy—i.e., from the date of issuance of the policy, the date of commencement of risk, the date of revival of the policy, or the date of the rider to the policy, whichever is later. “The difference between the moratorium clause in life and health is that claims in the latter can be denied on the grounds of fraud, but not in the former," said Mahavir Chopra, co-founder of Beshak.org, a digital insurance marketplace. However, insurance companies still find ways around this. Madhya Pradesh-based Kabir Zaidi’s father had bought life insurance policies from multiple insurers, including two policies of ₹25 crore each from Life Insurance Corporation of India and a private insurer.

LIC cleared the claim for Zaidi’s father but the private insurer denied payment stating that the policyholder had not disclosed information about the LIC policy, according to Zaidi. “My father had disclosed details of every single insurance policy to the insurer, including the one taken from LIC, and yet the claim was rejected. I approached the consumer court, but it did not help. I plan to re-appeal," said Zaidi. To be sure, Zaidi’s father had bought the policy from the private life insurer in 2014. “The amendment to the Insurance Act happened in 2015, before which insurers could reject claims even after 3 years in case of fraud. Since they (the private insurer) have categorised Zaidi’s case as a fraud, they said the amendment is not valid. But it is valid. I must emphasize that it is not a fraud claim either," said Sanjay Aggarwal, co-founder of Insurance Samadhan.

(The writer is Aprajita Sharma.)

TOP

Composite licence: Only private insurers may be eligible – The Indian Express – 16th December 2024

The government's move to introduce composite licenses through an amendment in the Insurance Act is likely to put public sector insurers at a disadvantage vis-a-vis their private sector counterparts as only the latter will be eligible for these licenses under the proposed amendment. Insurance sector experts have cautioned about this uneven level playing field for the PSU insurers which are already in a defensive mode against intense competition unleashed by their private sector counterparts in the domestic insurance markets.

On November 26, the Finance Ministry had proposed an Insurance (Amendment) Act, 2024 by amending various provisions of the Insurance Act, 1938, including raising foreign direct investment (FDI) in the insurance sector to 100 per cent, reduction in paid-up capital, and provision for composite license allowing insurers to do life/general/health in single registration/insurance. However, going by the ongoing plans, after suitable legislative changes, the composite licenses can only be availed by the private sector insurers and not by the PSU insurers, insurance sector officials said. This decision may hinder PSU insurers' ability to compete with private insurers, which will have the flexibility to offer a range of insurance products under a single license. A composite licence allows an insurer to operate multiple lines of businesses like life, health and non-life insurance under one entity. This is not allowed as of now.

If the PSU insurers want to avail composite licenses, the government needs to amend the two existing Acts — The Life Insurance Corporation Act of 1956 and the General Insurance Business (Nationalisation) Act, 1972 (GIBNA). However, as per the Office Memorandum (OM) and the list of proposed amendments, no such provisions have been made in these documents. The General Insurance Business (Nationalisation) Act, 1972 (GIBNA) is a legislation that nationalised the general insurance business in India and govern the operations of four PSU general insurance companies transacting general insurance business.

The four PSU general insurance companies are: New India Assurance, United India Insurance, Oriental Insurance Company and National Insurance Company. The Life Insurance Corporation Act of 1956 nationalised the life insurance business in India by transferring it to a corporation and establishing regulations for its control. The act was passed by Parliament in 1956 and established the Life Insurance Corporation of India on September 1, 1956. Among the latest list of amendments, the government has suggested some changes in LIC Act, 1956 but there is no mention of any enabling clauses for allowing the corporation to go for composite in its business. The corporation, after it was formed in 1956 by merging several life insurers which were also doing non-life business, was undertaking non-life business and had a full department to run the business till some years ago.

The corporation's health insurance foray has nothing to do with the government's proposed plans to launch composite licenses in the industry as it doesn't need a composite license to tie up with a health insurance company. "Composite registration will be allowing insurers to do life/general/health in single registration/insurance company promoting operational efficiency for insurers having common brand across different lines of business,'' said one of the proposed amendments proposed by the Finance Ministry. In this regard, a comprehensive review of the legislative framework governing the sector has been done in consultation with the IRDAI and the industry, the ministry note said.

Such changes will help enhance efficiencies of the insurance industry, enabling ease of doing business and enhancing insurance penetration to achieve the goal of 'Insurance for All by 2047', it said.

The introduction of composite licenses aims to increase insurance penetration in the country by allowing insurers to operate multiple lines of business under one entity. The government's move is part of a broader effort to reform the insurance industry and make it more competitive. However, excluding PSU insurers from availing composite licenses may raise concerns about their long-term viability and ability to compete with private sector players.

(The writer is George Mathew.)

TOP

From digital to doorstep, insurtech startups take the offline route, will it work? - The Economic Times - 17TH December 2024

Insurtech startups that wanted to change the way India buys insurance seem to have fallen back on the tried and tested model. The likes of Policybazaar had built a business around selling insurance virtually, instead of relying on agents to sell insurance policies through doorstep visits. But this same crop of players is now setting up an army of field agents, or point-of-sales personnel, to sell insurance products. Policybazaar has around 250,000 physical agents, and according to the results of its parent PB Fintech, the Gurugram-based insurance aggregator posted nearly Rs 400 crore of revenue from this business in the quarter ended September 30. InsuranceDekho, another major player in this segment has more than 200,000 agents on the ground. The business has grown too, with the company which is set to acquire smaller rival Renewbuy reporting total revenue of Rs 743 crore for the financial year 2024 with a net profit of Rs 85 crore. Mumbai-based Turtlemint claims to have around 400,000 physical agents.

(The writer is Pratik Bhakta.)

TOP

INSURANCE REGULATION

IRDAI's move to limit banca biz may stifle insurance sector growth: Emkay - Business Standard - 16TH December 2024

Any steps taken by the Insurance Regulatory and Development Authority of India (Irdai) to limit the business share of life insurance companies from the parent bank channel or bancassurance channel will be "misdirected" and stifle the growth of the sector, while not addressing the actual underlying problem of rampant mis-selling, said an Emkay Research report on Monday. "…the uncertainties caused by continuously changing regulatory directions—including the ongoing bancassurance noise, the impending Insurance Amendment Bill 2024, and a likely overhaul of direct taxes in the Union Budget in February 2025—have led to the recent de-rating of the sector and will continue to weigh on listed life insurer shares," the report said.

Last week, reports suggested that Irdai is likely to bring in regulations to limit the overdependence of life insurance companies on their parent banks for business sources through bank channels. Irdai is also reportedly planning to encourage diversification across multiple distribution channels to ensure balanced growth across the industry. Bancassurance is a partnership between banks and insurance companies to sell insurance products through bank branches. In October 2023, Irdai formed a task force to review the existing bancassurance framework and improve its efficiency amid complaints of mis-selling or forced selling of policies.

Recently, both the finance minister and the Irdai chairman expressed concerns about mis-selling or forced selling of insurance products via banks and stressed the need to restore customer confidence in the system while urging lenders to focus on their core banking services.

“The government and regulator may be duly concerned about the mis-selling of insurance products, but the prescriptive nature of a solution is far from addressing it. Neither is insurance the only financial product being mis-sold, nor does data support that it is the banca channel that is leading the mis-selling. Using the 13th-month persistency (lapses) as the wider measure of mis-selling, data suggests a relatively better position of banca-driven private life insurers,” the report said. According to the report, poor products and misaligned incentives for distributors are the underlying causes of mis-selling.

In H1FY25, SBI Life, which is backed by the State Bank of India (SBI), derived 60 per cent of its business from the bancassurance channel; ICICI Prudential Life Insurance, backed by ICICI Bank, received 29 per cent; and HDFC Life, backed by HDFC Bank, derived 65 per cent of its business from this channel. “In actuality, once the commissions in ULIPs were rationalised, the agency distribution collapsed, and it was banca that helped in the distribution of low-cost ULIP products. Hence, there is a need to focus on continuously improving the product proposition for customers, which the regulator has been doing,” the report said.

(The writer is Subrata Panda.)

