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Insurance Term for the Week

Medical Payments Coverage (MedPay)

Medical payments coverage is an add-on to an auto insurance policy that covers expenses related to vehicular accidents. Also called "MedPay," it covers you and any passengers in your vehicle, any pedestrians you may injure, and you—if you are riding as a passenger in another vehicle or are injured by a vehicle as a pedestrian, bike rider, or public transportation rider.

MedPay applies to a variety of expenses relating to injuries stemming from an automobile accident. It covers medical payments, such as health insurance deductibles and co-pays, visits to a doctor or hospital, X-rays and surgery, ambulance and emergency medical technician fees, rehabilitation and nursing care, and some medical equipment, such as prostheses. The coverage takes effect regardless of which driver is considered at fault for the accident.

It is also useful in a situation in which you did not drive responsibly. Even if your auto insurance policy is a no-fault one, it does not cover you if you caused an accident due to alcohol or drug use. In such a case only MedPay would take care of your own medical expenses.

MedPay is supplemental to your regular health insurance, and rules and regulations vary by jurisdiction about which is the primary payer for various treatments and medical expenses. Look at your health insurance policy for the answer to this question.

QUOTE OF THE WEEK

"Time is neutral and does not change things.
With courage and initiative,
leaders change things."

JESSE JACKSON

INSIDE THE ISSUE

INSURANCE INDUSTRY

India insurtech firms make big strides, post 12x revenue growth in 5 years – Financial Express – 21st November 2024

The Indian insurtech sector has witnessed a 12-fold revenue growth over the past five years to $750 million in 2023, according to a report released by Boston Consulting Group on Wednesday. Around 85% of this revenue growth was driven by the top nine insurtech startups, noted the report in partnership with India InsurTech Association.

While globally, insurtech funding has continued to slow down, APAC has been relatively resilient with the Indian insurtechs making big strides in the last five years.

India has over 150 insurtech companies, with 10 of them valued at more than $100 million. Among these, Policybazaar and Acko are the only unicorns, while TurtleMint and Insurance Dekho are classified as 'soonicorns', with valuations ranging between $0.5 billion and $1 billion. MediBuddy, Renew Buy and Zopper fall under the 'Century Club' category, valued between $100 million and $500 million. Over 45 other insurtechs, including Plum and Nova Benefits, are labeled as 'minicorns', with valuations under $100 million.

The report notes that global funding for insurtech has been declining, dropping from a peak of $13.8 billion in 2021 to $5 billion in 2023. India also mirrored this trend, with sector funding shrinking to $300 million in 2023, compared to $580 million in 2021. However, the report added that the cumulative funding in the space has surpassed $2.5 billion, with a total sector valuation exceeding $13.6 billion.

"Most of the insurtechs at scale are present in the aggregation and distribution legs of the value chain, with these accounting for over 80% of the funding," said Pallavi Malani, MD and partner, Lead – India Insurance Practice at BCG, and Co-author of the report.

She added that there is a substantial opportunity for insurtechs to leverage data and technology in underwriting and claims, which can play a critical role in the continued growth of the insurance industry.

The report also reveals that multiline insurtechs attracted the majority of funding in 2023, outpacing those focused on single lines of business such as motor or health insurance.

Looking ahead, the report identifies opportunities in India's health insurance market, which grew at a 19% CAGR of between FY19 and FY24 to a gross written premium of Rs 1.08 lakh crore. Retail health insurance alone expanded at an annual rate of 22%.

The report highlights the potential for insurtechs to embed insurance into new channels through partnerships with corporates, SMEs, and affinity networks to penetrate smaller towns. It also highlights the scope for expanding beyond inpatient (IPD) coverage to offer comprehensive health and wellness solutions, including outpatient (OPD) services. By utilising customer data, insurtechs can also enhance affordability with personalised, flexible plans and bite-sized products, it added.

(The writer is Narayanan V.)

TOP

Is your banking & insurance contact center falling behind? Voice bots are the key to staying competitive - Financial Express – 21st November 2024

Contact centre agents are recognised as the frontline champions, especially in the BFSI sector. Characterized by complex financial products and urgency of complaints,the sector is flooded with customer queries, seeking instant and accurate resolutions. Given the scenario, the sector is facing unprecedented challenges in its contact centre operations as a majority of them are poised towards addressing compliance needs and high call volumes. Contact centres in the BFSI sector handle a vast range of inquiries, from basic policy details to complex claims and financial disputes. The need to handle regulatory compliance, legal formalities, and financial transactions increases the pressure on agents which often leads to longer wait times and a suboptimal customer experience. In tandem, non-adherence of strict legal guidelines can lead to severe financial and legal consequences.

Repetitive tasks like answering FAQs (e.g., claim status, policy coverage, premium payments) take up a significant portion of an agent's time. This limits the ability of agents to focus on more complex and high-value interactions. Apart from this, BFSI companies operate in regions with multiple languages and need to serve customers across various platforms, including phone, chat, social media, and email. Hence, ensuring a seamless and unified customer experience across all channels remains a challenge for contact centre agents. In an era where 90% of customers expect near-instantaneous responses to their financial inquiries, voice bots have emerged as a game-changer. It has emerged as a revolutionary tool in helping BFSI firms enhance their operational efficiencies and improve customer satisfaction to stay ahead in the market.

(The writer is Vikas Garg.)

TOP

FDIs, GST Exemption and More: Is India Ready for Insurance Overhaul? – Outlook – 19th November 2024

India's insurance sector has become a talk of the town since the government proposed significant reforms like 100 per cent FDIs and easing restrictions on insurance agents. Currently, the market cap for insurance companies stands at 74 per cent. Some media reports also stated that the Centre is expected to exempt life and health insurance from the tax implication in the upcoming GST council meet.

The government will also present the Insurance Amendment Bill in the winter session of Parliament to attract foreign players in the market independently and boost investment. These measures are being taken to increase the present 4 per cent insurance penetration rate which witnessed a downfall from 4.2 per cent in 2022.

Two years ago, the Insurance Regulatory and Development Authority of India (IRDAI) has even announced its "Insurance For All" by 2047 vision to take insurance coverage to the hinterlands of India and educate people about the importance of bot life and non-life products. "The rise in foreign direct investments will bring more capital in insurance sector which will push insurers to write more policies, thereby, increasing insurance penetration rate. We hope that insurers will sell more policies in rural areas with bite-sized policies," Casparus Kromhout, Managing Director and CEO of Shriram Life Insurance told Outlook Business.

