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QUOTE OF THE WEEK

"Success is the sum of small efforts - repeated day in and day out."

ROBERT COLLIER

Insurance Term for the Week

Material Misrepresentation

There is material misrepresentation when an applicant makes false statements or conceals facts with the intention of inducing the insurer to issue an insurance policy. In many instances, even if it was unintentional, the insurer has the right to void the contract. They may refund any paid premiums or altogether seize them if it comes to light that the policyholder made a material misrepresentation with the intent to defraud the insurer. However, minor cases may simply result in the insurer updating the contract terms, including the premium, to account for the new information.

INSIDE THE ISSUE

INSURANCE INDUSTRY

Bima Sugam: How this new portal will provide a 'UPI moment' for the insurance sector – Live Mint – 21st September 2023

Insurance Regulatory and Development Authority of India (Irdai) has set up a committee to oversee the creation and development of its Bima Sugam—an online marketplace that will house all companies selling life and non-life insurance on a single platform. The launch of the platform, which has already missed two deadlines, has now been rescheduled for June 2024.

The regulator claims that the proposed portal will be a 'game-changer' and a 'UPI moment' for the insurance sector.

What is Bima Sugam?

Bima Sugam aims to simplify the process of purchasing insurance for consumers. This online platform is where customers can choose a suitable scheme from multiple options given by various companies. All insurance requirements, including those for life, health, and general insurance (including motor and travel) will be met by Bima Sugam.

"This platform will help in the settlement of claims, whether it's health coverage or death claims, in a paperless manner on the basis of policy numbers. In short, identifying the right policy, buying it, and settling the claims and renewals will be streamlined in the online process that Bima Sugam will introduce. Insurance companies (both general and life insurers) will be major shareholders in the platform, which will offer facilities to customers via an 'e-insurance account' (E-IA)," said Tejinder Singh senior consultant of Alpha Capital.

Benefits of the Bima Sugam portal

It will facilitate insurance companies to access the validated and authentic data from various touch points on a real-time basis. The platform will interface for the intermediaries and agents to sell policies and provide services to policyholders, among others, and reduce paperwork. Further, the paperwork involved in buying a policy will also come down. Settlement of claims and renewal of policies will also become faster as paperwork is reduced drastically, making it easier for the customers.

Who benefits from the BIma Sugam portal?

The scheme shall benefit consumers more than the agents, since this will affect the commissions drastically and reduce paperwork involved in processing the claims.

"IRDAI's robust platform will benefit insurers, hospitals, and policyholders alike. This exchange will serve as a centralized hub for health insurance-related activities; ensuring efficient policy management, quick & hassle-free processing of claims, automatic fund transfer for policyholders & hospitals, and reduced cost per claim to the insurer," said Ajay Shah, Head – Distribution, Care Health Insurance.

It will provide end-to-end solutions for customers' insurance needs i.e., purchase, service, and settlement in a seamless manner. "First, you can buy policies, pay premiums, and settle all claims on a single platform. You don't have to visit the websites of different insurers separately. Secondly, you can choose a repository to maintain all your insurance policies. If you have all the links stored in one place, claim settlement will become easier for nominees and beneficiaries," said Tejinder Singh

With this proactive measure, IRDAI looks forward to driving positive change in the industry. The initiative will not only meet changing market demands but also position India as a thought leader for insurance innovation.

(The writer is Sangeeta Ojha.)

TOP

How innovations in technology are transforming business insurance in India? - Financial Express – 20th September 290293

As India continues to surge forward in the digital arena, various sectors are undergoing transformative changes. Among these, the business insurance sector has been somewhat overshadowed in mainstream discussions, yet it is experiencing seismic shifts, particularly through technology's democratizing force. With global investments in insurtech estimated to have reached $26 billion between 2021 and 2022, the insurance landscape is projected to flourish at a Compound Annual Growth Rate (CAGR) of 20 per cent from 2021 to 2031. This promising growth trajectory underscores the increasing relevance of technological innovations in modernizing and streamlining the insurance industry in India.

The Artificial Intelligence Revolution: A Paradigm Shift in Underwriting and Risk Assessment

A pivotal technology making waves in India's business insurance sector is Artificial Intelligence (AI). Corporate giants such as Aditya Birla Sun Life Insurance Ltd. are entering into strategic collaborations with specialized technology firms like Artivatic.ai to develop AI-powered underwriting platforms. These partnerships have given rise to cutting-edge platforms like AUSIS by Artivatic.ai, which are rewriting the rulebook for risk assessment.

Traditionally, underwriting has been a laborious, time-consuming affair that could span several weeks. However, these AI-driven platforms have condensed the timeline drastically, enabling underwriting decisions to be made within hours or even minutes. Leveraging machine learning algorithms, these platforms rapidly analyze both structured and unstructured data, thereby mitigating the risk of manual errors and accelerating the policy issuance process.

Ethical and Regulatory Implications of AI Adoption

The advent of AI, however, brings its own set of ethical dilemmas and challenges, chief among them being the potential for biases in decision-making algorithms. A robust regulatory framework is imperative to monitor and correct such biases, ensuring that the technology serves as an enabler rather than a divider. Moreover, AI's role in enhancing customer experience is noteworthy. Customer service chatbots like HDFC Ergo's DIA and Reliance General Insurance's RIVA operate around the clock, leading to discernible improvements in customer satisfaction metrics.

The Advent of Big Data Analytics: The Future of Predictive Modeling

AI is not the sole technological catalyst in the insurance sector's ongoing evolution. Big data analytics is increasingly becoming the technology of choice for insurers keen on predictive modeling. According to a report by PwC, a majority of Indian insurance companies plan to incorporate big data analytics in the next two years. Predictive analytics empowers these firms to forecast future occurrences like natural disasters based on historical and real-time data, thereby potentially reducing claim costs by up to 20 per cent. This technology also enables a more nuanced customer profiling, laying the groundwork for personalized insurance plans tailored to individual needs.

The Rise of Insurtech Platforms: Democratizing Access to Business Insurance

Parallel to these technological advancements, insurtech platforms are gaining traction. While primarily aimed at retail customers, business-centric platforms are also emerging. These platforms have served over five million customers in 2020 alone. They offer simplified user experiences in policy comparison, claims submission, and renewal. However, awareness among Small and Medium-sized Enterprises (SMEs) remains low, indicating a massive, untapped market.

The Road Ahead: Balancing Innovation with Ethical and Regulatory Concerns
As we contemplate the sector's future, it is vital to address looming challenges. Data security, privacy, and regulatory compliance continue to be pressing concerns. Recent statistics indicate that 25 per cent of Indian businesses have reported data breaches in the past year, signaling an urgent need for enhanced security measures.

In summary, firms that can strategically balance technological advancements with ethical and regulatory considerations appear to be best positioned for success. Collaborative initiatives like those between Aditya Birla Sun Life Insurance Ltd. and Artivatic.ai exemplify the type of partnerships that are likely to define the future trajectory of India's business insurance sector, setting the stage for a more efficient, equitable, and customer-centric ecosystem.

(The writer is Tejas Jain.)

TOP

INSURANCE REGULATION

IRDAI to roll out nationwide cashless medical-insurance settlement soon – The Economic Times – 21st September 2023

Insurance regulator IRDAI has mandated the Committee on Common Empanelment Process of Hospitals and 100 percent Cashless to submit a report on implementing fully cashless medical-insurance settlement in hospitals across the country. Currently, cashless settlement is available in 49 percent of the hospitals, numbering around 25,000. Around 400 million medical-insurance policyholders are likely to benefit once the plan is implemented. In the wake of recent clashes between insurance companies and hospitals, IRDAI has been exploring ways to resolve such incidents.

According to an order issued by the General Insurance Council (GIC) secretary general Inderjeet Singh dated August 1, the committee will provide weekly updates, with an aim to introduce nationwide cashless settlement by the end of October. The committee is headed by S Prakash, former managing director of Star Health and Allied Insurance Company. Alongside, Shekar Sampath Kumar, who had played a key role in standardisation of rates for medical procedures for PSU general insurers a decade ago, has been roped in by IRDAI as GIC's director of health insurance for three years. Kumar, an insurance ombudsman at Chennai, is expected to take up the new assignment by the end of this month, two sources familiar with the development have confirmed. In his new role, Kumar, who will be based in Chennai, will work towards bringing all hospitals under the cashless facility, implementing common procedural rates for them.

(The writer is Kumud Das.)

TOP

All about Bima Sugam portal, a 'UPI moment' for insurance sector – Hindustan Times – 20th September 2023

According to a report, the Insurance Regulatory and Development Authority of India (IRDAI) has formed a steering committee to act as the apex decision-making body for the creation of its ambitious 'Bima Sugam' online platform.

Also, the IRDAI, which describes the proposed portal as a 'game-changer' and a 'UPI moment' for the insurance sector, indicated it will soon appoint a project consultant, for which, it said, a Request for Proposal (RFP) has already been issued.

All about Bima Sugam platform:
(1.) According to HT's sister publication Mint, Bima Sugam will be a 'one-stop destination' for people's insurance-related needs. These include services such as policies, portability facilities, change of agents, settling of claims, and more.

(2.) With it, buyers will be to purchase life, motor, or health policies directly. Here, web aggregators (PolicyX, PolicyBazaar, etc.), brokers (Bajaj Capital, Probe Insurance Broker, etc.), banks, and insurance agents will be the facilitators in selling these policies.

(3.) Insurance companies (both general and life insurers) will be major shareholders in the platform, which will offer facilities to customers via an 'e-insurance account' (E-IA).

(4.) The portal will provide the following benefits: act as a centralised database; assist the insured/buyers in porting their respective policies based on coverage and pricing; give people a wide choice to pick and choose policies and view all their policies; reduce commission paid to intermediaries; and, pave the way for a speedy acceptance of new/sandbox products.

(5.) While the project has already missed its original and extended deadlines of January 2023 and August 2023, respectively, its new launch date has now been set for June 2024.

TOP

IRDAI chief Panda urges stakeholders to harness surety bonds – The Hindu Business Line – 19th September 2023

Asserting that the current Bank Guarantee capacity of banks is insufficient to meet the credit demand for infrastructure development in the next five years, IRDAI Chairman Debasish Panda has called upon stakeholders to come together to tap the rich potential of "Surety Bonds" in meeting the gap in demand.

The current regulatory framework (for Surety Bonds) presents the general insurance industry with a unique opportunity to diversify their portfolio and play an important role in nation-building, Panda said at a CII Roundtable in the capital.

The Roundtable saw participation from senior officials from the Finance Ministry, the National Highways Authority of India (NHAI), representatives from several insurance companies, the World Bank, other public and private banks, infrastructure companies, reinsurers, and insurance brokers.

Infra Spend
Panda highlighted that India is expected to spend about ₹100-lakh crore on infrastructure through the National Infrastructure Pipeline in the next five years. This requires bank guarantees of about ₹90-lakh crore in the next five years, which banks currently do not have capacity for. This is where surety bonds need to step in to complement bank guarantees, he noted. This is important as India is estimated to become the third-largest country with infrastructure activity by 2030, according to Panda.

A surety bond is a legally binding agreement between three parties: the obligee (the entity requiring the bond), the principal (the party required to fulfil a certain task or duty), and the surety (the party ensuring that the principal can perform the assignment). The surety bond, which is most typically used in construction and infrastructure projects, guarantees that the principal will meet the commitments indicated in a contract. If the principal fails to meet these obligations, the surety compensates the obligee, reducing their financial risk.

Put simply, Surety Bond Insurance, which is mainly aimed at infrastructure development, is a risk transfer tool that shields the principal from the losses that may arise in case the contractor fails to perform their contractual obligation. The product gives the principal a contract of guarantee that contractual terms and other business deals will be concluded in accordance with the mutually agreed terms. In case the contractor doesn't fulfil the contractual terms, the principal can raise a claim on the Surety Bond and recover the losses they have incurred.