TOP

How curbs on bancassurance channel can impact insurance companies - The Economic Times - 16TH December 2024

The Insurance Regulatory and Development Authority of India (IRDAI) is reportedly considering capping bancassurance contributions to 50% of an insurer's revenue, with additional limits on parent bank contributions. The goal is to encourage diversified distribution channels, such as partnerships with non-parent banks, agents, and other distributors, to ensure sustainable business growth and mitigate risks. This has raised concerns among investors and insurers alike as these potential regulations could significantly impact insurers that rely heavily on their parent banks for revenue.

The insurance industry’s overall Annual Premium Equivalent (APE) grew by 3% year-on-year (YoY) in November, a sharp slowdown from 11% in October. This was largely due to Life Insurance Corporation of India (LIC), which posted a 19% YoY decline in APE. Meanwhile, private insurers recorded 18% YoY growth, led by ICICI Prudential Life, Max Life Insurance, and smaller private players. HDFC Life and SBI Life saw subdued APE growth due to challenges in their respective distribution channels. HDFC LIFE reported a modest 12% YoY APE growth in the quarter-to-date period, reflecting its cautious approach to unit-linked insurance products (ULIPs). SBI Life continues to face pressure from its bancassurance channel, contributing to weak retail APE growth.

Exploring alternatives
The industry is already exploring alternatives. Direct channels and brokers are gaining traction, with direct distribution reporting a compound annual growth rate (CAGR) of over 20% among private players in recent years. Agency models and corporate agents are also being considered, especially for underserved segments. However, reducing dependence on bancassurance, which contributes 55% of the life insurance industry’s Rs 3.5-lakh-crore premium base, presents challenges. Bancassurance remains a cost-effective channel, combining banking and insurance services efficiently. India’s insurance penetration has improved to 4% from 2.7% in the early 2000s, largely due to the expansive distribution

networks of banks. Major insurers such as HDFC Life, SBI Life, and Max Life derive over 50% of their revenues through bancassurance, with 85-95% of that contribution coming from their parent banks. This concentrated dependence has drawn regulatory scrutiny amid concerns over systemic risks and mis-selling practices.

While the regulations remain speculative, the market has already reacted. Share prices of HDFC Life, SBI Life, and Max Life have dropped by 11% over the past month. Conversely, ICICI Prudential, with a lower reliance on bancassurance (29% of revenue, half of which comes from its parent bank), has seen a smaller correction of under 2%. LIC, benefiting from a robust agency-driven distribution network with just 4% of revenue from bancassurance, has witnessed stock price appreciation.

Phased implementation
Industry stakeholders anticipate a phased implementation of any regulations, allowing insurers time to adapt. Short-term investors are advised to exercise caution in the insurance sector, while long-term investors may view recent corrections as an opportunity to invest in fundamentally sound companies at attractive valuations. The IRDAI is expected to issue consultation papers, and stakeholders' feedback will be critical in shaping the final regulations. Insurers' ability to pivot and establish new distribution channels will determine the long-term impact of these changes on their operations and stock performance.

TOP

LIFE INSURANCE

How NRIs can buy life insurance in India – CNBC – 19TH December 2024

As the NRI homecoming season nears, many non-resident Indians (NRIs) must be revisiting their financial strategies, with life insurance emerging as a key consideration. The appeal of Indian life insurance policies is growing among NRIs, thanks to their competitive premiums, comprehensive coverage, and tax advantages.

How NRIs can buy life insurance in India
The process of purchasing life insurance in India has become more convenient for NRIs, with online platforms and flexible payment options simplifying the process.

NRIs can now buy policies remotely, without having to be physically present in India. Bajaj Allianz Life and Tata AIA Life Insurance have adapted their offerings to meet the needs of overseas customers, enabling online applications and payments via NRE (non-resident external) or NRO (non-resident ordinary) accounts.

Tata AIA Life Insurance, for example, has expanded its reach by launching life insurance products through Gujarat International FinTech (GIFT) City, India's first international financial services centre (IFSC).

This allows NRIs to access dollar-denominated policies, helping them hedge against currency fluctuations.

"NRIs can explore plans, select coverage, and customise policies from anywhere in the world," the company noted.

Here's a look at the process

- Policies can be purchased online, through authorised representatives, or via brokers specialising in NRI services.

- Premiums can be paid using non-resident external (NRE) or non-resident ordinary (NRO) accounts, foreign bank accounts, or even international credit cards.
- Most insurers provide digital processes for documentation and verification.
- Life Insurance companies simplify medical pre-requirements for NRIs by partnering with medical centres in over 40 countries.

Advantages of Indian life insurance policies for NRI
Indian s life insurance policies offer several benefits that make them an attractive choice for NRIs.

For instance, maturity proceeds and death benefits are often tax-free under Indian tax laws, a feature that might not be available with foreign insurance policies.

Indian insurers also offer flexibility in premium payment options, allowing NRIs to pay premiums in foreign currencies through their NRE or NRO accounts.

"India continues to provide ample opportunities for robust financial planning and capital growth, through various tools including life insurance, for NRIs," said Rajesh Krishnan, Chief Operations and Customer Experience Officer at Bajaj Allianz Life. Krishnan added, "India offers attractive premium rates for protection plans compared to what NRIs might pay for similar policies in their country of residence. Moreover, these products — ranging from savings and wealth-building life insurance plans — offer unique features, competitive returns, and convenience."

A look at features and facilities offered by Indian insurers
Indian life insurers provide a range of features and facilities designed to meet the unique needs of NRIs.

One of their key offerings is the 'Life Protect Supreme' plan, which offers comprehensive protection up to the age of 100 years.
"This plan covers death and critical illness until 100 years of age, and accidental and disability protection up to 85 years," explained a Tata AIA spokesperson. "This plan covers death and critical illness until 100 years of age, and accidental and disability protection up to 85 years," explained a Tata AIA spokesperson.

The policy also allows for no limits on the sum assured and a minimum sum assured of $50,000.
Further, investing in an Indian rupee-denominated policy allows NRIs to shield themselves from foreign currency fluctuations. Many NRIs prefer Indian policies for estate planning, as they can direct the proceeds to specific beneficiaries, ensuring that their estate is distributed as per their wishes.

"Indian policies provide tax benefits under the Indian Income Tax Act and GST laws, making them financially advantageous for NRIs," said Nitin Mehta, Chief Distribution Officer and Head of Marketing at Bharti AXA Life Insurance.

He further noted, "Indian life insurance policies help ensure the financial security of the policyholder's family in India, providing peace of mind, especially in case of unexpected life events." Mehta added that NRIs can also benefit from flexible premium payment options and comprehensive coverage.

(The writer is Anshul.)

TOP

Insurance industry is agile in adopting new reforms: Tarun Chugh – The Hindu Busines Line – 19th December 2024

With a vision for insurance for all by 2047, life insurance industry has been witnessing significant traction lately. According to Tarun Chugh, Managing Director & CEO, Bajaj Allianz Life Insurance, the industry is agile in adopting new reforms and this will l remain the key differentiator of the insurance industry. Coupled with its commitment in building the distribution network, this resulted in the industry's growth this year. Edited excerpts:

How has been the growth in the industry in the current fiscal so far? What are the differentiators you see?
The industry plays a very critical role in nation building—from investments in long-term projects by the government to providing employment (both direct and indirect). Keeping these aspects in mind, the industry continues to focus on avoiding disruption for customers and building efficiency by adopting new age tech. It is also committed in building the distribution network to reach larger and newer customer segments. In2024, we saw all this in play. It resulted in the industry clocking a strong growth of 16 percent in Individual Rated New Business (YTD Nov 2024 vis-à-vis YTD Nov 2023). Private life insurers are creating impact by empowering its people with digital assets.

What is the impact of recent regulatory reforms on the life insurance segment?
The new regulations will enhance the benefits of the customers and overall increase efficiencies within the industry. However, it will take some time for them to start showing results. Currently, the industry is recalibrating and working round the clock to ensure the deadlines are met, while key projects remain on track and business goals met. The industry is agile in adapting new reforms and I feel this will remain the key differentiator of the industry, while always delivering long-term benefits for the customers.