Around 65 per cent of India's population reside in rural areas. Of these, less than 10 per cent of people in rural India had life insurance coverage while only 20 per cent had health insurance cover in 2022, according to PwC research data. Even the life insurance industry underwrote only 6.5 million policies in FY22 in the rural sector.

Where's The Gap?
A recent report by global consultancy firm McKinsey highlighted a critical gap in product innovation, distribution capability, and renewal management in the country's insurance sector. It said operational inefficiencies, profitability issues, limited regulatory support, and rapidly evolving risks have become significant challenges that hinder the industry's performance.

Kromhout believes that a series of policy measures are needed to combat these challenges and push the penetration rate because insurance is a long gestation business where multi stakeholders are involved. "IRDAI is now following up with several other initiatives like the rules for Bima Trinity to increase insurance penetration in India," he said. It is important to note that life insurance is the toughest product to sell in Indian market because it is still a concept that needs to be accepted, the Shriram Life Insurance CEO said, while recognising that increase in awareness has already been taken up but limited to a few segments and geographical areas.

What's The Way?
If India wants to achieve insurance for all, the market players also need to focus on the vulnerable segments because the biggest challenge continues to be the distribution reach and solution for these customers, Kromhout suggested. "Sales teams would have to work with lower premium sizes in underserved segments of the society and newer models to reach these customers must be developed. Therefore, the industry needs innovation that involves experimentation to come up with practical solutions for the same," he said.

The average premium for the private players ranges between Rs 80,000 - Rs 85,000 annually, the expert said, while asking "How many Indian families can afford that premium?" Hence, it is imperative to shift focus on bite-sized insurance policies to reach higher penetration and selling life insurance policies to people to who it matters the most, Kromhout said. He also revealed that 40% of Shriram Life Insurance's business comes from rural areas.

"With digital tools, it becomes less expensive to reach the hinterlands. The India Stack helps achieve this even faster. Maybe the insurance industry needs a similar campaign like 'Mutual Funds Sahi Hain' by Amfi, which has led to more participation in the Indian stock market," he added. The McKinsey data revealed that listed life insurers have been unable to generate sufficient returns to cover their cost of equity in the past three years and the top five private life insurance companies in India have experienced tepid net profit growth of under 2 per cent CAGR over the past five years.

The three largest listed market players --- SBI Life, ICICI Prudential Life and HDFC Life --- had a return on equity (ROE) minus the cost of equity (COE) ranging between -3.9 per cent and 1.6 per cent, it added.

(The writer is Alka Jain.)

TOP

Insurance sector needs a revamp – The Hindu Business Line - 18th November 2024

The Union Minister for Road Transport and Highways raised a hornet's nest by urging the Finance Minister to reconsider the 18 percent GST rate on health and life insurance. The upcoming GST Council meeting, scheduled for November 21, is expected to discuss various options, including reducing GST to nil for senior citizens and term insurance, as well as lowering rates for individual health insurance policies with a sum insured of up to ₹5 lakh. Currently, 74 percent of GST revenues from insurance are allocated to States, generating ₹24,000 crore over the past three years. Optimising GST for senior citizen health insurance will contribute to welfare, but there are other critical issues within the insurance sector that could impact the government's fiscal health and should be addressed. In FY 2023-24, health insurance contributed ₹1,09,006 crore (37.62 percent) of ₹2,89,699 crore in non-life premiums, with group health insurance accounting for ₹55,020 crore. However, group health insurance (excluding government business) has seen loss ratios exceeding 100 percent from 2013-14 to 2022-23, according to the IRDAI Handbook.

For the three public sector insurers facing financial stress, the loss in this segment amounted to ₹12,718 crore, with a conservative net expense ratio of 25 percent pushing the loss to ₹15,897 crore. This is nearly 92 percent of the capital of ₹17,250 crore injected by the government since FY 2020 to maintain solvency. Essentially, taxpayers are indirectly funding corporate group health expenses. Large insurance portfolios with high loss ratios over extended periods, coupled with operational inefficiencies, contribute to capital erosion. ICRA estimates that an additional ₹10,000 crore capital infusion is required for these three public sector insurers.

The Ministry of Road Transport monitors the pricing of the compulsory third-party (TP) motor premiums, which contributed ₹54,455 crore — 60 percent of the ₹91,780 crore motor premium in FY 2023-24. The mix of motor premiums has shifted significantly over the past two decades from an 80/20 ratio of own damage (OD) to TP in FY 2002-03, to 40/60 percent in FY 2023-24. Higher than stipulated commissions (acquisition costs) even for this regulated TP premiums, involving Motor Insurance Service Providers (MISP) and intermediaries, have over the years reduced the premiums available for insurers, thus diminishing investible funds. Several audits by the IRDAI have highlighted excess payments above regulated rates, classified as management expenses for advertising, risk consultancy, travel, call centres, or infrastructure. For example, a major insurer paid ₹30.73 crore for logo-sharing and ₹25.09 crore for infrastructure expenses in 2012-13, yet faced minimal penalties of ₹5 lakh each in 2016. While the penalty limit has since been raised to ₹1 crore, they do not act as a deterrent. As management expenses are now limited to 30 percent by IRDAI (effective from April 2024), strict monitoring is essential to ensure effectiveness.

Many non-life insurers have a combined operating ratio (COR) above 100 percent. To improve profitability, insurers need to focus on repricing portfolios, enhancing claims management, and investing in technological and operational efficiencies. Currently, only about 60 percent of the premium paid by customers is available for pure risk cover due to intermediation costs, management expenses, and GST. Risk-based solvency is, therefore, crucial for aligning insurer strategies and achieving long-term profitability. To improve industry transparency, the Insurance Information Bureau (IIB) or GI Council should publish premium and claims data for the top 10 group health, property, and casualty accounts over the past decade. Additionally, insurers should disclose their gross management expenses on a quarterly basis, similar to mutual funds. The financial statements of insurance intermediaries for the past five years should also be made public, with correlations drawn to non-fee income in the case of banks and NBFCs.

A comprehensive insurer-intermediary relationship matrix would help highlight any emerging concentration of power in the insurance sector. Furthermore, the company-wise and portfolio-wise GST collections should be reported. The Indian insurance market is projected to grow at 7.1 percent in real terms from 2024 to 2028, according to Swiss Re, outpacing the global growth rate of 2.4 percent. The efficient management of the substantial insurance revenue (over ₹12 lakh crore in non-life and life premiums for FY 2023-24) could help boost GST collections, corporate taxes, and insurer investible funds. This, in turn, would enable the government to support the social sector. While adjustments to GST rates on health insurance are important, a more effective metric of success would be how much the insurance sector can contribute to reducing the fiscal deficit. A comprehensive view of the sector's operational and regulatory interventions is needed to optimise its potential for both economic growth and social welfare.