In Budget 2022–23, Finance Minister Nirmala Sitharaman announced that Surety Bond Insurance would be allowed as a substitute for bank guarantees in cases of government procurement and also for gold imports. Meanwhile, a research paper presented by The Infravision Foundation (TIF) on the occasion highlighted that the surety bond market is yet to take off in India due to unaddressed risks and the absence of market makers.

The research paper noted that the estimated maximum possible supply of bank guarantees over the next five years is about ₹ 35 lakh crore, as against a requirement of ₹95 lakh crore in this period. The gap between demand and supply is about ₹60 lakh crore, indicating the rich potential for Surety Bonds to emerge as a substitute for bank guarantees in the next five years, according to the TIF paper. Already, the Central Government has allowed contractors to use Surety Bonds as a substitute for bank guarantees for government procurements.

(The writer is KR Srivats.)

TOP

IRDAI plans committee to create Bima Sugam platform, to appoint project consultant – The Indian Express – 19th September 2023

Insurance regulator IRDAI has formed a steering committee, which will act as the apex decision making body for creation of its ambitious Bima Sugam platform, and it indicated that it will soon appoint a project consultant for which Request for Proposal (RFP) has already been issued.

While Bima Sugam will enable individuals to buy a life, health, motor or property insurance policies online, its implementation has now been postponed thrice. The platform will enable easy access under a single roof for insurance companies, agents, brokers, banks and even aggregators.

The platform will act as a centralised database which will assist consumers with all insurance related queries. It will also pave the way for a speedy acceptance of new or sandbox products. After changing the deadline twice, the regulator has now set a new deadline of July 2024 for its "game changing" Bima Sugam project to go live and has for the first time unveiled the entire spectrum of services to be provided by this mega tech project. It will be a centralised marketplace and a one-stop-shop for all insurance-related queries, including policy purchase, claim settlement, insurance advice and grievance redressal.

The steering committee is comprised of Rakesh Joshi, Member, Finance and Investment, IRDAI, Anup Bagchi, MD & CEO ICICI Prudential Life Insurance, Naveen Tahilyani, MD & CEO, Tata AIA Life Insurance, Mahesh Balasubramanian, MD & CEO, Kotak Life Insurance, Nilesh Garg, MD & CEO, Tata AIG General Insurance, Prasun Sikdar, MD& CEO, Manipal Cigna Health Insurance, Inderjeet Singh, Secretary General, General Insurance Council and Satyendra Nath Bhattacharya, Secretary General, Life Insurance Council.

Further, Cyril Amarchand Mangaldas (CAM) has been appointed as the legal counsel for the project. Responsibilities of CAM will include incorporation of Section 8 not-for-profit company which will be the company owning the Bima Sugam platform. The platform will support all personal and commercial/business insurance requirements and support in identifying and comparing optimal products to meet user requirements within stipulated timelines. The entire spectrum of insurance offerings through the platform will include life insurance and all its variants — term plans, savings (Par and Non-Par), annuity and pension plans — ULIP products, health insurance and all its variants, vehicle insurance (TP and OD), travel insurance, personal accident insurance, property insurance, commercial insurance, marine insurance, agricultural insurance and any other insurance product planned to be listed on the platform as decided by the two councils.

The platform will have to demonstrate end-to-end digital on-boarding journey for all insurance products without any manual interventions, including customer acquisition and lead management, customer onboarding, application management, documentation, risk management, underwriting process, policy issuance, customer service management, analytics and MIS and user interface.

The project consultant will be responsible for end-to-end ideation, design and development of the Bima Sugam platform. The platform will have an easy-to-use interface for the online users to easily access the information on the portal, help them in making a decision towards purchase of policy and also support them in servicing of the policy purchased from the platform

(The writer is George Mathew.)

TOP

IRDAI sets up inter-disciplinary standing committee on cyber security – The Hindu Business Line – 16th September 2023

The Insurance Regulatory and Development Authority of India (IRDAI) has set up a standing committee on cyber security to regularly review the threats inherent in the existing or emerging technologies. The committee, set up following the issue of the Information and Cyber Security Guidelines this April, will also suggest appropriate changes to the framework to strengthen the cyber security posture and resilience on the insurance industry.

“Further, the suggestions received from the Regulated Entities in implementation of IRDAI Information and Cyber Security guidelines, 2023 will also be considered by the committee for suggesting appropriate changes in the current framework,” the regulator said. The 10-member committee, chaired by PS Jagannatham, includes technology professionals from academics, industry experts and representatives of the insurance broking community. External members can also be invited to the committee, if required.

The cyber security norms mandated insurers and intermediaries to adopt a risk-based approach and take necessary measures to secure their systems and data against cyber threats. This includes identifying and assessing risks, implementation of appropriate security controls, incident response plans, and regular security audits.

TOP

LIFE INSURANCE

Quitting smoking can bring down your term insurance premium by up to 75% - Business Standard – 22nd September 2023

Did you know that the premium for a smoker's life is approximately 40-75 percent higher than the premium for a non-smoker? While the exact difference may vary and would depend upon the age, premium payment term, policy term and plan option opted by the customer, the fact is that due to increased health risks, smokers are statistically more likely to make insurance claims, leading to higher premiums to offset the added risk for the insurance company.

How does the term policy work for smokers?
A term insurance applicant is categorized as a smoker if he/she has consumed tobacco in any form in the last 12

months. "Smoking is known to make someone prone to various ailments and increase the risk of cancer, heart diseases, lung diseases and other chronic illnesses. This makes such individuals to be placed in a high-risk category when seeking life insurance, thus increasing their premium compared to a non-smoker. The premiums for a Term Plan for a smoker could be 40-50 percent higher compared to someone who doesn't smoke," said Srinivasan Parthasarathy, MD & CEO, Go Digit Life Insurance.

"One good way to save on premiums is to start early. Starting early not only helps in seeking better terms from the insurer, but one also gets the best rates when one is young and healthy. Maintaining a healthy lifestyle is another good way to get better premium rates for your Term Plan as insurers typically check your medical history before issuing a policy. One can also maximise their tax savings by opting for a Term Plan by claiming deductions of up to Rs 1.5 lakh under Section 80(C) of the Income Tax Act. The proceeds received to the family on the death of the policyholder is also completely exempt from tax," said Srinivasan Parthasarathy, MD & CEO, Go Digit Life Insurance.

Monthly premium for cover of 1 Crore (33 year old, cover till 60)				
Insurance Company	Plan Name	Smoker (Premium in Rs.)	Non-Smoker (Premium in Rs.)	% delta
ICICI Prudential	iProtect Smart	2,053	1,284	60%
HDFC Life	Click 2 Protect Super	2,140	1,338	60%
Max Life	Smart Secure Plus	1,877	1,173	60%
Tata AIA	Sampoorn Raksha Supreme Vitality Protect	1,804	1,096	65%
Bajaj Allianz	Etouch	1,882	1,074	75%
PNB Metlife	Mera Term Plan Plus	1,715	1,223	40%
				Source: Policybazaar.com

Also this: Smokers are more likely to file for a claim on an insurance policy due to premature death or suffering from a critical illness in the later stages of life, making them a cost for the insurer. The higher premium charged is actually a way for insurers to offset their overall costs incurred during a claim settlement, which, by the way, increases in probability. When you sign up for a policy, your insurer will ask you if you smoke, and gather detail about your smoking habits. If you have smoked more than four times a week and continued this for six months, you are termed as a smoker. If you've stopped using tobacco for at least three to five years, companies typically will charge you the same rate for life and health insurance as they would a non-smoker. Term insurance companies categorise applicants as smokers if a person has smoked or consumed tobacco in the last 36 months. However, it is advised to share your health history with the insurer to avoid hassles later. "You can purchase a term insurance policy even if you have smoking history and smoker rates shall be applicable for such applicants. Alternate way to get lower premium i.e. non-smoker rates is to have a non-smoking status of at least 12 months, since the last smoking history," said Sunil Sharma, President, Chief Actuary & Chief Risk Officer, Kotak Mahindra Life Insurance Company.

(The writer is Sunainaa Chadha.)

TOP

Terms, bonus, sum assured: Making sense of life insurance policies – Business Standard – 21st September 2023

An investor forwarded me a traditional life insurance product and asked me whether he should invest in it. I had to evaluate purely from the point of view of returns or suitability as a fixed income investment. The investor didn't need life cover. Breaking down a life insurance product is not easy. There are so many terms, bonuses, loyalty additions, sums assured and much more. There is a play on the timing of payments, too. I wondered why these plans are so complex and what could have the insurance company done to make it easier for the investor to decide on his own (especially if the investor is assessing the suitability purely as an investment product)? In this story, I will focus on the traditional plans: Participating and non-participating. I will specifically mention when I am referring to a ULIP. I have not named the product because the issues are relevant for the entire product category. These are not pure investment products and offer life cover. Hence, the cost of the life insurance product must be accommodated somewhere. In traditional plans, this is inbuilt into the product benefits. Yes, there is a maturity date but there are contingent payouts too. Or the policy may not continue until maturity. For instance, if a policy holder passes away during the policy term, the payment is made to the family and the policy is terminated. There must be an objective formula to calculate the payout in such cases. That's why you have bonuses/loyalty additions etc. that gradually accrue to the policy. These numbers can be used to arrive at the final payout in the event of an untimely demise.

While these numbers (calculation of bonuses) may be opaque, the calculation of the final payout is quite unambiguous once you have these numbers. Mutual funds or any other pure investment products don't face such issues. In pure investment products, the nominee is paid the current value of the investment. I think this is the most difficult part. Even if I have the policy document, I will struggle to calculate the payable value if the investor were to surrender the policy midway. There are complex tables to arrive at the surrender values. By the way, the front-loaded nature of the intermediary commissions makes the premature exit or surrender extremely expensive for the customer. When you ask the insurance industry, you will get the usual refrain about how such penalties help investors maintain investment discipline and stick with the policy. ULIPs (at least the new age ULIPs) can also make a similar argument, but they don't have heavy exit penalties. The Insurance Regulatory and Development Authority (IRDA), the industry regulator, has not capped the surrender costs for traditional plans. On the other hand, IRDA does not permit exit charges for ULIPs after completing five years. Life insurance maturity proceeds are exempt from tax only if the death benefit is at least the annual/single premium. Hence, in single premium plans, there are two variants. First, where maturity proceeds are tax-free and the other where they are not. In regular premium plans too, you will see this aspect complicating things. You have multiple types of sum assured. One for demise (this one is usually at least 10X annual premium). Another to calculate your bonuses.

When you start adding these provisions in black and white, it adds to the complexity. Still, the insurance companies can make it simpler. Most insurance companies have online calculators on their websites where the prospects can generate customised illustrations. Such illustrations show all cashflows/benefits or how bonuses will accrue to you during the policy term. But the illustrations don't reveal the XIRR (net returns) if the product is held until maturity. I have never seen an illustration that depicts XIRR. You would wonder why. After all, XIRR would make it easy to compare against other competing products. I understand you cannot calculate returns upfront for the traditional plans and ULIPs. Why? Because ULIPs are market-linked and we don't know how the markets or ULIP funds will perform. Participating plans have bonuses – reversionary and final – which can't be determined upfront. But there is another category of traditional plans (non-participating plans) where you know everything when you buy the plan. In a non-participating plan, you know down to the last penny about how much you will get (and when) if you hold the plan until maturity or if the demise happens during the policy term. And the insurance companies know this better than you do. Still, the insurance companies don't show XIRR for illustrations in such plans. If you want to understand the differences between the different types of traditional plans (participating or non-participating) and ULIPs and how to spot them in quick glance at a product brochure, refer to this post.