(The writer is G. Naga Sridhar.)

TOP

'High reinsurance costs a bigger worry for life insurers' – Financial Express – 17th December 2024

Aditya Birla Sun Life Insurance (ABSLI), which ended FY24 with around Rs 17,500 crore in gross written premiums (GWP), aims to double its business in the next three years. In a conversation with Narayanan V, MD & CEO Kamlesh Rao outlines the company's growth strategy, distribution mix, and the impact of recent regulatory changes. Edited excerpt:

There were talks about a GST rate cut on life and health insurance products. Will it lead to higher life insurance policy sales?
The GST rate cut is primarily anticipated for health insurance, and in life insurance, it may apply to the protection segment. If implemented, it will slightly reduce costs for customers. However, our bigger concern today is the rising cost of protection products due to increased reinsurance rates. Over the last two years, premiums for protection policies have risen significantly. While reinsurance rates for short-term protection policies have returned to pre-COVID levels, rates for long-term policies (15, 20, or 30 years) remain high. This limits the growth of the protection business. Ultimately, GST is applied to the final premium value. The high reinsurance rates have already led to a decline in the protection business for many life insurers. A reduction in reinsurance rates, when it happens, will drive protection business growth more effectively than a GST rate cut alone.

(The writer is Narayanan V.)

TOP

PMJJBY has provided Rs 2 lakh life insurance coverage to over 21 crore beneficiaries: Finance Ministry – The Economic Times – 14th December 2024

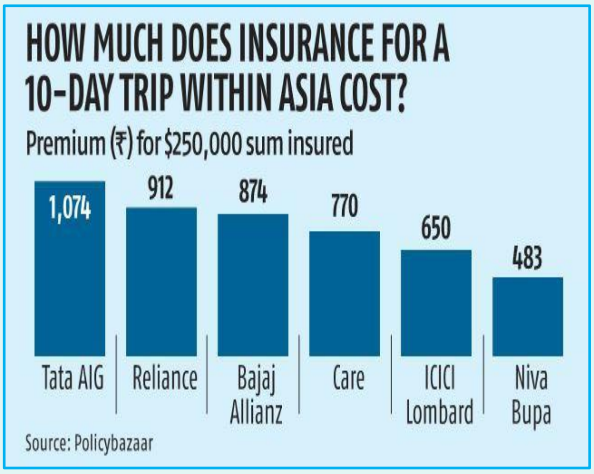
Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) has provided Rs 2 lakh life insurance coverage to over 21 crore beneficiaries, ensuring financial security for families in times of uncertainty, the Finance Ministry said on Saturday. The Finance Ministry in a social media post on X added that the cumulative enrolment under the PMJJBY has recorded at 21.67 crore, and the cumulative number of claims received was 860,575, worth Rs 17,211.50 as of October 20 this year. PMJJBY is a one-year life insurance scheme renewable from year to year, offering coverage for death due to any reason. Persons in the age group of 18-50 years having an individual bank or a post office account are entitled to enrol under the scheme. People who join the scheme before completing 50 years of age can continue to have the risk of life cover up to the age of 55 years upon payment of the regular premium.

TOP

GENERAL INSURANCE

Travel insurance for holidayers should depend on place, trip duration, age – Business Standard – 18th December 2024

This holiday season, Indian travellers are likely to flock to short-haul destinations. According to the Policybazaar Holiday Travel Trends 2024 report, Thailand and the United Arab Emirates accounted for 23 per cent of global travel insurance policies sold on their platform. Demand for higher coverage of $250,000 and above is growing. Travellers are also increasingly opting for add-ons covering refunds, adventure sports, and cyber fraud. Before heading abroad, ensure your travel insurance policy offers all essential coverage and has an adequate sum insured.



Key factors when choosing coverage
Age: Coverage requirements vary with age: older travellers need higher medical protection.

Trip duration: "A longer trip requires more extensive medical coverage," says Jaideep Deorukhkar, vice-president and national sales manager– agency travel, Tata AIG.

Destination-specific risks: Travellers to countries like the United States and Canada need higher cover (~250,000-5, 00,000) due to steep medical costs in those countries. "For Europe, Singapore, or Japan, too, a coverage of $10,000–50,000 is recommended," says Meet Kapadia, head of travel insurance, Policybazaar.

Non-refundable bookings: Sometimes, travellers spend a lot on non-refundable bookings like flights, hotels, or events. "Choosing a plan that includes trip cancellation or interruption cover is wise to protect those investments," says Rakesh Jain, chief executive officer, Reliance General Insurance. Be aware of these exclusions. Travel insurance usually excludes all liabilities that arise due to negligence or intentional violations. "If you travel against medical advice and that leads to a medical condition; you breach the laws of the nation you are visiting; self-inflicted injuries; obesity, and cosmetic treatments are not covered by travel insurance," says Parthanil Ghosh, director and chief business officer, HDFC Ergo General Insurance.

Deorukhkar adds: "Suppose you have a connecting flight that you choose not to board due to jet lag that will not be covered. Similarly, if you have landed at a city's domestic airport instead of the international airport and need a transit visa, the cost of the visa will also not be covered."
Most extreme scenarios require the purchase of add-on covers.

Add-ons to broaden coverage
Adventure activities: Standard policies exclude high-risk activities like scuba diving and bungee jumping. An add-on policy is needed to cover them. Gadget protection: Base policies cover passport loss but not gadgets. "For coverage of laptops or mobile phones, an add-on is needed," says Kapadia.

Cybersecurity: Demand for cyber insurance coverage is rising. "Public Wi-Fi abroad poses risks. Hackers exploit these networks to gain access to your devices, steal sensitive data, or install malicious software," says Kapadia.

Avoid these mistakes
Travel insurance should be bought well in advance. "This will allow you to assess your needs and select the right policy," says Aashish Sethi, head–health SBU (strategic business unit) and travel, Bajaj Allianz General Insurance. Insurance cannot be purchased after the trip begins. Many travellers buy a policy after only comparing the premiums. "They overlook the details of the coverage," says Deorukhkar.

Travel agents may not have many options and hence may not offer the best plan for your destination. “While agents offer convenience, it is important to compare different plans,” says Rathin Lahiri, head–marketing and CSR, SBI General Insurance.

Stricter visa norms are causing more rejections. Kapadia suggests buying visa rejection cover to recover the visa fee.

Ghosh stresses the importance of disclosing pre-existing conditions to avoid claim rejection.

(The writer is Himali Patel.)

TOP

Finance ministry following a calibrated disinvestment strategy – The Economic Times – 16th December 2024

The finance ministry on Monday said it’s following a “calibrated disinvestment strategy” through the listing of central public sector enterprises (CPSEs) as well as gradual dilution of minority stakes via the stock market, aligned with interest of minority shareholders. It has adopted a “holistic public asset management strategy” and every CPSE is being “driven to create value for itself, its employees, shareholders and the broader economy”, the ministry said in a post on microblogging site X. The enhanced focus on value creation in recent years is reflected in the combined market capitalisation of listed CPSEs, which has grown nearly 3.6 times in the last three years to Rs 44.41 lakh crore, way outpacing the performance of the Sensex and Nifty, it said. The Department of Investment and Public Asset Management (DIPAM) has raked in Rs 8,625 crore so far this fiscal year from the dilutions of a part of its stakes in General Insurance Corporation of India (Rs 2,346 crore), Cochin Shipyard (Rs 2,015 crore) and Hindustan Zinc (Rs 3,449 crore).