(The writer is Madhusudhan Pillai.)

TOP

Little love for global insurers – Financial Express – 18th November 2024

Insurance Regulatory and Development Authority (IRDAI) Chairman Debasish Panda recently spoke of how India needs more global players to grow the insurance sector. Panda believes it is time to allow them to set up shop on their own without a local partner. A 100% foreign direct investment (FDI) policy, he says could bring in more foreign insurers.

The regulator is reading the writing on the wall. Many foreign players are unhappy that their local partners are not allowing them to raise their stakes in joint ventures (JV) and give them more say in running the business. Although the government liberalised the rules in2021, there are just a few JVs where the overseas insurer has a 74% stake. In 2022, Aviva upped its stake to 74% in AVIVA Life Insurance while Generali's stake in Future Generali Life Insurance went up to 74%. Swiss Insurance giant Zurich now holds 70% in Kotak General Insurance.

Some players like Axa, have exited India. Abdrn, or Standard Life Aberdeen, exited HDFC Standard Life Insurance in June 2023 after a 22-year-long partnership. The last foreign player to enter the life insurance space was Japan's Tokio Marine which floated Edelweiss Tokio Life. Some like Germany's Allianz are divorcing their local partners but could end up marrying someone else.

As Kamlesh Rao, MD & CEO, Aditya Birla SunLife Insurance puts it, foreign players want the comfort of being in control and the satisfaction of being able to run it themselves without having to partner a local entity. "Psychologically, it makes a difference if they own 100%. They can always hire local professions to run the operations," he points out. However, the truth, as Aniruddha Marathe, MD and Partner at Boston Consulting Group (BCG) points out, is that most large insurance companies are backed by financial institutions or conglomerates which are generally unwilling to give up control especially since the businesses are doing well and there's potential to grow.

And they're not apologetic about it. Vibha Padalkar, MD & CEO, HDFC Life Insurance, has discounted the need for a foreign equity partner, saying home-grown companies understand the needs of Indian customers better than their foreign counterparts. In Padalkar's view there is no need for a foreign partner. "I think that ship has sailed where we need any intellectual horsepower from elsewhere," she said in a recent interview.

The confidence, say experts, comes from their ability to raise capital. As another insurance sector CEO conceded to FE, the promoters would prefer to list on the exchanges to raise capital rather than sell a stake sale to foreign partners."It would allow us to retain majority ownership and management control in a fast-growing market," he said. A McKinsey analysis shows Indian life insurers command valuation multiples of 7-10 times price-to-book compared with just 1-2 times for their regional peers in Asia. The reasons for this include their strong performance over the years. India's insurance sector recorded a gross written premium exceeding $130 billion, with an 11% CAGR during FY 2020-23, outpacing Asian peers like Thailand and China, which grew at less than 5%.

As Birla Sunlife's Rao points out there are now options to capitalise the business by raising subordinated debt, depending on its size and net worth. "Companies use a combination of equity and debt to ensure their growth ambitions are met. The last 5-6 years have shown that domestic firms have the capital to inject it whenever needed, Rao says. About a month back it became clear that Germany's Allianz Group intended to exit its 26% stake in both Bajaj Allianz Life Insurance and Bajaj Allianz General Insurance, ending a partnership of over two decades. Industry insiders attribute the split to Bajaj Finserv's reluctance to allow Allianz to raise its stake in the ventures.

To be sure, the global insurers are aware of how difficult it can be to build a business on their own. “Foreign partners do recognise that much of the value in the partnership comes from the Indian partner’s brand and distribution capability,” says BCG’s Marathe. “Even if they want to increase their stake, it could come with a steep valuation,” he adds. Also, as McKinsey has pointed out while achieving a CAGR growth of over 17% in new business premiums, India’s top five private life insurers have seen tepid net profit growth of less than 2% CAGR over the past five years. This is thanks to challenges in cost management and operational efficiency due to escalating expenses, including increased commissions, operational costs, employee-related expenditures, and marketing expenses.

Debashish Banerjee, Partner, Insurance Sector Leader, Deloitte India, says foreign players are still keen on investing in India at the 74% level with a 26% local partner but need a compelling trigger. “They’re looking for a spike in the penetration levels or the possibility of handsome exits,” he observes. There is no doubt India is the ideal market for insurers over the next 10-15 years given favourable demographics and low insurance penetration. Nontheless, Casparus JH Kromhout, MD & CEO of Shriram Life Insurance believes that for more foreign players to come in, a strong catalyst, such as a sharp rise in penetration, is required. “The challenge is that with GDP growing 7-8% annually, the economy expands so quickly that to make a noticeable impact on penetration, the insurance sector has to grow at an even faster rate,” Kromhout points out. It’s a challenge that must be overcome and overcome soon.

(The writer is Narayanan V.)

TOP

Curb insurance misselling, use bad bank for NPAs: FM to banks – The Hindu – 18th November 2024

Finance Minister Nirmala Sitharaman on Monday emphasised the need to retain public confidence in India’s banking system by urging lenders to rein in mis-selling of insurance products and other activities that raise customer costs, and be more assertive about resolving distressed assets through the bad bank NARC. “Your core business is to mobilise deposits and lend money. I wish that core is looked into again, only to pursue it further,” Ms. Sitharaman said at an SBI event, singling out banks’ distribution of insurance products as a cause of concern.

“I wish to say this for due consideration of banks’ boards. While this model [bancassurance] has significantly contributed to improving insurance penetration across the country, it has also raised concerns about instances of mis-selling, and I would say, contributed in indirect ways of increased cost of borrowing for the customers,” she pointed out “So banks will have to look at it with a lot more emphasis on their core banking activities and not burden customers with insurance which they don’t require. Banks must prioritise on transparency, ethical practices and clear communication strategies for us to earn the trust of the people,” she stressed.

On the NARCL, which has acquired 18 accounts with a loan exposure of around ₹92,000 crore so far, the minister said banks can be more ambitious and the NARCL more proactive in getting this working “far more speedily”. “I will say a few things on which I would like the bank management, particularly of SBI, to pay a bit more attention. Banks need to be equipped to deal with the flow of distressed assets and the markets need to be equipped to channel investments into the reconstruction and revival of such assets. This is where the NARCL can be used,” she remarked.