There are two reasons. Firstly, for participating traditional plans, it is not possible to calculate XIRR upfront. However, IRDA mandates that the insurers depict the policy payouts for assumed gross returns of 4 percent and 8 percent per annum (p.a.). But we need the net returns. If the insurer could show how much net returns (XIRR) an investor would get for the assumed gross returns of 4 percent and 8 percent p.a., we can assess the impact of costs. The investor I referred to earlier, is a senior citizen and had sent me illustration for a participating plan. I calculated the XIRR for the plan for him. It came out to around 3.5 percent p.a. (for the assumed gross return of 8 percent p.a.). Clearly, the plan has high costs. If the XIRR was mentioned in the document, he wouldn't even have to reach out to me. He would have rejected the product right away. Not everybody has access to professional help. In any case, the above excuse does not apply to non-participating plans. For such plans, XIRR can be calculated upfront and shared in the illustration. And this brings me to the second reason: Low returns. Remember "low" is subjective. Would you invest in an investment product where you know upfront that you will earn 3-7 percent p.a. over 30-

40 years? I am not saying 3-7 percent p.a. is a poor rate of return for a fixed income product. In fact, there have been instances in the past where I have asked investors to invest in a non-participating plan (due to their specific requirements). But clearly, a low return does not make for an exciting sales pitch. I do not deny the return expectations of investors can sometimes be irrational.

(The writer is Deepesh Raghav.)

TOP

Why you should ditch the ULIP for a Term Insurance plus equity mutual fund – Business Standard – 20th September 2023

Unit Linked Insurance Plans (ULIPs) are investment products in India that combine insurance and investment components. Such plans also come with various charges and fees, including premium allocation charges, policy administration charges, fund management charges, mortality charges, and surrender charges, which eat into your returns and reduce the value of your investment.

How ULIP plans work:
ULIPs invest your money in equity, debt, or a combination of both, providing market-linked returns. They also provide life insurance coverage in addition to investment benefits. A portion of your premiums goes toward the insurance coverage, and the remaining amount is invested. ULIPs have a minimum lock-in period of five years, during which you cannot withdraw your money.

The biggest drawback is the premium allocation charges, policy administration charges, fund management charges, mortality charges, and surrender charges. These charges can vary from policy to policy.

Are endowment plans similar?
Similar to ULIP where the scheme invests in equity or debt-oriented schemes, endowment plans offer a guaranteed benefit called the sum assured. Neither of them is recommended by financial experts as they offer a sub-optimal combination of insurance and investment.

(The writer is Sunainaa Chadha.)

TOP

Insurers shy away from offering life cover to women during pregnancy – The Hindu Business Line – 18th September 2023

Insurers are shying away from offering life cover to women during pregnancy. Lack of clarity and misinformation on the matter is leading to confusion and agony for many. "I contacted a major insurance broker seeking life insurance as an Indian citizen in the United States. Despite selecting a policy and completing paperwork, I was denied coverage upon revealing my pregnancy when questioned,'' Manisha, an Indian citizen who is now living in the US, told businessline.

She also approached about half a dozen individual insurers who declined her application for life cover at various states of processing her application. Same was the experience of Ratnamala, a software engineer from Karnataka who works in Hyderabad. "I was disappointed for two reasons. Firstly, it should be clearly stated that life cover cannot be sold to pregnant. Secondly, it is unfair that at the most important stage of her life, a woman is denied insurance,'' Ratnamala said.

When contacted, a senior official of Insurance Regulatory and Development Authority of India (IRDAI) said, "Underwriting of female lives who are pregnant at the time of proposal, insurers are at liberty to formulate their procedure in the underwriting policy.''

In the case of life insurance policy underwriting, for any condition like pregnancy or post-operative care of any surgery, insurers taking into account the prognosis of the specific underlying condition, postpone the acceptance of the proposal for a specific period like 3 months or 6 months depending on the criticality of the underlying condition and its prognosis. And subsequent to the period, proposals are accepted.

"This is the general procedure, but diverse practices are possible like rating the lives appropriately instead of postponing. There is no dropping of cover once accepted under life insurance policy,'' he said. The procedure would slightly differ in case of a health insurance policy offered by any insurer (life/NL/health). If the proposer is pregnant at the time of proposal, it becomes a known and certain event and hence policy may exclude the costs related to that delivery.

"Again, insurers can formulate underwriting policies which can include pregnancy with suitable ratings. For example., group policy may offer coverage for pregnancy-related costs with an additional premium or included within the base premium without imposing an exclusion,'' the official said.

Notwithstanding the norms, there is a plea for taking a relook at norms pertaining to life cover during pregnancy. "This situation unjustly denies women financial security during pregnancy, an infringement on civil rights. I urge a re-evaluation of policies preventing pregnant women from obtaining life insurance, promoting fairness and gender equality in the insurance industry,'' Manisha said.

(The writer is B Naga Sridhar.)

TOP

Life Insurance Return of Premium Plans: Know if it suits you best – Financial Express – 17th September 2023

Navigating life's financial journey is a complex path, and securing the well-being of one's loved ones is paramount. A robust financial plan serves as the cornerstone for stability and ensuring one's family's future. Within this plan, term insurance plays a vital role. It not only offers pure life coverage but also constructs a financial safety net for one's family in case of their untimely demise. Remarkably, term plans are budget-friendly, making them accessible to a broad spectrum of individuals.

Nonetheless, there's a common reservation among Indian insurance buyers when it comes to term plans – the absence of maturity benefits. These benefits are payments policyholders receive if they survive the policy's term. Some individuals prefer insurance policies that provide both death and maturity benefits for a more comprehensive approach to financial protection. In response to this concern, the insurance industry has introduced Term Return of Premium Plans (TROP). These plans are tailored for customers seeking maturity benefits.

So, if one is in search of life insurance that guarantees financial security for one's family in the event of their demise while also offering a payout if one outlives the policy term, TROP plans could be the solution one has been seeking. They offer the best of both worlds in one's financial plan, ensuring one's family's future and providing them with peace of mind. It's the ideal way to embark on one's financial journey.

Let's deep dive into how TROP plans work
TROP plans, or Term Return of Premium plans, are a unique type of insurance policy that combines elements of both term insurance and savings. These plans stand out due to their maturity benefits, which differentiate them from traditional term insurance policies. In a TROP plan, if the policyholder survives the policy term, they receive a refund of all the premiums paid during that term. This key differentiating feature provides a safety net, ensuring that policyholders get something back from their insurance even if they outlive the policy. This dual nature of TROP plans, providing both life cover and a savings component,

makes them appealing to those who seek financial security for their loved ones and a means of saving for the future. However, one must be mindful that TROP premiums are higher than other traditional term insurance plans as the premiums paid are returned on the survival of the policyholder.

TROP plans offer several advantages beyond the maturity benefit:
Premium Break: Policyholders can benefit from a premium break option, enabling them to skip a defined number of premiums as per the policy details.

Additional Spouse Coverage: During policy claim settlement, insurers not only refund the prescribed premium amount but also provide a percentage of additional coverage to the spouse, enhancing overall family protection.

Financial Protection for Children: TROP plans not only safeguards one's family's future but also create a financial safety net for their children until a specified age as per the policy terms.

Exemption for non-earning individuals: In case the policyholder is unable to play the premium amount the plan nevertheless continues on a lower cover. However, this benefit is offered after the policyholder has paid their premium for a minimum stipulated number of years.

It is also crucial to consider available rider options to tailor one's coverage to their specific needs. Riders such as accident and permanent disability, accidental death benefit, and critical illness riders can provide additional protection. TROP plans are suitable for individuals seeking both family financial support in their absence and a reliable means of savings with life coverage. For example, if someone purchases a 20-year TROP plan and survives the entire term, they receive a lump sum refund of all premiums paid, which can be used for various purposes like funding future goals, retirement planning, or meeting financial requirements. This combination of protection and savings makes TROP plans a valuable choice for many individuals.

While term plans are considered the foundation of financial planning due to their affordability and pure life insurance coverage, the lack of maturity benefits can be a deterrent for some insurance buyers. It is essential for individuals to thoroughly evaluate their needs and preferences while choosing an insurance plan. Assessing each option and its advantages and disadvantages is important for making a well-informed decision. One should be mindful of basing their choice on one's financial goals, risk appetite, and budgetary considerations. It is crucial for all to evaluate what suits one best as it provides us with the chance to make an informed decision that aligns perfectly with their financial goals, dreams and aspirations.

TOP

GENERAL INSURANCE

Standalone Health, Private Multi-Line Insurance Players See More Gains - Business Standard – 20th September 2023

The non-life-insurance industry had moderate growth of 15 percent year-on-year (Y-o-Y) in August 2023. Core retail segments like motor and health continue to report strong growth of 19-20 percent with competitive intensity still visible in the motor OD (owner driven) segment. Commercial lines reported muted growth. Group health remains a key driver. Among the listed companies, ICICI Lombard continues to trail in the motor section while Star Health has lost its Y-o-Y retail market share although its better on a sequential basis. Private general insurance players maintained 54 percent market share with moderate 17 percent growth (ex-crop insurance). Motor OD growth has been strong at 19 percent Y-o-Y in August, 2023 and 21 percent in April-Aug, 2023. Increase in average selling prices of vehicles has supported motor growth. Motor owner driven growth has picked up to 17 percent (from 11-15 percent in the past two months) for ICICI Lombard but it is trailing the industry growth of 19 percent.

New-age players such as Digit and Acko had 34-54 percent growth in August, 2023 (despite high expense ratios of 35-58 percent in Q1FY24). Other players like Bajaj Allianz, HDFC Ergo and Chola MS have been selective in the motor segment. SBI General has reported strong 29 percent Y-o-Y growth (ex-crop) in August, 2023 -- driven by motor insurance, up 35 percent in August -- which reversed a trend of decline between April to July. In health, Star Health's retail growth was 18 percent in August. Other standalone health insurers like Care (up 56 percent) and Niva Bupa (up 25 percent) have done much better. However, Star retains dominant in market share with around 32 percent of the health insurance space. The industry's aggregated gross written premium (GWP) decreased 4 percent Y-o-Y in August, 2023 due to lower premiums in crop insurance, export & credit, marine, etc. Standalone health and private multi-line players reported higher GWP gains which means they took more market share from public sector undertakings (PSUs). When one includes crop, Bajaj Allianz had a big 64 percent growth in GWP due to 270 percent growth in crop insurance. Both ICICI Lombard and Bajaj registered significant gains in GWP market-share but ICICI continues to lose market share in the motor segment. As far as listed stocks are concerned, there hasn't been much change in share prices. Some analysts continue to have 'buy' recommendations on Star despite the aggressive growth of other standalone health insurers. The growth in motor section is expected to accelerate in Q3FY24, given the usual spurt in the festival season vehicle sales. Health growth seems to be driven by retail at the moment.

Overall, ICICI Lombard gained a little market share in GWP but its underperformance on the motor side is a cause for some concern. As Bajaj Allianz is a joint venture between Allianz of Germany and Bajaj Finserv, it is hard to assess the impact of this segment on the share price. Among the PSUs, New India Assurance has gained marginally while General Insurance Corporation of India (GIC) has lost a little ground. According to Bloomberg, a majority (65-80 percent) of analysts are positive on Star Health, ICICI Lombard and GIC RE; for New India, four out five have 'sell' recommendations. However, their target prices indicate 11.5 percent upside in Star Health and 4.7 percent in ICICI Lombard. For GIC and New India, analysts see a downside of 3 to 24 percent.

(The writer is Devangshu Datta.)

TOP

Motor and health segments drive non-life insurance companies' growth - The Economic Times – 19th September 2023

The non-life insurance industry reported 15% premium growth (ex-crop) in August driven by strong 20% growth in retail health and moderate 14-16% growth in group health and motor segments The non-life insurance industry growth was moderate at 15% in August 2023 with core retail segments such as motor and health continue to report strong growth of 19-20%.

Group health remains the saving grace, delivering growth and flexibility on EoM. ICICI Lombard continues to trail motor industry growth. Star Health has lost retail market share although is better sequentially, according to a Kotak Institutional Equities report.