TOP

Fresh Capital for PSU General Insurers Likely in Budget - Live Mint - 16th December 2024

The government may infuse fresh capital into its loss-making general insurers in the next financial year to strengthen their operations and help them meet regulatory requirements, two people aware of the plans said. The Union budget may allocate additional capital for these insurers after reassessing their quarterly parameters in the nine-month period ending December 2024, the people said on the condition of anonymity. At three of the weak state-owned general insurers, solvency ratio - a key requirement for insurers to continue servicing their customers - is expected to turn positive after the capital infusion. Solvency ratios at National Insurance, United Insurance and Oriental Insurance stood at -0.45, -0.59 and -1.06 at the end of FY24, against the minimum required 1.5. Though the quantum of capital support will be worked out early next year, it may be ₹4,000-5,000 crore and would be contingent upon companies showing signs of consistent improvement in financial parameters and growth, the first of the two persons quoted earlier said. “Solvency ratios of the three public insurers — United India Insurance Co., National Insurance Co. and Oriental Insurance Co. — is still low. The government has sought exemption from the Insurance Regulatory and Development Authority of India for all three entities from meeting regulator-mandated solvency margins. We will assess the performance of all three entities afresh, and if we find marked improvement in their performance, capital infusion may be done to strengthen them further," the second person added.

"The further strengthening of operations of the three entities may be a precursor to planned listing and privatization of one or all the companies," the person added. Queries sent to finance ministry and secretary, department of financial services (DFS), the administrative body in charge of public sector insurers, remained unanswered at press time. In terms of solvency margin, the required value for insurers is 150 percent. Solvency margin is the extra capital companies must hold over and above the claim amounts they are likely to incur. It acts as a financial backup in extreme situations, enabling the company to settle all claims. Though National Insurance and United Insurance have reported profits in a few quarters in FY24, the profits have been minuscule and fleeting, keeping solvency margins well below requirements. Moreover, the companies were back in red in FY25, and continue to give weak performance even in FY25. Among state-owned insurers, only New India Assurance is profitable. The only listed PSU general insurer reported a net profit of ₹1,129 crore in FY24. Its solvency ratio also remained healthy at 1.81 and the company continues to be the market leader in the Indian general insurance industry.

“This proposed capital infusion measure will be welcome for the financial sector in general and the public sector general insurance companies in particular because the insurance market - both life and general - is here to stay and grow sharply in line with the general trend globally and the steady growth of the Indian economy. But it has to be made unequivocally clear to these companies that this is a one-off measure and they cannot expect a bailout every time they fail to balance their books because of the cost to the public exchequer, multiple priorities, including financial inclusion of the government and the compelling need to adhere to the fiscal deficit glide-path," Manoranjan Sharma, chief economist at Infomerics Ratings and former chief economist at Canara Bank said. The government had provided ₹12,450 crore to these three insurers in FY21 and ₹5,000 crore in the last month of FY22. Another dose of capital in FY26 is considered timely, since these companies have started showing signs recovery. “Accordingly, these capital-starved companies will need to focus on a slew of broad-spectrum measures, including organizational restructuring, product rationalization, cost rationalization and digitalisation. This is a difficult but doable work and requires, inter alia, signing of a memorandum of understanding (MoU) between the government and these companies, mutually agreed performance indicators and close and careful monitoring of these indicators all along the line for a discernible and sustained improvement in profits and profitability," he added.

The first person quoted above said capital infusion insurers would be conditional upon companies restructuring their operations. Earlier, the companies were advised to move out from loss-making fire and motor insurance.“To strengthen loss-making public sector insurers, the government can provide immediate capital infusion linked to operational reforms and cost optimization. Strategic disinvestment or privatization could bring in expertise, and to quite an extent, higher orientation towards financial well-being and growth without offloading the social responsibility they have been shouldering. This will eventually reduce fiscal burden," said Rajeev Saxena, partner at S.N. Dhawan & Co Llp, a chartered accountancy firm. An alternative to capital infusion could be to merge these three companies with the profitable New India Assurance, said Venkatesh Raman Prasad, partner, JSA Advocates & Solicitors. "However, merger of a profitable listed entity with three unlisted loss-making entities may have its own set of complexities and challenges. The government may consider listing of these entities which may help them in gaining access to private capital while reducing dependence on government capital," Prasad added. India’s general insurance market comprises 27 companies, including the four major PSU entities mentioned above, 23 private players and six stand-alone health insurers.

According to reports from insurance companies and the India Brand Equity Fund (IBEF), the insurance density in India (ratio of premium to total population) is $73, compared with the global average of $650. Insurance penetration in India is at 3.69 percent compared with the world average of 6.13 percent. Penetration in the general insurance sector is below 1 percent. Insurance penetration is the percentage of total insurance premiums collected in a country compared to its GDP, and is used to assess the development of a country's insurance sector

(The writer are Subhash Narayan and Rhik Kundu.)

TOP

HEALTH INSURANCE

Health insurance cover for OPD expenses to rise: Official – Financial Express – 20th December 2024

More health insurance companies would start offering insurance cover on the OPD (outpatient department) expenses, said Kiran Gopal Vaska, joint secretary & mission director (ABDM) at National Health Authority (NHA). He said that health insurers typically don't cover OPD expenses in their policies due to the high processing costs. "Today, one claim processing costs around Rs 600-700. It would be in the same range for the OPD claims. If the processing itself costs Rs 700, insurers seldom provide OPD cover. With the national health claims exchange (NHCX) where the systems have been automated, the processing cost can come down to as low as Rs 50. As the cost goes down, the insurers can start giving OPD cover," Vaska told FE.

Speaking at the CII's annual health summit 2024, Vaska said that the NHCE has been live for over a year. "We have onboarded 400 hospitals and nearly all health insurance companies are on the exchange. We are running Pradhan Mantri Jan Arogya Yojana (PM-JAY) on it. Till recently, we were handling retail policies but now group insurance policies are also being processed," he said. In India, about 80% of the health insurance policies are group insurance. With the addition of group insurance claim processing, the NHA is expecting the volumes to go up. "We have processed nearly 9 million claims so far. We are taking a graded approach to roll out this exchange. We will be adding more states going forward," he said.

NHCX is developed under the Ayushman Bharat Digital Mission (ABDM) in consultation with the Insurance Regulatory and Development Authority of India (IRDAI). The aim of the single-window digital platform is to facilitate faster claim processing for policyholders and reduction in costs for insurance companies. It brings all stakeholders involved in the claim process such as insurers/third-party administrators and service providers at one place for faster approval of claims.

(The writer is Manu Kaushik.)

TOP

Steep rise in premium, poor claim experience? Consider porting your policy – Business Standard – 19th December 2024

Harsh Kumar (name changed on request), 54, a resident of Bengaluru, recently undertook a review of his financial portfolio. While evaluating his health insurance coverage, Kumar, who has a Rs 25 lakh cover since 2012, realised that his premiums had increased by two-and-a-half times over this period. Now, he is keen to move to another insurer that offers more cost-effective coverage. While most people review their investment portfolios annually, many do not conduct the same exercise for their insurance portfolios. Let us go through the key checks you need to run to see if your health coverage is comprehensive (in terms of what is covered) and adequate (in terms of the sum insured).

Healthcare inflation in India runs at around 14 percent. If you bought a health insurance policy, say, five years ago, the sum insured on it may not be adequate to cover rising costs. Consider increasing the sum insured at the time of policy renewal. Start with a base cover of Rs 5–10 lakh in your 20s and upgrade before you turn 30. "If you are under 30, plan your health insurance cover with an eye on your 50s and beyond, when hospitalisation risks typically peak," says Aayush Dubey, co-founder and head of research, Beshak. He adds that there is no guarantee you will be able to enhance coverage at an older age, especially if health problems emerge. Locking in a higher cover while you are healthy ensures access to protection without restrictions. The sum insured should also be revised at important life stages. Dubey recommends buying a super top-up from the same insurer from which you have purchased the base policy. "This ensures smooth integration with your base policy. Claim processing becomes easier as both policies follow the same terms. The possibility of conflicts or delays gets reduced," he says.