“The establishment of a government-backed company for the aggregation and resolution of distressed assets will further improve liquidity and competition in the market. This was my feeling when we set up the NARCL,” she said. The NARCL was formed in 2021 to clean up stressed assets in the banking system. “Banks should serve as a vital pillar of trust building with the public and trust should be built by the way you offer your portfolios, by the way you offer your service and by the way, you look at each customer’s requirement without clubbing them into one class, particularly in the context where banks facilitate the distribution of insurance products,” the minister noted.

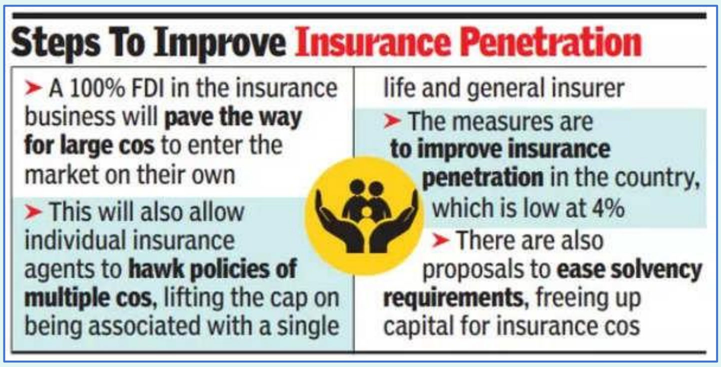
She also nudged public sector lenders to increase their small ticket lending operations, especially to Micro, Small and Medium Enterprises or MSMEs. The Finance Ministry, she said, had recently cleared additional lending of ₹1.54 lakh crore on top of the current lending target of ₹4.21 lakh crore for the sector. The target for 2025-2026 is ₹6 lakh crore and the following year at ₹7 lakh crore, she added.

(The writer is Ashokamithran T.)

TOP

Government Plans 100% FDI, Eased Rules for Agents in Insurance Bill Tweak - The Times of India – 18th November 2024

Government is all set to allow 100% foreign direct investment in insurance business, paving the way for large companies to enter the market on their own, while allowing individual insurance agents to hawk policies of multiple companies, lifting the cap on being associated with only one life and general insurer. The twin measures are part of the Insurance Amendment Bill that is proposed to be introduced during the winter session of Parliament that kicks off later this month. On August 19, TOI was the first to report about the proposed increase in the FDI ceiling, a suggestion which was publicly made by Insurance Regulatory & Development Authority of India (Irdai) chief Debasish Panda earlier this month, linking it with "Insurance For All by 2047".



While the current ceiling for insurance companies is 74%, for intermediaries, the cap has already been eased. There are currently two dozen life insurance companies, 26 general insurers, six standalone health insurance outfits with General Insurance Corporation being the sole reinsurer.

The two proposals are part of the strategy to improve the insurance penetration in the country, which is low at 4%, by allowing more companies to underwrite policies, while also unleashing agents to sell covers, both life and general. Currently, agents are already offering products of multiple companies but instead of doing it directly, they have got their spouse or other family members to register as agents for other companies.

The assessment in the govt is that the large Indian players – ranging from SBI, ICICI and HDFC Bank to the Tatas and the Birlas – are already entrenched and given that life insurance is a long-gestation, high investment business, there may not be too many domestic companies with deep pockets to invest. Besides, some of the large players such as Allianz is looking at parting ways with Indian partner Bajaj Finserv and may enter on its own. In addition to raising the FDI ceiling other stipulations on directors are also proposed to be eased, sources said.

Several other amendments are also planned. For instance, Irdai has proposed amendments to allow for issuing composite licenses, a move that will benefit the likes of state-owned Life Insurance Corporation of India, which is keen on acquiring a health insurance outfit to expand its product portfolio. If the proposal goes through, the same company can issue life and non-life covers. Similarly, there are proposals to ease the solvency requirements, freeing up capital for insurance companies.

(The writer is Sidhartha.)

TOP

Insurance must regain consumer trust - Financial Express – 16th November 2024

In recent years, Indian insurance leaders have faced a tough task when talking about "industry growth drivers" and "consumer trust". For some, it has turned into little more than lip service, detached from the consumers' real challenges and insurance potential. While the industry speaks of lofty goals, the hard truth is that Indian insurance remains far from realising its potential. Despite regulatory ideas to increase penetration — from opening up 100% foreign direct investment (FDI) to reducing capital requirements for new insurers — the industry has seemingly lost sight of a core need: consumer trust. Insurance penetration in India stood at just 4.2%. The Indian insurance sector is also heavily skewed toward life insurance, which accounts for 76% of total premiums, compared to a global average of 43.7% with non-life insurance forming 56.3% of the market.

Consumer trust is foundational to insurance sector, yet recent surveys suggest many Indians would not even recommend their insurer to a friend. This lack of advocacy reflects an industry that appears self-serving, with talent often shifting between companies but rarely moving towards customer-centred reform. The primary focus has instead been on metrics and the same pool of industry insiders. True security in insurance lies not in policies or profits alone, but in the trust earned by placing consumers at the heart of every decision. Looking back, certain lobbies sought to keep FDI capped at 49%, benefiting from fixed internal rate of return (IRR) deals that many foreign "partners" had signed to access India. These arrangements effectively meant foreign brands renting local support to gain legitimacy. When FDI range restrictions changed, many hoped for improvements in products and service. But ownership alone doesn't address underlying issues. What the sector truly needs is patient capital, committed to at least 10-12 years of strategic investment. Instead, there's a focus on rapidly building a profitable book and diluting stakes for higher valuations. This behaviour — enabled by a lenient regulatory stance — prioritises short-term gains over consumer interest and product quality.

While regulatory shifts have been taking place, they have often felt incremental, lacking the boldness to elevate the sector to a level comparable even to India's other financial regulators. Changes have come, but they feel held back by a culture of hesitancy. Why? The answer may lie in a reluctance to engage in deeper reforms that prioritise consumer welfare over industry growth metrics. The answer would further be found in the rigour of regulatory supervision over the industry.

For example, claims processes in Indian insurance is another pain point. While fraud prevention is essential, the current approach burdens honest consumers with an adversarial system, where each claim feels like a battle. The overarching ideology seems to assume guilt, requiring consumers to prove themselves at every step. This might be rooted in real fraud concerns, but such a blanket approach creates a deeply hostile environment for policyholders. In general insurance claims as well, policyholders often express concerns about settlement times and the final amount. No amount of digital innovation or streamlined processing will fix this if the underlying attitude remains distrustful.

Insurance is unique as a sector where consumers rely on absolute trust, given that the benefits of policies are often realised only in difficult times — after a loss of life, health, or property. Unfortunately, a gap seems to exist in meeting this essential expectation. Despite the industry's attempts to dazzle with buzzwords like "consumer engagement", "distribution reach", and "digital access", these efforts ring hollow.