Moderate growth for industry
The non-life insurance industry reported 15% premium growth (ex-crop) driven by strong 20% growth in retail health and moderate 14-16% growth in group health and motor segments. Stand alone health insurance players continued to post strong 25%/33% growth in retail/group segments. Private GI players maintained 54% market share with moderate 17% growth (ex-crop). Motor OD growth has been strong at 19% yoy in August 2023 and 21% in 5MFY24. Increase in ASPs of vehicles has supported motor OD growth, while flat TP tariffs resulted in muted TP growth (14% in August 2023 and 17% in 5MFY24).

ICICI Lombard trails in motor OD

ICICI Lombard's ex-crop premium increased to 18% in August from 15% in July 2023. The improvement in overall premium growth was driven by a 31% increase in group health. ICICI Lombard's market share in the retail health segment (premium up 19% yoy) remains stable at 2.9%.

Motor OD (own damage) growth has picked up to 17% (from 11-15% in past two months), still lower than the industry growth of 19%. New-age players such as Digit and Acko continue to deliver 34-54% growth in August 2023 (despite high expense ratios of 35-58% in 1QFY24); as such, competitive intensity does not seem to have receded despite implementation of EoM guidelines. Other established players such as Bajaj Allianz, HDFC Ergo and Chola MS have been selective, entering and exiting the market based on the competitive pressures. Growth in motor TP for ICICI Lombard was 13% as compared to 14% for the industry.

Strong group health growth—31% in August and 37% in 5MFY24—and the segment's low costs will give ICICI Lombard some wiggle room on managing the EoM ratio. Growth in fire, marine and liability was muted at 3-8% in 5MFY24, likely reeling under some pressure from the removal of IIB tariffs.

Star Health loses market share in retail health

Following sluggish growth of 16% in July 2023, Star Health's retail health growth inched up to 18% in August. Other SAHI players remain aggressive—Care grew 56% and Niva Bupa 25% yoy. After running down its corporate portfolio in FY2023, Star Has reported 37% growth in group health in August 2023 and 31% in 5MFY24. Group health includes bancassurance credit-linked products as well as employer-employee insurance; as such, yoy segmental growth not be accurate.

Other companies

Bajaj Allianz General reported strong 22% yoy growth in premium (excrop) driven by 42% growth in group health, similar to ICICI Lombard. Bajaj has fared better in the motor OD segment, reporting 26% yoy growth in August 2023.

Chola MS premium (ex-crop) growth declined to 16% in August compared to 24% for 5MFY24. Slowdown in the motor segment (17% in August versus 26% in 5MFY24) led to decline in growth.
HDFC Ergo continued to report muted 6% growth (ex-crop) in August 2023; 8% in 5MFY24. Drag was primarily in the motor segment, likely due to high pricing pressure from new-age players.

Go Digit continues to scale its motor (up 52% yoy in August 2023) and retail health (up 31%) businesses. It now has 6.5% and 1.0% market share in motor and health segments, respectively.

SBI General has reported strong 29% yoy growth (ex-crop) in August 2023 driven by strong pickup in motor insurance (up 35% in August versus decline of 11% in 5MFY24).

TOP

Study abroad with a travel cover from home – The Hindu Business Line – 18th September 2023

For countless young minds, the idea of studying abroad is nothing short of a dream come true. The aspiration of international education, exposure to foreign cultures, and the opportunity to spread their academic wings on a global stage fascinate students from all corners of India. In fact, data by the Ministry of Education indicate that the number of Indian students studying abroad surged by almost 70 percent in 2022. With COVID now becoming a thing of the past, this number is expected to rise further in 2023, and beyond. Yet, as exciting as this adventure may be, it doesn't come without its share of risks and challenges, especially when you are miles away from the comforting embrace of family and familiar surroundings. Picture this: You have just stepped out of your comfort zone and arrived in a foreign country brimming with anticipation and ambition, only to discover that your baggage, along with essentials for your academic journey, has gone missing. Or worse, your trusted laptop, your digital companion for countless research papers and presentations, has vanished into thin air. These mishaps can not only disrupt your studies, but also put a huge dent on your finances. Then there's the ever-looming possibility of medical issues. Falling ill in an unfamiliar land, navigating foreign healthcare systems, and shouldering hefty medical bills can be overwhelming, to say the least.

However, there's a silver lining to these challenges – student travel insurance. With the constantly rising influx of students into international campuses, it becomes increasingly imperative to highlight the significance of student travel insurance. One of the foremost reasons why securing student travel insurance is of paramount importance is the often exorbitant cost of healthcare in developed nations. A seemingly routine visit to a doctor or an unexpected medical emergency can quickly escalate into a financial nightmare. In countries like the United States or the United Kingdom, medical expenses can leave a gaping hole in your pocket. However, this hole can be seamlessly mended by student travel insurance. Not to forget, if you happen to lose your expensive gadgets or worse, your passport, the situation can go awry in no time. A comprehensive student travel insurance plan can provide coverage for such losses, ensuring that you are not left stranded in the midst of your studies.

(The writer is Manas Kapoor.)

TOP

1/4th buy travel insurance 30 days prior to trip: How to pick the right one – Business Standard – 18th September 2023

Only 25 percent of Indians going abroad buy their travel insurance well in advance while making travel arrangements; a large majority wait until the last 3 days to buy it, according to a survey conducted by Policybazaar. While people nowadays understand the importance of having travel insurance, they are still not aware of the lesser-known benefits of buying one, besides coverage for baggage loss, flight cancellation and medical emergencies.

This could also be because, predominantly, a major chunk of Indian travellers go to Asian countries, and they don't need to present their policy copy until the day of the trip. As of July 2023, over 38 percent of the people travelling abroad planned their trip for more than 15 days, mostly for European countries, followed by 26 percent planning to stay for 7-10 days. Seven out of 10 people understand the importance of having an adequate sum insured while travelling abroad, choosing over $100,000 as sum insured. The rest of them choose almost half of it, which is the minimum coverage you can opt for, according to the survey.

The trend of vacationing abroad has reached the pre-pandemic level, with over 97 percent of people currently travelling outside the country for leisure. Thailand continues to be the most preferred Asian travel destination for Indians. Vietnam and Indonesia are also emerging as hot travel destinations after the pandemic. "Just like you plan your accommodation, flights and itinerary, deciding on a comprehensive travel insurance policy that can protect and safeguard you against common travel inconveniences is essential, allowing you to peacefully enjoy your trip with family. Before buying a travel insurance policy, you must check all the inclusions and exclusions carefully.

You must ensure that the most common and basic benefits like coverage for Covid-19, medical emergencies, trip cancellation and curtailment, baggage loss and passport theft, etc, are covered under your policy," said Manas Kapoor, Product Head - Travel Insurance, Policybazaar. Some other popular benefits that travellers should opt for are coverage for pre-existing diseases or illnesses, OPD coverage, trip extensions, personal accident cover, home burglary insurance and multi-trip insurance or frequent flyers plan.

(The writer is Sunainaa Chadha.)

TOP

Space technology startups want Centre to share insurance liability – Business Standard – 17th September 2023

Indian space companies, under the aegis of the Indian Space Association (ISpA), are in discussions with the government on a "shared liability" model for third-party liability insurance for domestic satellite and rocket companies. Indian Space Research Organisation (Isro), the liability is taken by the government through a sovereign guarantee. In the case of the private sector, those who are wanting to offer services globally, have to pay up in case of any damages in space.

Lt General A K Bhatt (Retd), director general of the ISpA, says: "When private firms get into this business, some kind of insurance has to be taken by them. There are various options — for instance, private sector firms have to insure for up to a particular amount for liabilities and risks covered. Beyond that the government offers sovereign guarantees. The other way is to create a corpus fund to which the companies will contribute and it will be supported by the government. This will spread the risks. As Isro always had a sovereign guarantee, none of the insurance firms have any policy on this. However, for satellites and rockets there has to be third-party insurance."

Bhatt says a similar structure was undertaken under the Indian Nuclear insurance Pool, wherein General Insurance Corporation and other insurance firms, created a pool of Rs 1,500 crore to provide insurance to cover liabilities as prescribed under the Civil Liability for Nuclear Damage Act, which facilitated work in the new nuclear power plants.

The issue could be key to attracting foreign direct investment (FDI) in India's space tech companies, especially since the government has finalised details of a more liberal FDI regime, which will be announced soon. Bhatt points out that under the current policy, 100 percent FDI is allowed in satellites, but that is through the government route. So one has to take approval from the government, which may take three to seven years. "The government is now working on a more liberal policy where, depending on the segment and activity, it could be in the automatic route in different domains with a cap of 74 percent to 50 percent. Even in defence they have gone up to 74 percent," he says.

According to Bhatt, in crucial areas like rocket launches the cap on the automatic route could be even lower as the government might have to shoulder part of the liability risk. Clearly, space is not a low-investment business. Bhatt reckons the satellites manufactured by Indian startups would cost around Rs 100 crore apiece. But the good thing is that venture capital and private equity (PE) funds are bullish on Indian space tech firms.

According to ISpA, $322 million has been raised, with around 80 percent of the investments coming into space tech startups between 2021 and till date in 2023. The number of these firms have also shot up to 368, which means India is now in the fifth place in the global pecking order, behind the US, UK, Canada and Germany. Homegrown companies have already made substantial progress. For instance, Azista-BST Aerospace, a joint venture between Azista Industries and Berlin Space Technologies, is developing the capacity to manufacture small satellites in the 50kg-150kg range. The factory is expected to make 250 satellites per year, and in June launched its first satellite through Elon Musk's Space X, says ISpA data.

Pixxel, another domestic space tech venture, has plans to launch a constellation of 36 hyper spectral satellites, which will be built and operated by them to collect and analyse data through imagery. In June, it raised Series B funding to the tune of $36 million from Google, Lightspeed, Blume ventures, GrowX and Sparta, and plans to launch six satellites in 2024 and 18 in 2025.

Hyderabad-based Dhruva Space, which is manufacturing small satellites, is now looking at raising $20-25 million in the next one to two years to build infrastructure to launch 100-kg satellites. It is now working on putting satellites weighing 30 kg into orbit. Agnikul Cosmos, another space tech startup has raised $38 million from PE funds to make India's first rocket engine factory in Chennai.

(The writer is Surajeet Das Gupta.)

TOP

HEALTH INSURANCE

AI helps government's health insurance scheme tackle fraud – Asia Insurance Review – 21st September 2023

Based on information of fraud obtained through AI and ML anti-fraud initiative, India's government run health insurance scheme Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) has collected a penalty amount of INR95m ($1.15m) while 0.53m Ayushman cards have been disabled and 210 hospitals de-empanelled.

AB-PMJAY is the world's largest government-run insurance scheme. Around 0.18% of the total authorised hospital admissions under the scheme have also been confirmed as fraud since its inception. Additionally, 188 hospitals have been suspended and a penalty of INR201.7m levied across board as part of the anti-fraud drive.

According to India's health ministry besides routine checks, the use of AI is now made for a comprehensive fraud analytics solution to detect fraud proactively, develop algorithms that can be used on a large volume of data to identify suspect transactions and entities and risk scoring of hospitals and claims. As of 1 August 2023, a total of 243.3m Ayushman cards had been created.

(The writer is Anoop Khanna.)

TOP

A comprehensive guide to reimbursement claims in health insurance – Financial Express – 20th September 2023

Health insurance plays a vital role in safeguarding an individual's financial well-being against the unpredictable costs of medical treatments and healthcare services. It provides a safety net that eases the burden of medical expenses, allowing individuals to focus on their recovery rather than worrying about the financial strain. One of the fundamental aspects of health insurance is the reimbursement claim, a process that ensures policyholders receive the coverage they are entitled to.

In the world of healthcare and insurance, understanding how reimbursement claims work is essential for policyholders. Imagine this scenario: you've received medical treatment covered by your health insurance policy but had to pay for it out of pocket. But what is reimbursement claim and what does it entail? The intricacies of the reimbursement claim process can be unraveled in a systematic manner, by understanding the necessary documents and the important steps involved, thereby navigating the system with confidence and maximizing the benefits of your coverage.