"Life events like marriage or childbirth can increase healthcare needs, warranting an adjustment in coverage," says Ashish Yadav, head of products and operations, ManipalCigna Health Insurance. Someone seeking more security may consider buying a super top-up with a deductible equivalent to the sum insured on their base policy. "A super top-up is often a more cost-effective option as it provides additional coverage beyond the specified deductible amount at a lower premium compared to increasing the base policy's sum insured," says Yadav. He warns that if the base policy lacks sufficient coverage for everyday medical expenses or has a high co-payment clause, it may be wiser to enhance the base policy. At the time of review, the case for purchasing a critical illness plan should also be considered. "Individuals with a family history of serious illnesses (such as cancer, heart disease, etc.) may benefit from these plans as they provide a lump-sum payment upon diagnosis of covered conditions," says Yadav. He adds that those in high-risk occupations or with lifestyles that increase susceptibility to critical illnesses should also consider this policy.

In most cases, reducing the sum insured of your health insurance cover is not advisable due to health care inflation. In rare situations, however, it might make sense. "If the rising premium of your base policy makes it unaffordable, consider reducing the sum insured on your base policy while adding an affordable super-top-up policy to maintain overall protection against large medical bills," says Dubey. Besides reviewing the amount of coverage, it is important to assess whether your policy offers robust coverage. Understand the coverage details: the treatments and conditions that are included and, more importantly, those that are not. The policy should include hospitalisation, daycare treatments, and pre- and post-hospitalisation expenses. Sub-limits affect a policy's effectiveness. "Check if your policy has any sub-limits for specific treatments or room rents, which could affect the amount you can claim during hospitalisation," says Yadav. Checking the insurer's network of hospitals is also crucial. The important hospitals in your vicinity, which you are likely to visit in case of a health emergency, should be in the insurer's network for you to access cashless treatment. During the review, understand how much waiting period is left for your pre-existing conditions.

According to Dubey, you should consider porting if you have had a dissatisfactory experience with your current insurer at the time of claim settlement and policy servicing. An exorbitant increase in premiums should also lead to porting. Yadav suggests porting when you can get better benefits or lower premiums from another health insurer. "If you are moving to a different city where the current insurer has limited network hospitals, then too you should port," says Yadav. Insurers tend to revise policy terms and conditions periodically. "If any of the changes affect your benefits or do not align with your expectations, think of porting," says Dubey. He adds that the new insurer must be informed at least 45 days before renewal to initiate the process. While reviewing the policy, check your health insurer's claim settlement ratio to ensure it is on the higher side. A family member may have lost their group insurance coverage. In that case, consider including that person in the family floater plan. Similarly, if your child has crossed the age of 25, move them out of the family floater and into an individual plan (the age up to which children are allowed to stay in the family floater ranges from 25 to 30 across plans).

(The writers are Sanjay Kumar Singh & Karthik Jerome.)

TOP

Medical inflation of 14% fuels rise in health policy premium: Sumit Bohra, President, Insurance Brokers Association of India – The Indian Express – 16th December 2024

Sumit Bohra, President of the Insurance Brokers Association of India (IBAI), has said the high level of medical inflation is fuelling the rise in premium on health insurance policies. In an interview, Bohra said 100 percent FDI in insurance will create a huge impact but maintained that allowing an agent to represent multiple insurers would not be correct. Edited excerpts:

Settling a hospital bill through insurance is a tedious process and it can take up a full day. How can this delay be avoided or reduced?
Insurance regulator IRDAI has mandated that the cashless claims need to settled in an hour's time and the industry is gearing up to fulfil the timelines. The new National Health Claim Exchange (NHCX) will help all the stakeholders to work from a single platform thereby reducing the turnaround time (TAT). (Turnaround time is the time to complete a process or request for insurance claims or policy issuance)

There's a general complaint that insurance companies are jacking up premium on health insurance exorbitantly every year. Why is it happening? Should there be a ceiling on premium hike?

The hike in the premium is linked to claims. The medical inflation is on the rise and current inflation is around 14 percent which further fuels the hike in the premium. I would like the premiums to be capped but the same cannot be done unless the hospitals are regulated.

Health cover bill paid out by 20 private insurers is between 55-80 percent of the claimed amount according to data from IBAI. Can you explain?
There are two columns in IBAI claims hand book — one representing the number of claims settled in terms of numbers and second is the number of claims settled in terms of value. The 55-80 percent claims settled in terms of values means the smaller claims are settled faster and the larger value claims may take time due to various reasons like higher scrutiny, more details required from hospitals and customers etc. It nowhere represents that the claims are short settled.

Govt has proposed 100 percent FDI in insurance. Do you think it will have a big impact in the insurance sector if the law is passed? What kind of FDI is expected?
Definitely, it will create a huge impact. Allowing 100 percent FDI will lead to increased competition, enhanced innovation, economic growth, improved accessibility and more transparency among the insurers and allow the customers more freedom of choice and better service.

There's a proposal to allow one composite licence for all types of insurance activities in the segment. Will it benefit consumers or insurers?
A composite license will allow the insurers to cross sell and upsell new products to their customer thereby reducing the cost of acquisition. Life insurers, especially, will be in a better position to underwrite health as they have the underwriting data of the policyholder and will be better placed to underwrite the health risk. This move will benefit both the insurers and the customer.

Govt has proposed that insurance agents can do services for multiple insurers instead of the current restriction of one insurer. How will it impact the sector?
An agent represents insurer and representing multiple insurers would not be correct. If someone wants to represent multiple insurers then they should upgrade themselves to either an IMF (insurance marketing firm) or an insurance broker and follow the same set of compliance.

How will Bima Sugam impact the insurance segment? Why is it getting delayed?
Bima Sugam will help the whole ecosystem to transact quickly with full transparency and given an opportunity to the customer to compare, buy get serviced through the portal thereby reducing TAT and providing better service at a competitive price. Insurance is complex in nature and it will definitely take some time to create the platform as there are more than 50 insurers which needs to be integrated with different products. The regulator has already selected the CEO and the work is in full swing to launch the same by April next year.

There is a proposal before GST council for reduction/ abolition of GST on health and term insurance. What's your view? Do you think it should be extended to the entire insurance sector?
This is a good move and if it happens, the burden on the common man can be reduced, especially on the senior citizens who are paying a high premium which is in the range of 10-15 percent of the sum insured. In fact, post the new tax regime most of the tax payers don't get rebate under Section 80D and 80C. Hence, waiver of GST will be a big relief and can further lead to increased penetration due reduction in price.

(The writer is George Mathew.)

TOP

MOTOR INSURANCE

Road Safety 2024: The Role of Car and Bike Insurance in Encouraging Responsible Driving – The Tribune – 17th December 2024

India currently ranks among the top nations globally for road accident fatalities. Over 4.8 lakh road accidents occurred in 2023, resulting in over 1.72 lakh fatalities. For this reason, encouraging adherence to traffic laws and promoting safe driving habits is essential and this is where the insurance industry plays a pivotal role in fostering road safety.

In this article, we will explore how car and bike insurance can encourage responsible driving.

How Car and Bike Insurance Promote Responsible Driving?
Here is how car and bike insurance can help in encouraging responsible driving:

1. Financial Safety
A vehicle insurance plan protects drivers from the financial risk of accidents, theft, and damage. This lets drivers focus on safe driving without constant worry. It will also save them from potential financial ruin in case of an incident. Knowing that their assets are safeguarded often results in more cautious and responsible behaviour behind the wheel.

2. Compliance with Legal Requirements
Insurance policy helps ensure compliance with legal requirements for vehicle usage. Third-party liability insurance is mandatory in India. This type of insurance covers legal liabilities arising from injuries or property damage caused to others. By ensuring compliance with this legal requirement, insurance protects both drivers and pedestrians from potential liabilities, fostering a safer driving environment.

3. Education and Awareness
Insurance companies often engage in educational initiatives aimed at promoting road safety. Many insurers host events that educate drivers about safe driving practices, the importance of vehicle maintenance, and understanding their insurance policies. Insurers frequently provide educational resources to help drivers understand the risks associated with different driving behaviours and how to avoid them.

4. Peace of Mind
Having comprehensive vehicle insurance provides peace of mind for drivers. The sense of security encourages them to be more responsible on the road. The assurance of financial protection discourages risky behaviours such as speeding and distracted driving. This sense of security not only benefits individual drivers but also contributes to overall road safety.