Financial regulators like the Reserve Bank of India, the Securities and Exchange Board of India, and the Insurance Regulatory and Development Authority of India should work together to curb malpractices like mis-selling of financial products across industry segments. Without regulatory accountability, the consumer is left vulnerable, with little recourse in a legal and grievance redress system known for inefficiency and delay.

Take health insurance, a prime example of the sector's brokenness. It seems an open stakeholder conversation that hospital bills are often inflated, purportedly hand in glove with the sector, with insurers only partially covering costs, claiming fraud concerns. Yet the lack of regulatory action on this speaks volumes. A simple yet radical change would be to mandate "full settlement" within a stipulated period, forcing insurers to pay out fully and promptly unless they can prove otherwise. This would shift the burden from consumer to insurer, creating a system where the regulatory position is to honour rather than deny claims.

Regrettably, the insurance industry's influence is akin to regulatory capture, often muting any true accountability. While other financial sectors have seen regulatory action against malpractices, insurance appears insulated from such scrutiny. This calls for stricter supervision and a tougher regulatory stance. The regulatory vision of "Insurance for All" by 2047 to match the political aspiration of Viksit Bharat is well-intentioned, yet setting a distant goal without clear, annual milestones is more tactic than true strategy. With most industry leaders and regulators unlikely to hold their positions by then, this approach lacks immediate accountability. The insurance sector needs an overhaul, not just superficial changes.

Indian insurance needs genuine introspection and a shift in behaviour, where consumer welfare becomes the core purpose of its existence. The regulator must reinvent itself to adopt a "consumer-first" and "digital-first" approach, to cut through the sector's hubris and bring accountability. Without reform, the industry risks remaining in its own echo chamber, ignoring the very consumers it claims to serve. Only by stepping out of this cycle can Indian insurance achieve the credibility and relevance it so desperately needs.

(The writer is Srinath Sridharan.)

TOP

India's insurance sector outpaces China, Thailand: McKinsey - Financial Express – 16th November 2024

India's insurance sector recorded a gross written premium in excess of $130 billion, with a 11% CAGR growth during FY2020-23, outpacing Thailand and China, which grew at less than 5%, according to a McKinsey & Company report. According to the report, Steering Indian Insurance from Growth to Value in the Upcoming 'Techade', while the life insurance industry grew 11% per annum to $107 billion as of 2023, the general insurance industry grew 15% per annum to $35.2 billion.

"This robust performance, among other reasons, has allowed Indian life insurers to maintain valuation multiples, and price-to-book (P/B) of seven to ten times, compared with just one to two times for regional peers in Asia," the global consulting firm said.

The report, however, noted that that despite a strong premium growth, India's insurance penetration rate slipped from 4.2% in 2022 to 4% in 2023, indicating that the progress has not kept pace with the country's economic growth.

The report also said while achieving over 17% CAGR in new business premiums, India's top five private life insurers have reported a less than 2% CAGR in net profits over the past five years.

McKinsey has attributed this to challenges in cost management and operational efficiency due to escalating expenses, including higher commissions, operational costs, employee-related expenditures and marketing expenses.

The report also points out that the government could potentially save about $10 billion annually by expanding insurance penetration to encompass under-served population and events. A comprehensive life insurance coverage could assist the government in alleviating the burden of providing ex-gratia benefits to families affected by the loss of life or livelihood due to accidents or unforeseen events, it said. "Targeted intervention programmes for crop insurance could contribute to minimizing crop losses, reducing loan defaults and improving yield," it noted.

According to McKinsey, despite a decline in claims ratios, a steady increase in expense ratios among traditional players (until 2023) pushed the combined ratio upwards. "Improvement in leading productivity metrics, such as operating expenses per life or policy, has been negligible over the past two to three years for both life and general insurance companies," McKinsey said.

(The writer is Narayanan V.)

TOP

INSURANCE REGULATION

IRDAI Urges Bankers to Focus on Core Job, Not Sell Insurance Alone; Avoid Mis-Selling - The Economic Times – 19th November 2024

Insurance industry regulator Irdai's Chairman Debasis Panda on Tuesday urged bankers to focus on their core job and not pedal insurance alone. In comments that come a day after Finance Minister Nirmala Sitharaman also made similar suggestions, Panda said the bancassurance channel is very useful in deepening the reach of insurance in the country. "There is merit in the system but we have to do it with care and caution so that you don't forget your activity and only start selling insurance. It should be incidental," Panda said, speaking at the annual banking and economy conclave organised by SBI here.

Insurance companies definitely need low-cost distribution solutions like the ones offered by the banks, which have a massive spread across the country and cover nearly all the inhabited places, he said. "The banca channel is a very useful channel. But of late, a lot of ills have crept into the system. We all need to sit together, thrash out that, restore that confidence," Panda said, adding that there is "mis-selling" as well.

Sitharaman had asked bankers to focus on their core jobs and avoid mis-selling of insurance policies, pointing that many a time, this also indirectly leads to increasing the cost of borrowing for a bank customer. It can be noted that most of the major banks have promoted insurance companies, and earn fat commissions from selling insurance covers which makes it a lucrative business.

Meanwhile, Panda reiterated a Viksit Bharat is one where everyone is fully covered and all the stakeholders need to be working towards the same. The Irdai has put in place a forward looking regulatory system with operational flexibilities to all the players with that focus in mind, Panda said, adding that the regulator's job is varied.

Irdai needs to maintain financial stability, protect the policyholders' funds at all points of time and make sure that the insurers deliver on promises, he said. It is also moving towards an enhanced risk management framework under which the industry will shift away from the factor-based risk management framework which looks at only liabilities, to one where both liabilities and capital buffers are taken into consideration to ensure that an entity remains solvent at any point of time, he said.

TOP

IRDAI Looks at New Supervision Norms - The Times of India – 16th November 2024

Insurance regulator Irdai is laying the groundwork for a new supervisory system for insurance companies. It was a key topic of discussion at the 8th Bima Manthan held here. The meeting brought together top Irdai officials and leaders from across the insurance industry for a two-day summit focused on preparing the sector for the future. With an eye on global standards, discussions centred on risk management, new financial reporting rules, and the implementation of a risk-based supervisory framework (RBSF). RBSF employed by several countries worldwide, allows regulators to focus their attention on the insurers posing the greatest risk to the system, rather than applying a one-size-fits-all approach. By assessing factors like financial stability, governance, and compliance history, regulators can tailor their oversight and intervene early where necessary.