What Is A Reimbursement Claim In Health Insurance?
A reimbursement claim in health insurance is a request made by a policyholder to their insurance company for compensation or repayment of medical expenses that they have personally paid out of pocket. When an individual has a health insurance policy, they may receive medical services from healthcare providers that are covered by their insurance plan. In some cases, the policyholder may need to pay for these services upfront at the time of receiving the treatment. This can happen when the healthcare provider does not directly bill the insurance company.

To seek reimbursement, the policyholder needs to submit a reimbursement claim to their insurance company. The claim includes relevant documentation such as medical bills, receipts, and any other supporting documents required by the insurer. These documents serve as proof of the expenses incurred for the covered medical services. Once the claim is submitted, the insurance company reviews it to determine its eligibility for reimbursement. The insurer assesses the claim based on various factors, including the policy terms and conditions, coverage limits, deductibles, and any applicable exclusions. If the claim is approved, the insurance company reimburses the policyholder for the eligible expenses, typically up to the coverage limits specified in the policy.

How Does the Reimbursement Claim Process Work?

Here's a step-by-step list of how the reimbursement claim process typically works in health insurance:

1. Receive medical treatment
An individual receives medical treatment or services from a healthcare provider.

2. Pay out of pocket
They pay for the medical expenses upfront using their own funds.

3. Gather documentation
The insured individual collects all the relevant documents, such as medical bills, receipts, invoices, prescriptions, and any other supporting paperwork related to the treatment received.

4. Review insurance policy
The policyholder reviews their health insurance policy to understand the coverage, deductible, co-payment, and any other relevant terms and conditions.

5. Complete reimbursement claim form
The person fills out the reimbursement claim form provided by their insurance company. This form typically requires information such as personal details, policy information, treatment details, and the amount being claimed.

6. Attach supporting documents
All the necessary supporting documents must be attached to the reimbursement claim form. This may include medical bills, receipts, diagnostic reports, prescriptions, and any other requested paperwork.

7. Submit the claim
The completed reimbursement claim form must be submitted along with the supporting documents to their insurance company. This can be done through online portals, email, mail, or any other method specified by the insurer.

8. Claim processing
The insurance company reviews the reimbursement claim and supporting documents. They assess the claim's eligibility based on the policy terms, coverage limits, and any applicable deductibles or exclusions. The processing time can vary depending on the insurer.

9. Claim approval or denial
The insurance company determines whether the reimbursement claim is to be approved or denied. If approved, the insurer calculates the eligible amount for reimbursement based on the policy coverage and applicable limits. If denied, the policyholder is notified of the reasons for the denial.

10. Reimbursement
If the claim is approved, the insurance company reimburses the policyholder for the eligible expenses. The reimbursement is typically issued through a direct bank transfer, a check, or any other specified method. The policyholder receives the funds or payment for the approved amount.

Documents Required For The Reimbursement Claim

The specific documents required for a reimbursement claim in India may vary depending on the insurance company and policy. However, here is a general list of documents that are commonly requested:

1. Reimbursement claim form
This form is provided by the insurance company and includes details such as personal information, policy number, treatment details, and the amount being claimed.

2. Original bills and receipts
Collect all original bills and receipts from the healthcare provider, including doctor's fees, hospital charges, pharmacy bills, diagnostic tests, etc. Make sure the bills are itemized and contain the necessary details.

3. Medical reports
Include copies of medical reports, such as test results, pathology reports, imaging scans, or any other diagnostic reports relevant to the treatment received.

4. Prescription copies
Provide copies of the prescriptions issued by the treating doctor for any medications or treatments prescribed.

5. Discharge summary
If the treatment involved hospitalization, include a copy of the discharge summary provided by the hospital, detailing the diagnosis, treatment given, and other relevant information.

6. Cash receipts
If any cash payments were made during the treatment, ensure you have receipts or proofs of those transactions.

7. Policy document
Include a copy of your health insurance policy document, which contains information about the coverage, terms, and conditions.

8. Identity proof
Provide a copy of a valid identification document, such as a PAN card, Aadhaar card, or passport.

9. Claim settlement form
In case the claim is being processed through a Third-Party Administrator (TPA), you may need to fill out a claim settlement form provided by the TPA.

10. Any other supporting documents
Include any additional documents that may be specifically requested by your insurance company, such as referral letters, prior authorization forms, or any other relevant paperwork.

It is advisable to carefully review the reimbursement claim requirements mentioned in your health insurance policy document or contact your insurance provider directly to ensure you have all the necessary documents for a successful claim submission.

To Sum Up
A reimbursement claim in health insurance serves as a mechanism to ensure that policyholders receive the financial support they are entitled to for their medical expenses. It offers a way to manage medical bills incurred outside of the insurer's network or in situations where direct billing isn't possible. Understanding the reimbursement process and adhering to the necessary steps and documentation requirements is essential for a smooth and successful reimbursement claim experience.

(The writer is Amrit Singh.)

TOP

Construction of hospitals under ESI scheme at snail's pace, says parliamentary committee report – MSN – 20th September 2023

The Employees State Insurance scheme or ESI scheme provides care during sickness, maternity, disability and death caused by work injuries. The construction of hospitals under the Employees State Insurance scheme is moving at a very slow pace, making the financially vulnerable bear the medical expenses , said a parliamentary standing committee report on the functioning of hospitals and funds allocated under the scheme for providing free healthcare to workers in the organized sector. The Employees State Insurance scheme or ESI scheme provides care during sickness, maternity, disability and death caused by work injuries.

The scheme benefits employees who earn not more than Rs 21,000, and work in factories or other establishments where not less than ten people are employed. The scheme also covers disabled people who earn up to Rs 25,000 per month. IIt is administered by the Employees' State Insurance Corporation, an autonomous body under the Ministry of Labour and Employment. A parliamentary standing committee report on the recent developments under the scheme has however pointed out that the medical services for the beneficiaries of the scheme are not being provided effectively and there is a lack of commitment from the part of the government when it comes to implementation of new infrastructural developments.

The ESIS provides medical services primarily through a network of around 106 hospitals and over 1,500 dispensaries and clinics across India currently, with a total capacity of around 14,000 bed. “The Committee is dissatisfied with the pace of progress of setting up of new hospitals,” said the report by a standing committee on labor, textiles and skill development. It said the Ministry of Labour and Employment should look at these shortcomings with a “sense of urgency and commitment”. The parliamentary committee has found that of the existing hospitals under the scheme, six have turned non functional due to a fall in the number of beneficiaries in the area.

As a part of the expansion of the scheme to benefit more people across the country, the government had proposed the construction of new hospitals under the scheme. According to the report, the ESIC has given in principle approval for 76 new hospitals under the scheme. Of these 39 hospitals were sanctioned in 2019, the committee found. However the construction of these hos[itals are being hindered due to various reasons. As the committee report points out only two hospitals have finished construction so far. “Of these, only 2 Hospitals at Angul (Odisha) and Bikaner (Rajasthan) have been completed and operationalized; 16 are under construction; 02 under tendering; 07 under estimation and in respect of the remaining 12 hospitals, allotment of land is under process.”, says the report.

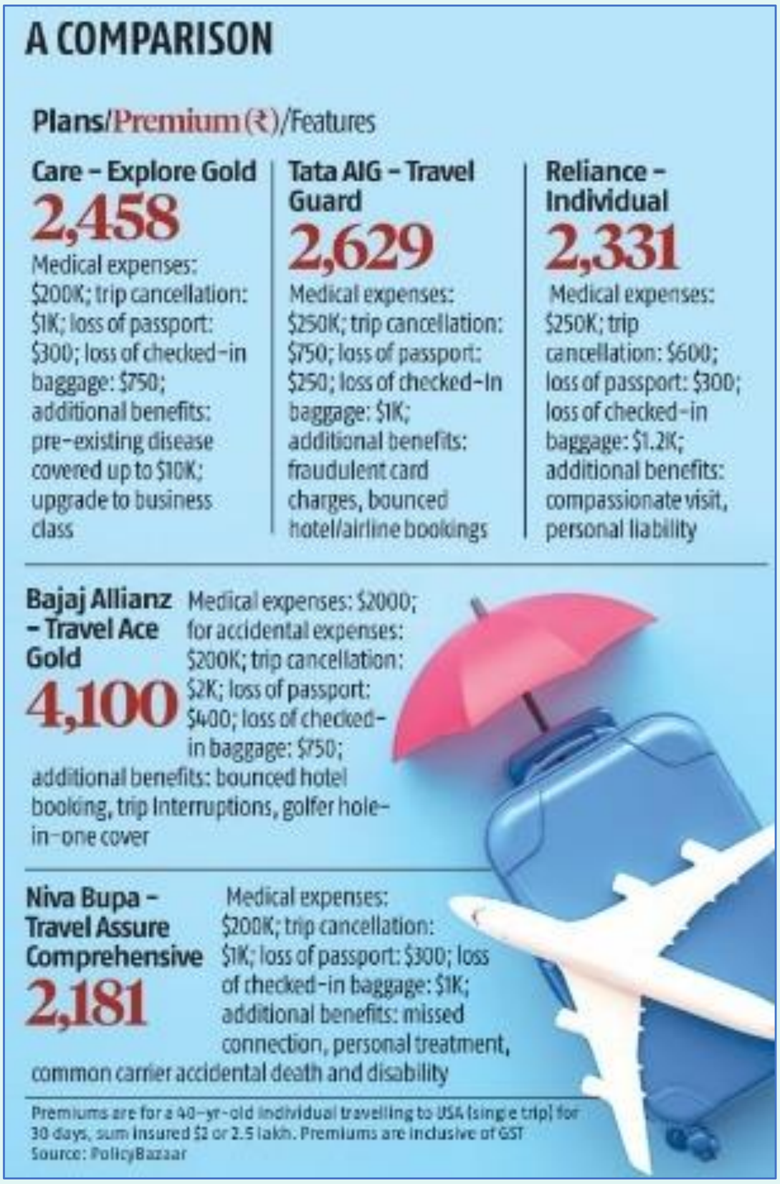
The report also points out that the Ministry of Labour and Employment has refused to provide any information regarding the completion of the sanctioned 39 hospitals. “In respect of the 37 hospitals sanctioned after 2019, the Ministry/ESIC has not provided information regarding the target date of completion and operationalization despite being specifically asked for, which is improper and regrettable.”The parliamentary committee has urged the government to urgently rectify the shortcomings in the implementation of the scheme and work to fix targets, and ensure the operationalisation of hospitals in a time bound manner.

TOP

Travel policy: Tailor sum insured to destination country's healthcare costs – Business Standard – 19th September 2023

With the festival season approaching, many Indians are preparing for international vacations. While they are likely to expend significant time and effort on crafting the perfect itinerary, and selecting ideal destinations, flights, and accommodations, travellers often overlook the importance of carefully choosing a travel insurance policy. Instead, they may unthinkingly accept whatever plan their travel agent includes with their package. This lack of scrutiny could prove costly if any mishap occurs while they are abroad. The sum insured must be adequate. “If you are travelling abroad, especially to a country with higher healthcare costs, buy a higher sum insured,” says Rakesh Goyal, director, Probus Insurance Broker.

According to Vivek Chaturvedi, chief marketing officer (CMO) and head of direct sales, Digit General Insurance, “A sum insured of $50,000 might be sufficient for a four-day trip to Thailand. However, if someone is travelling to the US or Canada for four-five months, a higher sum insured of $250,000-500,000 is usually recommended to adequately protect oneself for the entire duration of the stay.” At the same time, avoid over-insuring yourself. “You may go for a relatively lower sum insured if you are visiting a country whose medical costs and exchange rate are relatively lower," says Naval Goel, founder and chief executive officer (CEO), PolicyX. Other factors that should go into determining the sum insured include the duration of the trip, your age, whether you are travelling alone or with your family, and whether your family members or you have pre-existing health conditions. Choose a higher sum insured if you are going on a long trip, and if your age is above 45. The plan must cover loss of luggage, flight cancellations, loss of important documents, and medical costs (including Covid-19 coverage). "If you plan to carry expensive items such as jewellery, electronics, etc., then enquire about the available add-on covers," says Goel.