5. Emergency Support Services

Insurance policies include roadside assistance or emergency services. It can help drivers feel more secure while on the road. It also encourages them to drive responsibly, knowing help is readily available if needed.

6. Reduction of Uninsured Drivers
By making insurance accessible and affordable, more drivers are likely to purchase policies, which reduces the number of uninsured drivers on the road. A greater number of insured drivers ensures financial accountability in case of accidents, contributing to overall road safety.

7. Promoting Vehicle Safety Features
Many insurance companies provide incentives for vehicles equipped with advanced safety features such as anti-lock brakes, airbags etc. This encourages consumers to choose safer vehicles, ultimately leading to fewer accidents and injuries on the roads.

8. Data-Driven Insights
Insurance companies utilize data analytics to identify high-risk areas and driving behaviours. This information can be used to tailor insurance products and promote safer driving practices among customers. If the data indicates a low risk of theft, accident, and rash driving, it can lead to a lower premium.

9. Incentives for Safe Driving
Drivers who demonstrate safe driving habits can benefit from lower premiums over time. For example, it can lead to a lower car insurance renewal price. This financial incentive encourages ongoing responsible behaviour, as maintaining a clean driving record directly correlates with cost savings.

10. Behavioral Feedback Mechanisms
Many modern insurance policies utilise telematics to monitor driving behavior. These devices provide real-time feedback on driving habits, such as speed and braking patterns, helping drivers identify areas for improvement and encouraging safer driving practices.

11. Encouragement of Vehicle Maintenance
Car insurance often requires regular vehicle maintenance to keep coverage valid. This encourages drivers to maintain their vehicles in good condition. It not only enhances safety but also lowers the chances of accidents caused by mechanical failures.

12. Encouraging Helmets among Bikers
Insurance policies for motorcycles emphasise the importance of wearing helmets and protective gear. Insurers may charge lower premiums for riders who follow safety regulations. Moreover, these companies reward responsible behavior. Thus, if someone wants to buy bike insurance online, they will feel encouraged to wear helmets. It will make the insurance company look favorably at an applicant, thus leading to a possible lower premium.

13. Emphasising Success Stories
Insurance companies can inspire others by showcasing success stories from policyholders. It creates an environment where responsible actions are recognised and celebrated. Such initiatives can motivate others to practice safe driving as well.

Final Words
Overall, financial security provided by car and bike insurance protects individuals from economic hardships while promoting responsible driving through incentives and educational initiatives. Hence, this comprehensive approach significantly enhances road safety and encourages a culture of accountability and caution among vehicle owners.

TOP

INSURANCE CASES

SC Sets Aside NCDRC Order Reducing Insurance Sum of Car Damaged in Accident – Latestly – 17th December 2024

The Supreme Court on Tuesday set aside an order of the National Consumer Disputes Redressal Commission which reduced the amount of payable insurance from Rs 5.02 lakh to Rs 53,543 for an insured vehicle that met with an accident in 2013. A bench of Justices P S Narasimha and Sandeep Mehta noted the commission reduced the amount relying on one of the policy conditions prescribing that in the event of any accident, the vehicle should not be left unattended without proper precaution.

The court said while interpreting such a clause, the court or commission or tribunal would see whether the said obligation was complied with reasonably or not. "The context in which accident occurs and the circumstances that prevailed at the time of accident are extremely important to conclude whether the insured has taken reasonable care or not," the bench said. The top court delivered its verdict on the appeals challenging a July 2019 order passed by the NCDRC. It noted the appellant had purchased a private car insurance policy for his vehicle which was applicable from July 2, 2012 to July 1, 2013, and the maximum sum that could be claimed from the insurance firm was fixed at Rs 5,02,

The bench said while this policy was in force, the appellant met with an accident on March 25, 2013, while he was at the wheel when the vehicle fell in a gorge. At the time of the accident, the top court said the appellant was accompanied by a copassenger -- both of whom suffered injuries. It came on record that the appellant rushed the co-passenger to a hospital, leaving the car capsized while a wire in the vehicle short-circuited, and igniting fire in the vehicle the bench said while the appellant lodged an FIR on the same day, he wrote to the insurance company on March 28, 2013. The top court said the insurance firm appointed a surveyor, who assessed the damage to be Rs 53,543 but said the damage occurred due to the appellant's omission to take care of the vehicle. The firm denied the insurance claim citing delay in intimation and on having left t vehicle unattended, exposing it to further damage, the bench noted. When the appellant moved a district consumer forum, it partly allowed the complaint and directed the insurance firm to release 75 per cent of the insurance amount Aggrieved by the order, both parties moved the state consumer commission, which directed the release of entire insured sum of Rs 5,02,285 with a 9 per cent interest from the date of filing the complaint.

The insurance company, however, moved the NCDRC which reduced the insurance amount to Rs 53,543, prompting the appellant to move the top court. The apex court observed the surveyor's finding that the short-circuit was caused by the appellant was not based on any evidence.

The bench said no miscarriage of justice was made out by the insurance company and the state commission had addressed all the issues. It further said the appellant was acting under "compelling circumstances" when he took his co-passenger to the hospital immediately owing to his precarious condition. "It is not disputed that the co-passenger had also succumbed to the injury," the bench said, "it is also difficult to imagine that how he could have prevented short-circuiting the vehicle which had fallen into a ditch". While allowing the appeals, the bench set aside the NCDRC's verdict and restored the order of the state commission on releasing the entire insured declared value of Rs 5, 02,285 to the appellant.

TOP

Health insurance firm told to pay Rs 1.68L claim – The Tribune – 15th December 2024

The District Consumer Disputes Redressal Commission, Chandigarh, has directed an insurance company to pay compensation of Rs 20,000 to a city resident for denying his medical claim. It has also directed the company to pay claim amount of Rs 1.68 lakh to the complainant along with 9 per cent interest per annum from the date of refusal of the claim. A resident of Sector 21-C, Chandigarh, in a complaint filed before the commission said that he and his wife had purchased a health insurance from M/s Niva Bupa Health Insurance Company. The policy was valid till 2026 on premium of Rs 1, 65,926 with sum insured of Rs 15 lakh.

On October 24, 2023, the complainant was admitted at Shuddhi Ayurveda Panchkarma Hospital, Devinagar. He was discharged on November 7, 2023, after remaining in the hospital for 15 days. The total amount charged by the hospital for the entire treatment was Rs 1.68 lakh. The hospital also issued a certificate of treatment. He raised the claim for Rs 1.68 lakh but the insurance company rejected it on the ground that the patient was admitted for diagnostic and evaluation purpose and so the claim was not payable as per policy.

He said that as per clause 3.2 of the policy Ayush treatment was covered if the insured was admitted for 24 hours or more. It is on record that he remained admitted in the Ayush hospital for 15 days. On the other hand the insurance company justified the rejection and said that the insured person was admitted primarily for investigation and evaluation purposes.

After hearing the arguments the commission said that the certificate issued by the treating hospital clearly indicated that the insured patient needed proper hospitalisation as he was in severe pain. "In view of this, the insurance company is directed to pay Rs 1.68 lakh to the complainant(s) along with interest, Rs 20,000 compensation and Rs 10,000 as cost of litigation," the order said.

TOP

PENSION

EPFO extends deadline for employers to file wage info – The Tribune – 19th December 2024

The retirement fund body-The Employees' Provident Fund Organisation (EPFO) has granted a final extension for employers to process and upload pending applications for the validation of options or joint options related to pensions on higher wages. It has now set a final deadline of January 31 for employers to process and upload the pending applications which are numbered around 3 lakh.

According to the Ministry of Labour and Employment's press statement, this extension follows multiple requests from employers and their associations for more time to complete the required submissions.

The online facility for submitting applications was initially launched on February 26, 2023 and was to remain available only till May 3, 2023. However, considering representations of employees, the time was extended to June 26, 2023 in order to provide complete four months to eligible pensioners/members for filing applications.