Both regulators and insurance companies shared insights gleaned from pilot studies and impact assessments, paving the way for a smoother transition to the RBSF. The meeting also highlighted the progress of Bima Sugam, a digital platform designed to simplify the insurance experience for consumers.

This initiative, along with a renewed focus on cybersecurity in the face of evolving digital threats, underscores the industry's commitment to modernisation and consumer protection. Expanding insurance penetration and exploring new avenues for capital augmentation, such as encouraging insurance companies to go public, were also key themes. The Bima Manthan demonstrated a unified effort within the insurance sector to achieve the ambitious goal of "Insurance for All by 2047."

TOP

LIFE INSURANCE

Life insurers may see strong APE growth in H2; ULIP mix likely to impact margins - The Economic Times – 22nd November 2024

The life insurance sector witnessed better-than-expected annual premium equivalent (APE) growth in October 2024, driven by strong performances from HDFC Life, ICICI Prudential Life, and Max Life. If this growth momentum sustains, the projected 14% year-on-year (YoY) APE growth for H2FY25 could see upward revisions, according to a note by Elara Securities India. However, a higher unitlinked insurance product (ULIP) mix is expected to pressure the value of new business (VNB) margins, with overall VNB growth estimated at 8% YoY.

Lower VNB margins are likely to weigh on return on embedded value (ROEV) for FY25, marking a decline from previous years. Despite this, large insurers are expected to benefit from recent regulatory changes in surrender value norms, which are set to reduce competition in the non-participating (nonpar) product segment by compressing the internal rate of return (IRR) spread between large and midsized players.

Key trends for H2FY25
October's APE growth exceeded expectations, even as insurers renegotiated distributor commissions for non-linked savings products. HDFC Life, ICICI Prudential, and Max Life are projected to deliver APE growth of 15%, 16%, and 16% YoY, respectively, in H2FY25. Meanwhile, SBI Life's growth is expected to lag at 11% YoY.

The sector's VNB growth is estimated at 8% YoY for H2FY25, with lower margins stemming from a higher ULIP share. Persistency challenges for ULIPs could also result in negative variances in embedded value (EV). Among peers, IPRU is set to lead VNB growth due to a lower base.

Regulatory Impact: Surrender value regulations will likely narrow IRR spreads in the non-par segment, favoring larger private insurers and Max Life. Mid-sized insurers maintaining higher spreads could face margin pressure.

Insurer-specific outlook
HDFC Life, with its diversified product mix, is expected to withstand a potential ULIP slowdown better than peers. In contrast, ICICI Prudential, SBI Life, and Max Life, which have higher reliance on ULIPs, could face greater challenges. SBI Life's valuation remains subdued due to growth challenges in its bancassurance channel, but analysts see rerating potential if growth revives. Meanwhile, Max Life is seen as an attractive pick, given its favorable risk-reward profile, with IPRU following closely.

The life insurance sector is deemed attractive, with favorable valuations presenting opportunities for long-term growth. HDFC Life is considered the strongest franchise, but analysts note that its positives are largely priced in. Recent corrections in SBI Life's price have made its valuation comparable to Max Life and ICICI Prudential, indicating potential for growth revival in the medium term.

TOP

Term insurance purchases among self-employed rise by 50% YoY, Policybazaar says this! - Good Returns - 19th November 2024

The rise in term insurance purchases among the self-employed, which has seen an astounding 50% year-on-year growth, is largely attributed to the introduction of specialized plans designed to cater to their unique needs. These tailored term plans have simplified the application process by removing the necessity for traditional income proofs, such as Income Tax Returns (ITR) or salary slips. Instead, insurers are now leveraging various digital metrics to assess an applicant's financial stability, including credit history and surrogate proofs like the Insured Declared Value (IDV) of vehicles. This shift has significantly broadened the accessibility of term insurance for entrepreneurs and business owners, reflecting a deeper understanding of the importance of financial planning despite the often unpredictable nature of self-employed income.

Industry leaders like Max Life, Tata AIA, HDFC Life, and Bajaj Allianz have been quick to adapt their product offerings to align with the evolving demands of the self-employed demographic. With 70% of their sales now coming from plans specifically designed for this group, these companies are at the forefront of a movement that is democratizing access to financial security for freelancers and business owners across India. This trend is indicative of a larger shift within the insurance sector, where personalization and flexibility are becoming key drivers of growth.

Young Entrepreneurs Leading the Charge

A significant finding in the surge of term insurance uptake is that a majority, or 74%, of these new policyholders are millennials, aged between 27 and 38. This demographic's increased engagement with digital platforms and financial literacy resources has evidently played a critical role in the higher adoption rates observed in the term insurance market. Their proactive stance on securing their financial futures early on highlights a growing awareness and responsibility towards financial planning among young entrepreneurs.

In terms of income distribution and cover preferences, there's a clear trend among self-employed individuals towards securing life insurance coverage that is at least ten times their annual income. This approach not only demonstrates a savvy understanding of the need for substantial financial protection but also reflects the variability and unpredictability often associated with self-employed earnings. It's observed that individuals with an annual income ranging from ₹3-5 lakhs tend to opt for insurance covers around ₹39 lakh, while those earning more than ₹10 lakhs usually go for policies valued at approximately ₹1 crore.

Gender Dynamics and Geographic Spread

While 84% of the self-employed individuals opting for term insurance are males, there's a noticeable uptick in female participation. This uptrend is expected to continue, driven by the increasing number of women venturing into entrepreneurship and business, signaling a shift towards greater gender parity in financial planning and security within the self-employed sector. The geographical distribution of term insurance purchases reveals that Mumbai leads the way, followed closely by cities like Delhi, Chennai, Lucknow, Bangalore, and Hyderabad. This widespread adoption across both metro and non-metro areas underscores the universal appeal and necessity of these specialized, flexible insurance plans for the self-employed.

Rhishabh Garg, Head of Term Insurance at Policybazaar, emphasizes the significance of this shift, stating, "The significant uptake of term insurance among self-employed individuals is a clear indicator of rising financial awareness. With flexible, specialized plans now available, it's easier than ever for business owners and freelancers to protect their families and secure their financial futures. We urge self-employed individuals to explore these offerings and ensure they are adequately covered."

In conclusion, the surge in term insurance purchases by self-employed individuals marks a pivotal shift towards increased financial security and awareness within this demographic. The availability of customized plans, coupled with the proactive approach of young entrepreneurs and the growing participation of women, paints a promising picture of the future of financial planning among India's self-employed.

(The writer is Rahul Das.)