Not all travel policies cover adventure sports. Goel suggests that if you plan to indulge in such activities, you should find a plan (or one with a rider) that covers these activities. Also, consider buying coverage for emergency trip extensions and home burglary. Many policies don't cover pre-existing ailments and complications arising from them, after-effects of a recent surgery, and so on. "Ensure that your pre-existing conditions are covered by the policy even if it means paying a higher premium. Failing to do so could result in significant out-of-pocket expenses abroad," says Goyal. Most policies come with caps or sub-limits for specific coverages. These reduce the effectiveness of the policy considerably. "Ensure that the full sum insured is usable," says Goyal. If that is not possible, choose a policy whose limits are not overly restrictive. Chaturvedi suggests that in case you do not want any sub-limits on the policy, you should check with your insurer for the option to waive such limitations, even though it might come at a higher premium. Times excess clause: One should also check if some of the coverages have any 'time excess' listed against them. Says Chaturvedi: "For common carrier delay or delay of checked in baggage, there could be a time excess mentioned against them, which means the claim will only kick in after exhaustion of the mentioned time period. For instance, a claim for flight delay might only be admissible if the flight is delayed by six hours or 12 hours as mentioned in your policy." Ensure that these limits are not excessive.

Many travellers accept a plan from their travel agent without checking the parameters mentioned above. Travel agents are not insurance experts and are not well-placed to provide guidance on the right policy for you. "Travel agents may have tie-ups with only a limited number of insurers, so you won't get an opportunity to compare a large number of plans and prices," says Manas Kapoor, business head-travel insurance, PolicyBazaar. According to Goel, the policy offered by a travel agent could be basic, with a limited sum insured and many exclusions, whereas you may require a comprehensive cover. Instead of buying from your travel agent, consider visiting the portal of a leading insurance aggregator. Compare various policies, their features and prices. These portals even allow you to customise a plan according to your requirements. Avoid purchasing, and being charged for, add-ons that you don't need. "An add-on cover for adventure sports is infructuous if the traveller does not intend to participate in such activities," says Kapoor. Some intermediaries charge their customers for providing basic assistance services such as helping with the claims process or providing emergency support. Kapoor says insurers and their distributors typically provide these services without levying any cost. Finally, declare all pre-existing ailments with complete transparency at the time of purchase. "Failure to declare these conditions can lead to denial of claim," says Kapoor.

(The writer is Karthik Jerome.)

TOP

Nipah virus outbreak: are you properly equipped with a good health insurance cover? – Outlook Business – 15th September 2023

In the wake of the fourth outbreak of the lethal Nipah virus since 2018, authorities in the southern state of Kerala have swung to action, shutting down schools and offices to check its spread, which has so far claimed two lives. Six cases of the deadly Nipah virus have been officially verified till now.

On September 14, 2023, the Indian Council of Medical Research (ICMR) dispatched antibodies to the state to help it combat the virus. Simultaneously, a mobile laboratory was also sent to the epicentre of the outbreak to facilitate sample testing.

During such times, it's essential to comprehend the exact scope of health insurance policies when it comes to viral outbreaks, such as the Nipah virus. In recent times, there have been outbreaks of various viruses, highlighting the importance of having health insurance coverage. Most health insurance plans are structured to encompass hospitalisation expenses associated with a wide range of illnesses and diseases, unless they are specifically designed as disease-specific plans.

Typically, health insurance policies encompass all types of infections that result in illness, and the Nipah virus falls into this category. Consequently, nearly every insurance provider includes coverage for it. Since all health insurance plans encompass such infection-induced illnesses, policyholders can take advantage of the full spectrum of benefits, ranging from inpatient hospitalisation to pre- and post-hospitalisation care.

Says Bhaskar Nerurkar, head – health administration team, Bajaj Allianz General Insurance: "Now many insurers have an outpatient department (OPD) cover for such acute illnesses, which one can opt as an add-on to cover outpatient expenses. There are coverages within health plans, such as 'Domiciliary Hospitalisation,' where one can avail of in-patient hospitalisation treatment which in the normal course, would require care and treatment at a hospital, but is taken whilst confined at home on the advice of the attending medical practitioner."

Exclusions Related To Pandemics Or Viral Infections In Health Policy
Health insurance policies do not exclude pandemics or viral infections. These policies cover the expenses associated with these illnesses because they are acute and not pre-existing conditions, thus making them ineligible for exclusion in any health insurance product.

On the other hand, some significant exclusions in health insurance plans include pre-existing conditions, lifestyle-related disorders, cosmetic procedures, and therapies, such as naturopathy and acupressure.

Does The Policy Cover Hospitalisation Expenses, Including Isolation And Quarantine Facilities?
The health insurance policy as mentioned above covers expenses related to inpatient hospitalisation and OPD if one opts for the same in the policy. If the plan covers 'Domiciliary Hospitalisation,' then one can avail of in-patient hospitalisation treatment, which in the normal course, would require care

and treatment at a hospital but is taken whilst confined at home on the advice of the attending medical practitioner.

The circumstances could be
1. The condition of the patient is such that he/she is not in a condition to be moved to a hospital, or
2. The patient takes treatment at home on account of non-availability of room in a hospital.

Waiting Period Or Coverage Related To Nipah Virus Or Similar Contagious Diseases
There is no specific waiting period for these infection-borne illness, since they are acute in nature. Generally, when one buys health insurance policy, it may be subject to an initial 30-day waiting period from the inception date of the policy. However, if the policy is already running and the initial 30 days are already completed, then there will be no waiting period for such illnesses.

Specific Guidelines Or Recommendations From Insurance Company
Nerurkar says that since viral diseases can cause a sudden emergency, health insurers should anticipate it in the policies." The emergence of new diseases has had little or no impact beyond a small, localised cluster of infections. However, just the right conditions given, a highly virulent pathogen can suddenly spread across time and space with massive consequences, as has occurred on several occasions in the recent past. Owing to medical inflation, it is advisable to have a comprehensive health plan with enough sum insured. Also, consider to opt for additional add-on covers to the policy, which would cover out- of- pocket expenses, such as consumable expense, daily allowance, and room rent capping."

(The writer is Meghna Maiti.)

TOP

MOTOR INSURANCE

How to transfer no claim bonus of motor insurance policy to a new vehicle – The Economic Times – 20th September 2023

The insured party owns the No Claim Bonus (NCB), not the vehicle. Therefore, if you're buying a new car, you can transfer your current NCB to the new car, according to the Insurance Regulatory Development Authority of India (IRDAI) website.

When a policyholder purchases an insurance policy, he receives an NCB certificate, and it is now up to him whether or not he files any claims within the policy year. If he files a claim, he will lose his eligibility for the NCB benefit for the following year; but, if he does not file a claim for the entire year, he will remain eligible.

What is NCB?
The benefit earned by an insured for not filing a claim during the prior policy period is known as a No Claim Bonus (NCB). According to Indian regulations currently in effect, it starts at 20% on the Own Damage premium (and not the Liability premium) and gradually rises to a maximum of 50%.

How to transfer No Claim Bonus (NCB)
If you change insurers at renewal, you can transfer NCB facility. You would be required to provide proof of the NCB obtained in the form of a renewal notice from your current insurer. You can also present your original, expired policy, as well as a verification indicating you have made no claims on the expiring insurance. Proof can be in the form of a renewal notice or a letter from the previous insurer confirming the NCB eligibility.

When is NCB terminated?
According to the Kotak General Insurance, "As long as you do not claim, you will continue to get the benefit of NCB protection. But if you have to claim for any reason during a policy year then you will not get the benefit of NCB in the next policy year."

How is the no claim bonus (NCB) calculated in car insurance?
After the first year of the policy, there is no claim bonus. If you renew your coverage within 90 days, it is computed as follows:

If you do not submit a claim during your first year of coverage, you will earn a 20% discount on your premium in the form of a no claim bonus in vehicle insurance. The no claim incentive percentage will be 35% after three years of no claims. If the claim is not filed within four or five years, the NCB will be 45% and 50%, respectively.

(The writer is Sneha Kulkarni.)

TOP

CROP INSURANCE

Govt to roll out credit, insurance packages for farmers on September 19 – The Tribune – 18th September 2023

Finance Minister Nirmala Sitharaman and Agriculture Minister Narendra Singh Tomar will on Tuesday inaugurate the 'Kisan Rin Portal' to help farmers avail subsidised loans under the Kisan Credit Card (KCC). A door-to-door KCC campaign and a manual of the Weather Information Network Data Systems (WINDS) portal will also be launched at an event to be held at the Pusa complex.

According to the agriculture ministry, the Kisan Rin digital platform offers a comprehensive view of farmer data, loan disbursement specifics, interest subvention claims, and scheme utilisation progress, fostering seamless integration with banks for more focused and efficient agriculture credit.

There are about 7.35 crore KCC accounts as of March 30 with a total sanctioned limit of Rs 8.85 lakh crore, it said in a statement. As per the official data, the government has disbursed agri-credit of Rs 6,573.50 crore at subsidised interest rate during April-August this fiscal. To extend the benefits of KCC, the door-to-door campaign will reach non-KCC holders of beneficiaries of the central scheme PM-KISAN, under which Rs 6,000 per annum is given to each identified beneficiary farmer's bank account.

In the case of the WIND portal, the ministry said the manual extends the impact of the Weather Information Network Data Systems (WINDS) initiative.

The portal -- launched in July -- leverages advanced weather data analytics to provide stakeholders with actionable insights on weather for informed decision-making in agriculture.

This comprehensive manual also provides stakeholders with an in-depth understanding of the portal's functionalities, data interpretation, and effective utilisation, empowering farmers, policymakers and various agricultural entities to make well-informed choices.

It also caters to the parametric crop insurance scheme of the ministry, in addition to non-scheme parametric insurance programmes for crop risk mitigation and disaster risk reduction and mitigation being run by the insurance industry, the statement said.

TOP

Govt plans overhaul of flagship farm-sector schemes – Financial Express – 18th September 2023

The government may announce an overhaul of its flagship schemes for the farm sector, ahead of the general election that is due by April-May next year. With this intent, the agriculture ministry has commissioned a series of surveys of Pradhan Mantri Kisan Samman Nidhi (PM-Kisan), Pradhan Mantri Fasal Bima Yojana (PMFBY) and interest subvention scheme, to assess their impact on the farming community.

Sources said based on the results of these surveys, the government will consider restructuring of these schemes, and it is open to the idea of expanding the schemes with higher budget outlays.

As per the budget estimates for 2023-24, out of the total Rs 1.25 trillion allocated for ministry of agriculture and farmers' welfare, Rs 95, 625 crore (76% of total budget) has been allocated for the three schemes – PM – Kisan (Rs 60,000 crore), PMFBY (Rs 13,625 crore) and interest subvention scheme (Rs 22,00 crore).

The ministry's agro-economic research centres (AERCs) at Indian Institute of Management, Ahmedabad, university of Allahabad, Uttar Pradesh and Sardar Patel University, Vallabh Vidyanagar, Gujarat have started conducting surveys amongst the farmers who are beneficiaries under the key schemes. "Questioners have been prepared and sampling is being conducted currently by three research centres," an official said, adding that survey reports are expected in the next three months. The centre at IIM, Ahmedabad is carrying out the survey amongst beneficiaries for PMFBY with a sample size of 3500. AERCs at Allahabad university and Sardar Patel University will conduct surveys for PM Kisan and interest subvention schemes respectively.

Since the launch of PM kisan in February, 2019, more than Rs 2.59 trillion have been transferred to farmers bank accounts so far. Under the direct cash transfer scheme, farmers are provided financial assistance of Rs. 6,000 annually through three four-monthly installments under the scheme. In July, Prime Minister Narendra Modi had transferred the 14th instalments under the PM-Kisan worth Rs 17,000 crore to 85 million farmers. Of about 140 million farmer households in the country, roughly a third are tenants without land ownership, and these people are not covered under PM Kisan.