TOP

No groundwork yet for PF withdrawals via ATMs, say sources – The Hindu Business Line – 18th December 2024

Even as talks on customers being able to withdraw their provident fund money from automated teller machines (ATMs) from early 2025 gain traction, no on-the-ground work has been initiated yet by banks, white label ATM operators and cash management service companies, sources say. "We are not aware about this policy change. Any input pertaining to this move must flow to us from the Reserve Bank of India (RBI)," an industry source said. Another source shared similar views, saying the proposed idea is nascent, and the regulator has yet to issue a directive in this regard. A sector official at a large public sector bank said such upgradation would be cumbersome and may take up to three years for full implementation. Officials at large and mid-sized private banks shared similar views. According to RBI data, banks across India have set up more than 2.16 lakh ATM and cash recycler machines (CRMs).

In an interview with news agency ANI earlier this month, Labour Secretary Sumita Dawra said the labour ministry is upgrading its IT systems to provide enhanced services to the country's workforce. Starting next year, the report said, EPFO subscribers would be able to withdraw funds from their provident fund account directly via ATMs."We are settling claims quickly and are working to make the process easier to improve the ease of living. A claimant, beneficiary, or insured person will be able to access their claims conveniently through ATMs, with minimal human intervention," she was quoted as saying by ANI. "Systems are evolving, and every two to three months you will notice significant improvements. I believe there will be a major enhancement by January 2025," she added.

(The writer is Piyush Shukla.)

TOP

EPFO, ESIC subscribers may soon use claim amounts via e-wallets: Labour Secretary – The Tribune – 18th December 2024

Subscribers of retirement fund body EPFO and Employees' State Insurance Corporation (ESIC) may soon be able to use the claim settlement amounts through e-wallets, a top official said on Wednesday. Replying to a question on EPF withdrawal from ATMs, Secretary in the Ministry of Labour and Employment Sumita Dawra said, "This is an area of great interest for the insured person, a contributor. How can I withdraw my money more easily?"

"In cases of auto settlement... the money goes to the bank account and they in any case are able to withdraw it from the bank account, from any ATM presently," Dawra said. "Now you are talking about how the claim can go directly to probably a wallet or, we'll have to work out some mechanism. So there we have started talks with bankers and also we are going to have a plan in place on how we can do this practically," she said, while speaking on the sidelines of a tourism summit here. "We are reaching out to them (Reserve Bank of India). We'll have a plan in place very soon," she said.

TOP

EPFO weighs higher equity investments – Financial Express – 18th December 2024

Encouraged by the relatively high returns for Employees' Provident Fund Organisation (EPFO) from equity investments since 2015, the government is looking to hike the retirement fund body's exposure to the segment significantly. The higher equity exposure – roughly 9.5% of the EPF investible surplus is currently invested in specified exchange-traded funds (ETFs) – is being planned with a view to raise the returns for EPF subscribers substantially from 8.25% now (FY24) official sources told FE, adding that the returns used to be as high as 10-12% in the 1990s. The labour ministry has recently formed an internal committee to look at ways to achieve higher investments in equity, the sources added. The move may also result in diversifying the EPF's equity portfolio, which is currently restricted to ETFs.

"We are aiming to peg higher annual rate of interest for EPF subscribers, and are exploring ways to achieve that," said an official, on condition of anonymity. Last year, as many as 74 million subscribers and their employers contributed to the EPF.
The EPF interest is calculated on a monthly basis on the contributions received by subscribers, but deposited into the EPF account only on March 31 of the relevant financial year.

In FY23, the EPFO had fixed the interest rate at 8.15%, and 8.10% in FY22. Since FY02, the EPFO has not declared the interest rate of more than 10%. For FY01, it had fixed the interest rate at 11%, and in 1990s, the subscribers used to get even higher returns.

"We can give higher interest rates, if EPF generates higher returns from its investments, and the most appropriate route for that is to expand exposure in equities," said the official. The total investments made by the retirement body fund as of FY24 end was Rs 15.29 lakh crore. Of this, 9.5%, or Rs 1.45 lakh crore, was invested into ETFs. The labour ministry, in 2015, had notified that 5-15% of the fresh accretions of EPF shall be exposed to "equities and related investments". Initially, the EPFO had started with an investment of 5% in equity through ETFs (2015), but raised it to about 10% in the subsequent years. "The investment limit is 15%, and the EPF is aiming to reach that limit," said the official. For a higher share of investible surplus to be channelled into equity, the investment norms would need further relaxation.

The notional return from equity investments for EPFO were 14.67% and 16.27%, respectively, in FY21 and FY22. The returns are believed to have risen further, even though no official data is made publicly available. The EPF offers the subscribers one of the most attractive risk-free returns amongst all savings instruments. It is also tax-free for employees' contribution of up to Rs 2.5 lakh a year. Apart from equity, the EPFO has invested majorly in central government securities, state development loans, and corporate bonds of PSUs and private sector. Sources say that the yield generated by debt portfolio managers of EPFO in FY24 was 7.62%, which is higher than the benchmark yield of 7.57% for the last fiscal. Under the notified investment norms, EPFO can invest shares of listed companies with a market cap of not less than Rs 5,000 crore or in such derivatives.

On November 30, the EPFO's Central Board of Trustees had approved a redemption policy for ETF investments. The CBT approved reinvestment of the 50% of redemption proceeds from ETFs back into the central public sector enterprises (CPSEs) and Bharat 22 funds. The CPSE ETF and Bharat 22 ETF have generated a return of around 40% and 22%, respectively, for investors, in the past one year.

(The writer is Priyansh Verma.)

TOP

Self-approval for PF withdrawals from next fiscal – Financial Express – 17th December 2024

The Employees' Provident Fund Organisation (EPFO) may introduce a "self-approval" mechanism for subscribers to withdraw provident fund (PF) monies from their accumulated corpus under an automated process by early next fiscal year, according to official sources.

If this results in any liquidity crunch for the EPFO, it may avail cash-credit from commercial banks to meet temporary requirements, said the sources. By FY24-end, the total corpus of EPF was Rs 24.75 lakh crore, of which about 63% was invested into financial instruments, such as government securities, corporate bonds, exchange traded funds, etc. The EPFO is going to hold consultations with the Reserve Bank of India (RBI) and major commercial banks to prepare a road map on how this mechanism can be established, the sources said.

The social-security agency is currently working on upgrading its technology infrastructure, which may be ready by March, to facilitate the easier withdrawal process. Going forward, the EPF subscribers will only be intimating the fund regarding their withdrawal amount, as against going through a tiresome withdrawal process, which is the norm at present, said the sources. "We want to ease the process of withdrawal of claims via PF accounts as much as possible. The idea of allowing subscribers to withdraw money through ATMs is also part of the same process," labour minister Mansukh Mandaviya told FE. He, however, refused to elaborate.

The sources clarified that the sectoral-limits and reasons of withdrawal will "not change", only the process will. For instance, as per the extant norms, subscribers may withdraw up to 50% from the PF funds for the purpose of education and marriage. And for the repayment of home loans, the limit is 90%.

“The sectoral limits will not change, but the subscribers will find it easy…the withdrawal will be on their fingertips,” an official said. “The current checks and balances (done through EPF officers) that are needed are likely to be reduced, filling of forms will not be required, as the entire process is going to be automated,” the person added.

The government is also exploring whether a digital wallet should be introduced, linked to EPFO, which may keep the processed claim amount, and be used for withdrawal. “There’s no finality, about this, the views of RBI are necessary in this regard,” said another source. Sources had told FE earlier that processing of claims by EPFO has seen a sharp jump of about 30% year-on-year in August-September, thanks to the latest software upgrade by the world’s largest retirement fund body’s digital platform. The government is likely to make the new EPFO information technology system ‘2.01’ operational in the next two months, which will ease the processes and turn-around time for various member and employer’s transactions.

The new system will result in centralised claim settlement including end-to-end auto processing of claims, centralised monthly pension disbursements, Universal Account Number (UAN)–based EPF accounting, Restructured Electronic Challan-cum-Receipt (ECR) with due statement and remittance challan, and doing away with the requirements of transfer of member ID (MIDs) on change of jobs. In FY25, EPFO has introduced simplified IT processes auto-mode processing of all types of EPF advance claims up to Rs. 1 lakh leading to around 40% of advance claims getting processed in auto-mode.