TOP

How a life insurance retirement plan can secure your future: a comprehensive overview – The Economic Times – 19th November 2024

The most important part of money management today is what will happen in retirement, as Americans' post-retirement lifestyle will significantly be affected by taxes, living expenses, and health care expenses. One special and valuable tool that may also help you prepare for your future and acquire vital life insurance coverage is the LIRP. Let's look at the advantages of a life insurance retirement plan and why you should include one in your retirement planning.

How a Life Insurance Retirement Plan Can Secure Your Future
*** Combines Life Insurance with Retirement Funds**
The basic advantage of a LIRP is that it incorporates a retirement savings plan and life insurance. You can use a LIRP to buy a permanent life insurance policy, usually whole or universal life insurance, with death benefits to cover your loved ones. Using a Life Insurance Reserve Plan, you can access another level of financial security with cash value accretion, which may certainly be helpful during your retirement years. And that is basically what makes a LIRP so special. This means you build up a savings nest egg that might support and complement your retirement income besides securing your family's financial future by means of life insurance.

*** Offers Tax-Free Loans and Withdrawals**
One of the most appealing aspects of a Life Insurance Policy, or LIRP, is its flexibility to use the cash value of your policy to draw tax-free loans or withdrawals. You know withdrawals or borrowings from a typical retirement plan like an IRA or 401(k) are taxed as income; however, according to the IRS rule, if you follow it, you may withdraw cash from your LIRP policy tax-free. This tax-free access to cash can be an excellent source of retirement income, and you will be able to cover your living costs, healthcare expenditures, or any other financial requirements with attention to the tax implications. Cash access that is tax-free would significantly assist in obtaining greater control over your finances in retirement.

*** Offers Flexibility with No Cap on Contributions**
Strict contribution caps are one of the characteristics of many old-fashioned retirement plans that will effectively prevent someone who earns a lot or has already maxed out his or her IRA or 401 from saving anymore. LIRP, on the other hand, allows you to make limitless contributions commensurate with how much life insurance you want to buy. This freedom of being able to put as much as you want into your insurance entails that you can add to the cash value at a rate of your choice. It is also one of the most attractive features of an LIRP for those who would desire more flexibility in their retirement savings. Without threats of yearly contribution limitations, you can customize your contributions to suit your retirement goals and the financial situation at your points.

*** Protects You from Market Volatility**
One of the biggest downsides of conventional retirement accounts is that they carry market risks. At least a significant part of your retirement money will dissipate when stock markets are in a recession. An LIRP insulates your money against market fluctuations, meaning it's much safer. An LIRP's cash value will, therefore, grow as per a fixed interest rate or through the performance of an index such as the S&P 500, but with some built-in safety nets to keep losses at bay during down markets. There will, therefore, be a

guarantee that your retirement money will grow and remain steady, light of any volatility in the market. A Life Insurance Policy also referred to as LIRP, provides great security and predictability for those who want to save for their retirement.

*** No RMDs.**
The benefits of a LIRP are greater flexibility than traditional retirement accounts, including 401(k)s and IRAs, from which you have to draw out minimum distributions from age 72. Since there are no required minimum distributions for a LIRP, you decide when -- and how much -- to liquidate from the cash value of your policy. This tool makes it easier to manage retirement income since you can have it allocated according to your requirements rather than forcing you to take money out when you do not require it. With the flexibility that a LIRP provides, you assure yourself that your money will last longer and support your long-term financial goals by saving it for when you really need it.

*** Benefits of Estate Planning**
A LIRP is a tax-advantaged savings plan for retirement and, of even greater importance, a core aspect of estate planning. Your beneficiaries often take the death benefit on your life insurance tax-free, relieving your loved ones of the burden of estate taxes. As such, a LIRP is a very useful tool for wealth transfer to future generations with concurrently reduced tax liabilities. You can also pay death obligations like debts, medical, and burial to avoid a financial burden in case something happens to you. You can include an LIRP in your estate plan so that you can build a legacy beyond your lifetime and still have peace of mind knowing that your family is taken care of financially.

*** May include Long-Term Care Insurance**
Another notable added value is the possibility of adding long-term care insurance with a LIRP. The rider in long-term care permits one to dedicate a portion of the death benefit to long-term care. This is long-term care - nursing home, assisted living facility, or care in one's home. This extra coverage can form part of your retirement plan because the long-term care costs in the United States continue to rise. It will ensure future medical costs are covered without liquidating all your resources in case of an emergency. A LIRP is a comprehensive retirement and healthcare plan because it offers insurance coverage for both long-term care insurance and life insurance.

Conclusion
A life insurance retirement plan is a strong and flexible financial tool offering many benefits to Americans looking forward to securing their future in the United States. The estate planning benefits include tax-free withdrawals, protection of assets from market volatility, as well as a combination of life insurance protection and retirement savings. A LIRP can be an important element of your overall personal finance program, no matter what you are trying to do: support a predictable and stable retirement income, protect and help grow your family's long-term resources, or plan for expected costs of future long-term care. You can achieve financial security and freedom in retirement by making smart decisions with knowledge about the benefits and flexibility offered by a LIRP.

TOP

Bima Stack promises seamless insurance claims, better access for all – Business Standard – 17th November 2024

The insurance sector is at a critical juncture. Despite impressive growth in premium income – from Rs 1 trillion in FY05 to more than Rs 6.7 trillion in FY24 – the sector has yet to fully realise its potential in terms of broader penetration and improved customer satisfaction. The Insurance Regulatory and Development Authority of India (Irdai) is transforming the industry by leveraging technology to overcome challenges. The Bima trinity – Bima Vistaar, Bima Vaahaks and Bima Sugam – incorporates a technology framework that may be referred to as Bima Stack. Much like how India Stack transformed payments, Bima Stack has the potential to revolutionise the way insurance is sold and claims are processed.

Availability, accessibility and affordability have been persistent challenges in the insurance sector. Bima Stack, by leveraging Aadhaar, electronic know your customer (e-KYC), DigiLocker, and Unified Payments Interface (UPI), will simplify insurance purchase and reduce costs while improving availability and accessibility. For instance, by integrating Aadhaar-based authentication and e-KYC, insurance providers can streamline the policy issuance process, eliminating the need for extensive paperwork or physical verification. The vast majority of Indians do not have access to clear and reliable information about insurance products. Only around 10 percent of the population understands English language content, leaving most people reliant on offline and unverified channels. Bima Stack could address this by tapping into platforms like BHASHINI, India's digital public infrastructure for language translation. One of the most critical pain points in the insurance journey is the claims process. Bima Stack will fundamentally change this by creating a seamless and consent-driven claims ecosystem. Imagine a scenario where a policyholder goes to a hospital and presents their Aadhaar card. The hospital's system is connected to an insurer, which leverages components of Bima Stack to verify policy details and approve the claim. This process not only alleviates the stress for consumers in a crisis but also fosters a sense of trust in the insurance system.