Currently, financial assistance under PM Kisan is provided to farmers with land holdings which are subject to certain exclusion criteria. It allows farmers to take care of expenses related to agriculture and well as other incidental expenses. Under the PMFBY which is currently being implemented in 22 states and union territories, the premium to be paid by farmers is fixed at just 1.5% of the sum insured for rabi crops and 2% for kharif crops, while it is 5% for cash crops. It is optional for the farmers to opt for PMFBY and currently around 20 million farmers avail the crop insurance scheme.

Several insurance companies both the public and private sectors, are implementing crop insurance launched in 2016. The government had launched the interest subvention scheme in 2006-7 for providing short term agricultural loans upto Rs 3 lakh at an annual interest rate of 7% for farmers engaged in agriculture and allied sectors activities including dairying, beekeeping etc. Additional 3% subvention is also provided for prompt and timely repayment of loans.

However, the scheme, under which Rs 22,000 crore has been budgeted in current fiscal, was modified last year where public sector banks, regional rural banks and cooperatives banks are provided with 1.5% interest subvention during 2022-23 to 2024-25.

(The writer is Sandip Das.)

TOP

SURVEY AND REPORTS

More women increasingly make their own decisions while purchasing term insurance policy: Report – Live Mint – 19th September 2023

One of the most common myths about women's relationships with money is about their dependence on family members for financial planning. In contrast to the perception, more women are now opting for term life insurance by themselves, according to a recent data analysis by PolicyBazaar.

Term life insurance is gaining popularity among homemakers, despite the fact that they don't have any fixed source of income. The data found that 45% of homemakers are actively involved in the decision-making process with their husbands when purchasing term insurance for themselves.

"Housewives traditionally had a problem in terms of getting term insurance. It was only a year and a half that insurance companies understood the value that a housewife adds to the overall household. Valuing their contribution, companies started providing standalone term insurance plans for homemakers," said Rhishabh Garg, Head of Term Insurance, PolicyBazaar. "It was because of the opening of the supply that led to more and more households buying the term plan," he added.

Not just homemakers, salaried women are also making their own decisions related to financial planning. According to the data, 81% of salaried and 66% of self-employed women make a joint decision when it comes to purchasing term life insurance. Women with formal education are much more likely to make the purchase decision independently.

The data also indicates that women in Western India are more active in making their independent decisions related to term life insurance. Women in Western India rank the highest in independent decision-making (36%) across tier-1 & 2 cities than the 27% of India average Securing children's future main reason behind purchases, says the research data.

Points to take care of while taking a term insurance plan

People need to look at the sum assured by the policy, their income, and liabilities before taking term insurance, said Rhishabh Garg. "Another important factor to consider is policy tenure, how long people want the term insurance to cover their insurance," he added.

It is also important to research the kind of riders that are offered in term insurance policies like health, accident, etc. The next step is to be aware of the kind of riders people would require based on factors like profession, gender, income, age, etc. "For example, women are more susceptible to different kinds of cancers. In this case, a critical illness rider can help women prepare for scenarios like loss of income due to any critical illness like cancer," explains Rhishabh.

The rising number of women term insurance holders reflects their tendency to share the onus family's future with their male counterparts. In many cases, safeguarding the children's future is the evident motivator for married women with children. However, the research found that popularity of term insurance policies is also high among married women without children and unmarried women.

The data says that 39% of women married without children secured a term plan for this very reason. Not just this, 16% of single women also planned and bought a term plan to secure their potential children. However, in this category, 69% of women bought term insurance to take care of aging parents.

(The writer is Sharmila Bhadoria.)

TOP

EPFO, NPS data show 5.2 crore payrolls addition in last 4 years: SBI study – Business Standard – 15th September 2023

Retirement fund body EFPO and new pension system (NPS) data revealed addition of 5.2 crore payrolls, including 47 per cent fresh jobs, in the last four years, said a recent SBI study. Since April 2018, the government has been releasing monthly payroll data (EPFO, NPS and ESIC) based on the recommendation given by Ghosh and Ghosh in the study titled, "Towards a Payroll Reporting in India". "If we analyse the EPFO payroll data trends for the last four years, net new EPF subscriber addition during FY20 to FY23 was 4.86 crore," said the recent SBI's research report 'Ecowrap'.

This number, however, consists of new payroll (first payroll), second payroll (rejoined/resubscribed members) and formalised payrolls. "We subsequently estimated the net new payroll (first job/fresh job) adjusted for re-joined/re-subscribed members and formalization (based on ECR data). "As per our calculation, the actual net new payroll was 2.27 crore during FY20 to FY23. The first job is 47 per cent of the total net new payroll," said the report authored by Soumya Kanti Ghosh, Group Chief Economic Adviser, SBI.

According to the report, the second job (or the exited members who re-joined and re-subscribed) stood at 2.17 crore during the four-year period ended FY23. "Increase in formalisation was at 42 lakh in these years, is also a good news," the report said. It further said the first quarter EPFO payroll data of 2023-24 reveals the trend is quite encouraging.

Already 44 lakh net new EPF subscribers joined, of which first payroll were 19.2 lakh. "If this trend continues for the whole fiscal then in FY24, the net new payroll cross the 160 lakh mark (highest-ever) with first payroll in the range of 70-80 lakh," it said. The research report further said NPS data indicates that 8.24 lakh new subscribers added in 2022-23, of which state government payrolls of 4.64 lakh, followed by non-government of 2.30 lakh and 1.29 in central government.

In the last 4-years, around 31 lakh new subscribers joined in NPS. "So, cumulatively, total payroll generation of EPFO and NPS is more than 5.2 crore during FY20 to FY23," it said. Ecowrap stressed that a policy may also be framed to mandatorily recruit at least 30 per cent of the total workforce as women Banking Correspondents, particularly in locations where access and usage of the accounts by women is low. This, it said, will clearly bridge the gender gap.

TOP

INSURANCE CASES

Insurer of Vehicle Involved in Accident Can't Escape Liability Under Employees Compensation Act: Jharkhand HC – Law Trend – 16th September 2023

In a significant legal development, the Jharkhand High Court, in its recent ruling, has ordered the payment of interest in a Workmen's Compensation case.

The case involved an appeal by Jugal Kishor Ray, the appellant, against respondents Ashok Prasad Yadav and United India Insurance Company Limited.

The case revolved around the unfortunate death of Lakhan Ray, employed as a driver, in a workplace accident while working for Ashok Prasad Yadav, respondent No.1. Seeking compensation for this tragedy, the appellant claimed that the deceased had been earning a monthly salary of Rs.6,000. The appellant sought a compensation award of Rs.8 lakhs, along with an additional Rs.25,000 for cremation expenses, and interest at a rate of 12% per annum from the date of the accident.

Trial Court Decision
The trial court determined the compensation amount based on the evidence presented, arriving at a net compensation of Rs.3,29,597. However, a crucial aspect was omitted in the original judgment – the inclusion of interest on the awarded amount, as mandated by Section 4(A) of the Workmen's Compensation Act, 1923.

Substantial Question of Law
The central legal issue in this appeal was whether the Commissioner, Employee's Compensation, had erred by not awarding any interest to the claimant on the compensation amount, despite the legal requirement set out in Section 4A of the Workmen's Compensation Act.

Court's Analysis and Decision
In the ruling, Justice Pradeep Kumar Srivastava, presiding over the case, quoted key legal precedents to substantiate the decision. He stated, "The amount of compensation can be said to be 'falling due' on the death of the employee/deceased and the liability to pay the compensation would arise immediately from the date of death of the deceased."

Additionally, Justice Srivastava referred to a specific case, Kamla Chaturvedi Vs. National Insurance Co. Ltd., to emphasize the liability of the insurance company. He noted, "The insurance company is liable to pay not only the principal amount of compensation payable by the insured/employer but also interest thereon if ordered by the Commissioner to be paid by the insured/employee."

Consequently, the court allowed the appeal, modifying the original order to include the payment of simple interest at a rate of 12% per annum from the date of the deceased's death on January 28, 2009, until the date of the actual payment on the original award amount of Rs.3,29,597. Respondent No.2 (United India Insurance Company Limited) was directed to deposit the interest amount within two months, with failure to comply resulting in legal action for its recovery.

Case Name: Jugal Kishor Ray Vs Ashok Prasad Yadav
Case No.: M.A. No.227 of 2020
Bench: Justice Pradeep Kumar Srivastava
Order dated: 05.09.2023

(The writer is Saloni Jain.)

TOP

J-K court directs ACB to file status report on complaint seeking FIR in 'scam' in health insurance scheme implementation – Moneycontrol – 15th September 2023

A court here on September 15 directed the Anti-Corruption Bureau to submit by September 26 the latest status of the complaint to the CBI seeking registration of an FIR in an alleged scam of Rs 500-700 crore in the implementation of the Ayushman Bharat-Jan Arogya Yojana in Jammu and Kashmir.

In the complaint application filed by advocate Sheikh Shakeel Ahmed, it has been submitted that after getting RTI information from the State Health Agency and the Health and Medical Education Department of the government of Jammu and Kashmir, it has been prima facie established that a scam of Rs 500-700 crore took place in the implementation of the health insurance scheme in the Union territory.

The complainant lodged a complaint with the SBI on October 10 last year seeking registration of an FIR in the matter. Ahmed submitted before the court that the Central Bureau of Investigation (CBI) did nothing in the matter, prompting him to move a court on February 7 this year seeking directions to the agency to submit the status of his complaint.

He further submitted that pursuant to the directions passed by the special judge (anti-corruption), the CBI filed a status report wherein it was divulged that the complaint had been forwarded by the CBI to the Director of the Anti-Corruption Bureau on April 19 this year.

Ahmed submitted that almost five months have passed since the CBI moved the complaint to the ACB but the bureau is sitting on the matter.

After hearing the submissions, Additional Sessions Judge (Anti-Corruption) O P Bhagat directed the ACB to file the status report by or before the next date of hearing on September 26. PTI AB SMN

TOP

PENSION

Panel weighing pension guarantee under National Pension System – Financial Express – 21st September 2023

The Finance Secretary-led committee on the National Pension System (NPS), set up by the government to suggest ways to increase pensionary benefits under NPS amid the move by some states to return to the unsustainable Old Pension Scheme (OPS), may suggest ways to address the demand for a guaranteed pension under the NPS for the government staff at a decent level, without burdening the exchequer too much.

While the level of guarantee, if so suggested, could depend on actuarial analysis factoring in the longevity of retirees and contributions, analysts believe that 35-40% could be feasible by tweaking the current structure of NPS. But, the cost for such guarantee could be shared by employees. In recent interactions with the committee, the government employee unions have flagged two main issues: There is no guaranteed level of pension in NPS as it is based on market returns and the pension received by some retirees under NPS was paltry.

Officials have refuted the claim by the unions that pension is low under NPS as the example cited by them was that of lateral entrants who retired after serving a few years in service. Hence, these were not comparable with people serving for the usual career span of 33 years or more. “Unless the government finds a way to price the guarantee and charge for it, there should not be a declaration of a guarantee. The guarantee scheme could be provided as an option, and those who wish to purchase it should be free to do so,” said Renuka Sane, the research director at TrustBridge.

Under the OPS (for pre-2004 staff), a government employee is entitled to 50% of her last salary as a pension if she has completed 33 years of uninterrupted service. Employees with uninterrupted service of more than 10 years and less than 33 years are entitled to pension on a pro-rata basis. Also, their pension gets inflation-adjusted. According to extant NPS norms, a minimum of 40% of the accumulated NPS corpus from contributions during a person’s working years must be invested in annuities to generate a monthly pension, which is linked to annuity returns and not guaranteed. The balance of 60% can be withdrawn, which is tax-free.

Currently, the government contributes 14% of pay and employee contributes 10% to the NPS corpus. For a guaranteed pension of say, 35-40%, some rejig in NPS would be necessary. If nearly 60% of the corpus built from the central/state government contribution (14%) is parked in a special fund under NPS, which could generate an annual return of 9-10% compared to 5-7% from annuities, the pension in NPS could be around 35-40% of last pay drawn, an analyst, who did not wish to be named, said. If actual returns work out to be less than the guaranteed amount, the gap could be bridged by the government concerned by contributing a little more to NPS.