(The writer are Priyansh Verma & Prasanta Sahu.)

TOP

EPFO subscribers may get services at par with banking, including ATM access – Business Standard – 13th December 2024

Members of the retirement fund body EPFO may soon be able to withdraw their provident fund (PF) money directly from ATMs after the settlement. Currently, subscribers of the Employees' Provident Fund Organisation (EPFO) have to wait for 7-10 days for the settlement of their claims online. After the settlement, the money is transferred to the beneficiaries' bank accounts. Under the plan, EPFO subscribers will receive dedicated cards that can be used at ATMs to withdraw savings, a top official said, adding that the EPFO is mulling providing services at par with the banking system to its more than 7 crore subscribers. Union Labour Secretary Sumita Dawra told PTI that the focus right now in EPFO (Employees' Provident Fund Organisation) is to improve the IT infrastructure. "While improvements are being seen in the last few months, in January 2025 we will see more improvement coming in as a result of hardware upgradation," she said.

The secretary said that efforts are being made to bring systemic reforms that make processes easier and more efficient. "As part of this modernisation drive, we also aim to compare EPFO systems with the banking systems in India that are in place and are working well. For ease of living, bringing more transparency and ease of claims is also part of the plan," she said. Under the new system, claimants, beneficiaries or insured individuals will be able to access their claim amounts through ATMs. A maximum of Rs 7 lakh is provided under the Employees' Deposit Linked Insurance (EDLI) scheme run by the EPFO to the heirs of deceased subscribers.

In the new system, the heir of the deceased EPFO subscriber may also be able to use ATMs to withdraw the money after claim settlement. The new systems is expected to be rolled out after completion of a hardware upgrade by the EPFO. The body is also likely to issue dedicated cards for use by EPFO subscribers to withdraw claim amounts through ATMs. Presently, the EPFO has about seven crore contributing members covered under EPF, pension and group insurance schemes of the retirement fund body.

TOP

IRDAI CIRCULAR

Circular	Reference
GDP flash Figure of Non-Life Insurers up to November 2024	https://irdai.gov.in/web/guest/document-detail?documentId=6409445

TOP

GLOBAL NEWS

Indonesia: Life insurers to continue to be challenged by several issues into 2025 – Asia Insurance Review

The Indonesian Life Insurance Association (AAJI) has said that there are four challenges faced by the sector which are predicted to persist into 2025. AAJI executive director Togar Pasaribu said that the four challenges include rising medical claims due to medical inflation, changes in regulations related to the utmost good faith principle, weakening public purchasing power and low insurance penetration rates. These challenges could be the main hurdles to the growth of the life insurance industry, according to local media reports quoting Mr Togar. He said that increases in medical claims have forced insurance companies to adjust premiums to offset the high risk of claims. Mr Togar said, "Indeed, this step is necessary so that the company can maintain operational sustainability while providing optimal services for policyholders." He expressed the hope that premium hikes could be effected in such a way as to maintain a balance between the protection provided and the company's ability to continue to meet the needs of policyholders on an ongoing basis.

In 2024 to date, the life insurance industry in Indonesia faced significant challenges in the form of increasing medical claims, triggered by global medical inflation. Commenting on the judicial review process in the Constitutional Court regarding the basic principle of utmost good faith, Mr Togar said that if the clause was removed from regulations, then the principle of maximum good faith that has so far regulated the relationship between insurance companies and customers would be disrupted. This would then have the potential to increase moral risk and misuse of information. "This could lead to an increase in fraud cases and uncertainty in the insurance claims process," he said.

For this reason, Mr Togar said, insurance companies need to prepare mitigation steps to maintain the quality of service while ensuring the integrity of data obtained from customers. The weakened purchasing power of consumers and low awareness of insurance are long-standing issues in the insurance industry. On a positive note, he said that with careful adaptation and mitigation strategies, insurance companies can maintain stability, maintain public trust, and support sustainable industry growth.

TOP

COI TRAINING PROGRAMS

Mumbai –January 2025

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Customer Grievance, Insurance Arbitration, Ombudsman and Consumer Cases	13-Jan-25	13-Jan-25	ClickHere	Register
2	Miscellaneous Insurance Management	20-Jan-25	21-Jan-25	ClickHere	Register
3	Trade and Credit Insurance	24-Jan-25	24-Jan-25	ClickHere	Register
4	Creating High performers in BancaChannel	06-Jan-25	06-Jan-25	ClickHere	Register
5	Enterprise Risk Management (ERM)	15-Jan-25	16-Jan-25	ClickHere	Register
6	Understanding Bond Markets for Insurance Investments	22-Jan-25	23-Jan-25	ClickHere	Register

7	New Vistas in Life Insurance Underwriting	03-Jan-25	03-Jan-25	ClickHere	Register
8	Comprehensive Financial Planning Series-Part 4 :Financial Planning : Focus on Estate Planning	10-Jan-25	10-Jan-25	ClickHere	Register
9	Fraud Control and Claim Investigation in Life Insurance	16-Jan-25	17-Jan-25	ClickHere	Register
10	Consumer Grievances and Effective Resolution	24-Jan-25	24-Jan-25	ClickHere	Register

Kolkata – January 2025

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Motor OD Underwriting & Claims Handling - In the Macro Changing Scenario	09-Jan-25	10-Jan-25	ClickHere	Register
2	Learning Aviation Insurance-Bracing for the future	28-Jan-25	28-Jan-25	ClickHere	Register
3	Improving the productivity of Corporate Agents	10-Jan-25	10-Jan-25	ClickHere	Register
4	Corporate Governance and Role Marketing Intermediaries	18-Jan-25	18-Jan-25	ClickHere	Register
5	Improving the productivity of Corporate Agents	10-Jan-25	10-Jan-25	ClickHere	Register
6	Corporate Governance and Role Marketing Intermediaries	18-Jan-25	18-Jan-25	ClickHere	Register

COURSES OFFERED BY COI

CC1 - Certificate Course in Life Insurance Marketing

Course Structure –

Particulars	Details
Date	11 January 2025
Duration of the course	4 months
Mode of Teaching	Self-study + 3 days Online Contact Classes
Total hours of Teaching	18 hours for Online Contact Classes (to solve queries)
Exam pattern	MCQ pattern + Assignments
Target Group	Graduate / Post Graduate, Freshers as well as employees working in Insurance Companies
Fees for the course	Rs. 5900/- (Rs. 5000/- + 18% GST)

CC2 - Advanced Certificate course in Health Insurance

Course Structure –

Particulars	Details
Date	11 January 2025
Duration of the course	4 months (3 hours on weekends)
Mode of Teaching	Virtual Training – COI, Mumbai
Total hours of Teaching	90 hours
Exam pattern	MCQ pattern
Target Group	Graduate / Post Graduate, Freshers as well as employees working in Insurance Companies
Fees for the course	Rs. 11,800/- (Rs. 10,000/- + 18% GST)

CC3 - Certificate Course in General Insurance

Course Structure -

Particulars	Details
Date	11 January 2025
Duration of the course	3 months (on weekends)
Mode of Teaching	Virtual Training - COI, Kolkata
Total hours of Teaching	100 hours
Exam pattern	MCQ pattern
Target Group	Fresh graduates/Post Graduates, Broking Companies, Insurance Companies, Freelancers
Fees for the course	Rs. 14,160 /- (Rs. 12,000/- + 18% GST)

CC4 - Certificate Course in Investigation and Fraud Detection in Life Insurance

Course Structure -

Particulars	Details
Date	8th – 9th January 2025
Duration of the course	3 Days
Mode of Teaching	Virtual Training sessions
Total hours of Teaching	15 hours for online classes
Exam pattern	MCQ pattern
Target Group	Employees working in Fraud cells/ Claims Department/ Audit functions of the company
Fees for the course	Rs. 10620/- (Rs. 9,000/- + 18 % GST)

Please write to college_insurance@iii.org.in for further queries.