Secondly, as people retire from the NPS system from 2036 onward and some of these die in the natural course, their pension capital amount could remain with the government. This would augment the government’s resources to fund pensions without relying too much on the budget in future.

While the NPS committee will undertake various permutations and combinations before it finalises recommendations, the warnings issued by the Reserve Bank of India and public finance experts have been quietly noted by even state governments, which have announced a return to OPS. That could be a reason it’s no longer a main political plank even for opposition political parties.

Fixed overheads in the form of establishment expenditure (largely towards salaries, wages, bonuses and pensions) account for more than 50% combined revenue expenditure of states now. This pressure could exacerbate for states which have returned to OPS including Punjab, Rajasthan, Jharkhand and Chhattisgarh.

A Reserve Bank of India (RBI) paper on Monday warned that the fiscal cost of OPS could be as high as 4.5 times that of the NPS, in the event of all the states switching to OPS from 2023.

(The writer is Prasanta Sahu.)

TOP

EPFO asks zonal offices to prepare budget estimates for its pension schemes – Business Standard – 20th September 2023

The Employee Provident Fund Organisation (EPFO) has issued a new circular directing all its regional and zonal offices to prepare revised budget estimates for FY24 and budget estimates for FY25. These will relate to its three pension schemes: the Employees' Provident Funds Scheme of 1952, the Employees' Pension Scheme of 1995, and the Employees' Deposit-Linked Insurance Scheme of 1976.

The prepared estimates are set to be submitted for approval to the Central Board of Trustees (CBT). According to the circular, the revised and budget estimates should be based on the actual income and expenditure from 1 April 2023 to 30 September 2023.

"In accordance with the provisions regarding budget contained in Para 58 of the EPF Scheme 1952, on probable Receipts and Expenditure relating to the Administration of the Funds, the Revised Estimates for the year 2023-24 and the Budget Estimates for the year 2024 -25 of the Employees' Provident Fund Organization, based on the actual Income & Expenditure up to 30th September 2023 (i.e. from 01.04.2023 to 30.09.2023), are to be prepared and placed before the Central Board of Trustees, EPF for consideration and approval in this financial year," the circular reads.

In the internal circular, the social security organisation has also asked its zonal offices to exercise caution in the budget preparation as the revised estimates have overshot budget estimates, but the actual expenditure have been lower than budget estimates for some regions.

"It has been observed that in the last few years, RE was more than BE but the actual expenditure was even less than the BE for some regions. Therefore, due care may be taken while submitting the estimates to the Head Office. Further, RE may be projected in such a manner as to obviate the need for re-appropriation in the last quarter of the financial year," the order reads.

(The writer is Shiva Rajora.)

TOP

States shifting to old pension scheme major step backwards, fiscally unsustainable: RBI article – The Tribune – 18th September 2023

States reverting to the old pension scheme is a "major step backwards" and may take the fiscal stress of states to "unsustainable levels" in the medium to long term, according to an article by RBI staffers. The article by Rachit Solanki, Somnath Sharma, RK Sinha, SR Behera and Atri Mukherjee said the cumulative fiscal burden in the case of the Old Pension Scheme (OPS) could be as high as 4.5 times that of the New Pension Scheme, which was implemented over a decade ago as part of pension reforms. The views expressed in the research paper are not that of the Reserve Bank of India (RBI).

Recently, Rajasthan, Chhattisgarh, Jharkhand, Punjab and Himachal Pradesh have announced reversal to the OPS from NPS, the article said. The OPS has Defined Benefits (DB) while the NPS has defined contributions, the article said, adding that while the OPS has a short term allure, the same poses challenges in the medium to long term. "... short run reduction in states' pension outgo which may be driving decisions to restore OPS, would be eclipsed by the huge rise in future unfunded pension liabilities in the long run," it said.

"States' reverting to the OPS would be a major step backwards and can increase their fiscal stress to unsustainable levels in the medium to long term," the article warned. The immediate gain for states shifting back to the OPS is that they will not have to spend on the NPS contribution of the current employees, but in the future, the unfunded OPS is likely to exert "severe pressures" on their finances, it said. States will save only 0.1 per cent of GDP in yearly pension outgo by reverting to the OPS till 2040 but would be required to incur an average additional increase in pension expenditure by 0.5 per cent of yearly GDP post 2040.

It said several developed economies with DB schemes in the past have faced rising public expenditure due to the rising life expectancy of its citizens, and the changing demographic profile and rising fiscal costs have compelled several economies around the world to re-examine their pension schemes. "Any reversion to the OPS by the states would be fiscally unsustainable, though it may result in an immediate fall in their pension outgo," the article said.

TOP

GLOBAL NEWS

Indonesia: Insurers urged to learn from overseas experience in adopting IFRS 17 – Asia Insurance Review

The implementation of the new financial reporting standard PSAK 74, the Indonesia form of IFRS 17, regarding insurance contracts by 2025, is not without challenges because it would require insurers to have increased capital.

IFG Progress senior executive vice president Reza Y Siregar told journalists at a media event last to launch IFG International Conference 2023, “The experience abroad indicates that IFRS 17 is difficult and expensive. Because IT costs are large, the database system must be clear, and especially if the company has subsidiaries, such as IFG, it is integrated," said Mr Reza.

Another important point is the implementation of the Liability-Driven Investment (LDI) principle, which encourages insurance companies and pension funds to choose the right investment strategy to meet long-term obligations and ensure continued benefits for customers, according to a report by Bisnis.com. Mr Reza said, "We hope that insurance business practitioners in Indonesia can gain insights into the implementation and practice of IFRS 17 from one of the countries which have implemented the latest insurance industry accounting standards since the beginning of this year," he continued.

Financial Services Authority (OJK) has decided that insurance companies are to start implementing PSAK 74 on 1 January 2025. To encourage the implementation of PSAK 74, OJK formed in October 2022 a PSAK 74 Implementation Steering Committee chaired by a member of the OJK Board of Commissioners and consisting of representatives from the Ministry of State-Owned Enterprises, the Ministry of Finance, the Indonesian Accountants Association, and the Financial Accounting Standards Board.

OJK has also given insurance companies an extension of time to carry out impact tests on the implementation of PSAK 74. The Indonesian Financial Group (IFG) Progress Research Institute says that the extension is part of making the transition to PSAK 74 easier.

Mr Reza explained that the objectives of implementing PSAK 74 include increasing transparency, consistency and understanding of the financial information presented by the company.

TOP

Vietnam: Govt issues new rules on mandatory motor insurance - Asia Insurance Review

The government has issued a decree regulating compulsory motor third-party liability insurance. According to the decree, the limit of third-party liability for health and life damage caused in motor accidents is VND150m ($6,180) per person.

For property damage, the new regulations cap the insurance liability at VND50m in an accident caused by two-wheeled motorbikes; three-wheeled motorbikes; motorcycles (including electric motorbikes) or vehicles with similar structures to VND50m in an accident, according to a report carried by vneconomy.vn.

The ceiling on insurance liability for property damage is VND100m in an accident caused by cars, tractors, trailers or semi-trailers pulled by cars or tractors. The new rules also spell out the insurance premiums payable. For instance, the premium is VND55,000 for a two-wheeled motorbike with an engine capacity of under 50 cc; VND60,000 for a two-wheeled motorbike with an engine capacity of at least 50cc; VND55,000 for electric motorbikes; VND437,000 for non-commercial cars with less than seats, and VND794,000 for non-commercial vehicles seating 6-11 persons.

Based on the insurance claim history of each motor vehicle or the accident history of the vehicle owner, the insurance company adjusts the insurance premium. The maximum increase or decrease in the insurance premium is 15% calculated on the prescribed insurance premium.

TOP

Australia: Insurance Council highlights how insurers can protect nature - Asia Insurance Review

The Insurance Council of Australia (ICA) has launched a new report outlining the important role insurers can play in managing and reducing risk in the natural environment. The report, "Valuing Nature for a Resilient Future", was undertaken by EY for the ICA, and details emerging insurance products and solutions that help protect Australia's landscape from climate impacts.

Extreme weather events and biodiversity loss have been identified by the World Economic Forum as two of the top four global risks over the next decade. The report identifies that failure to manage these risks comes with considerable costs to local and global economies, with more than half of the world's economic output – $44tn – highly or moderately dependent on nature.

This is important for the insurance industry because environmental degradation can lead to increased underwriting and investment risks as assets are less resilient to severe weather events, putting upward pressure on premiums and increasing claims.

The report outlines a number of ways insurers can help to protect the natural environment, including:
• Developing insurance products that protect natural assets like coral reefs and coastal defences.
• Investment in natural resilience solutions, such as wetland restoration and reforestation.
• Working with governments and other stakeholders to develop and implement policies that protect nature.

The ICA also outlines how insurers' innovative work can align with the global reporting framework for nature-related financial disclosures. This framework will help to ensure that businesses and investors are aware of the risks associated with nature loss and the opportunities arising from products that protect nature.

This report builds on the release of the Insurance Council's landmark climate change roadmap, "Towards a Net Zero and Resilient Future", which outlines the way insurers can achieve net zero emissions for their operations by 2030 and across the entirety of insurers' activities by 2050.

Mr Andrew Hall, ICA CEO, said, "This report is an important tool for the insurance industry in outlining the risks to Australia's natural environment and shows that insurers have a critical role to play in protecting nature and in turn protecting their customers.

"Underwriting and investing in nature can play a key role in building resilience to climate change in landscapes and communities. "Nature-based mitigation solutions like reforestation and wetlands restorations can be used to reduce the incidence and impact of flooding, landslides, and other disasters. "Where initiatives like these serve to reduce risk, they also serve to better protect communities and ultimately moderate rising pressure on insurance premiums."

TOP

COI Training Programs

Mumbai – Training Programs – September-October – 2023

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Reinsurance Treaty Designing - CT	03-Oct-23	04-Oct-23	ClickHere	Register
2	Bankers Indemnity: Focus Cyber Security and Computer Crime-CVT	06-Oct-23	06-Oct-23	ClickHere	Register
3	Crop Insurance – Focus: Horticulture, Floriculture, Plantations and Vegetable Insurance - CT	09-Oct-23	10-Oct-23	ClickHere	Register
4	Health Insurance: Medical Management and Fraud Control-CT(Mumbai)	26-Oct-23	27-Oct-23	ClickHere	Register
5	Equity Research and Valuation - CVT	06-Oct-23	06-Oct-23	ClickHere	Register
6	Insurtech and Digital Marketing-CT	30-Oct-23	31-Oct-23	ClickHere	Register
7	Customer Service-Engagement – Retention & Customer Experience- CT	03-Oct-23	04-Oct-23	ClickHere	Register
8	Accounting Standards for Insurance Companies (Ind-AS)-CT	05-Oct-23	06-Oct-23	ClickHere	Register
9	Enhancing the Productivity of Specified / Authorized Persons of Banks, other Corporate Agents and Brokers-CVT (Mumbai)	12-Oct-23	12-Oct-23	ClickHere	Register
10	Exclusive Module for Principal Officers of Corporate Agents- Banks - CT	12-Oct-23	13-Oct-23	ClickHere	Register
11	Environmental, Social, and Governance (ESG) in Life Insurance Companies-CVT	13-Oct-23	13-Oct-23	ClickHere	Register

Kolkata – Training Programs – September – 2023

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Managing Project & Engineering Insurance - Underwriting and Claims - CT-Kolkata	25-Sept-23	27-Sept-23	ClickHere	Register
2	Managing Project & Engineering Insurance - Underwriting and Claims - CVT-Kolkata	25-Sept-23	27-Sept-23	ClickHere	Register

Note - Virtual Training Program are conducted on Microsoft Teams application.
For More Details / help for enrollment mail at college_insurance@iii.org.in