(The writer is Sarbvir Singh.)

TOP

Indian general insurance sector logs 27.53% growth in Oct. Four insurers log three digit growth – Domain - 15th November 2024

The Indian general insurance sector logged 27.53% gross direct premium growth last month with four players registering a three digit growth as compared to the previous year's corresponding period. According to the industry lobby body General Insurance Council, the sector-including the two specialised insurers- closed last month with a premium income of Rs.30,378.01 crore up from Rs. 23,821.05 crore earned in October 2023. The four general insurers who have logged a three digit premium growth are – National Insurance Company (premium Rs.2,488.12 crore, growth 156.70%), Bajaj Allianz General Insurance Company (Rs.3,859.72 crore, 109.86%), Kshema General Insurance (Rs.272.86 crore, 278.29%) and Agriculture Insurance Company of India (Rs.1,761.03 crore, 200.30%). Within the sector, the four standalone health insurers booked a premium income of Rs.3,119.06 crore last month up from Rs.2,494.54 crore earned in October 2023.

The two specialised general insurers – ECGC Ltd and Agriculture Insurance Company – had earned Rs.1,862.27 crore last month as against Rs.684.97 crore earned during the previous year corresponding month. The general insurers who have logged negative growth last month were HDFC Ergo General Insurance, Navi General Insurance, Royal Sundaram General Insurance and SBI General Insurance. For the period April-October 2024, the industry earned a total premium of Rs. 1,84,272.08 crore up from Rs. 1,67,620.26 earned during previous year corresponding period. Listed and the government owned The New India Assurance leads the industry in terms of market share with 12.26% this fiscal and is followed by ICICI Lombard General Insurance with 9.08% and Bajaj Allianz General with 7.82%.

(The writer is Venkatachari Jagannathan.)

TOP

New surrender value norms: Life insurers turn to policies with high value – Business Standard – 15th November 2024

Life insurers shifted their focus to selling high-value policies in October as the transition to new surrender value norms, effective October 1, limited their ability to roll out all products in their portfolio. This had led to a 40 percent year-on-year (Y-o-Y) drop in the number of policies sold in October. Additionally, distributors had engaged in a fire sale of policies in September due to uncertainty about the impact of the new norms on their commission structures. This advance selling made an impact in October, as distributors slowed down on promoting new products. Data from the Life Insurance Council shows, the number of policies sold by insurers in October dropped 41.6 per Y-o-Y to nearly 1.2 million. In contrast, policy sales in September rose nearly 432 percent to 11.7 million from 2.21 million in the year-ago month.

According to Saurabh Bhalerao, head of BFSI Research at CareEdge Ratings, the drop in policy sales is due to the introduction of the new surrender value norms and companies' inability to launch all their products in time. Despite the fall in number of policies, the new business premiums of life insurers grew in double digits. "… insurers have focused on selling higher-value policies and unit-linked insurance plans, which has helped mitigate the impact on premium income," Bhalerao said. The revised surrender value norms require life insurers to pay a higher special surrender value to policyholders after the completion of the first policy year, provided the customer has paid one full year's premium. Earlier, companies did not pay such amount to customers surrendering their policies in the first year.

Rushabh Gandhi, managing director (MD) and chief executive officer (CEO) of IndiaFirst Life Insurance, "Because of uncertainty around product constructs and commission structures, distributors seem to have hastened the October business into September. It should be noted that this volatility is muted in the case of private sector companies."

State-owned Life Insurance Corporation of India saw a 60 percent Y-o-Y decline in policy sales in October at 572,000 from 1.42 million in the year-ago period. Private insurers, on the other hand, recorded a 1.07 percent decline at 628,000 policies. "In the new product offerings, we have revised the minimum sum assured levels due to challenges in terms of persistency," LIC management said during a post-earnings call. "We are aware that, in the initial phases, intermediaries adapt to the higher ticket size or appropriate ticket size, which is essential not only from a persistency point of view but also for the ultimate customer delivery. So, we were aware that this month could see an impact, but we are confident that going forward, sales will pick up," the LIC management said.

Pankaj Gupta, MD & CEO of Pramerica Life Insurance, agreed that with the recent adjustments in surrender norms, distributors might have concentrated their efforts in September. "Also, customers and distributors might be taking some time to adapt to the updated products and changes following the new norms," said Gupta. However, both analysts and insurers are optimistic about recovery going forward. "This decline is expected to be temporary, and policy sales are anticipated to normalise in the near future," Bhalerao said.

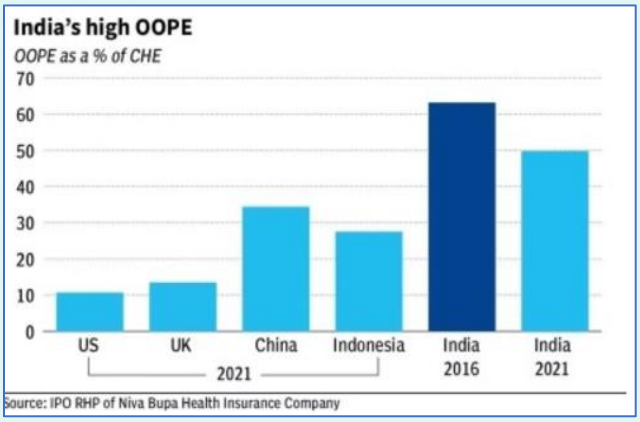
(The writers are Aathira Varier and Subrata Panda.)

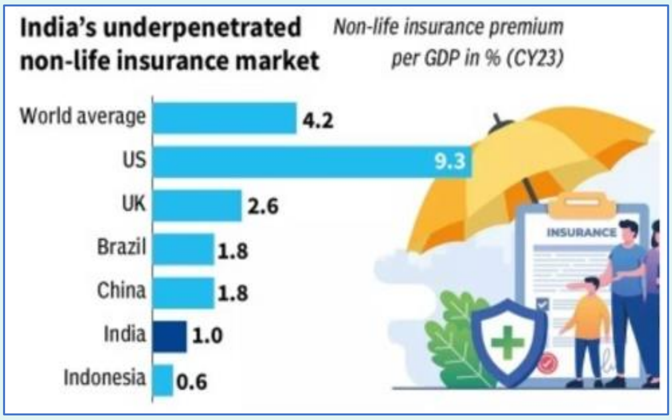
TOP

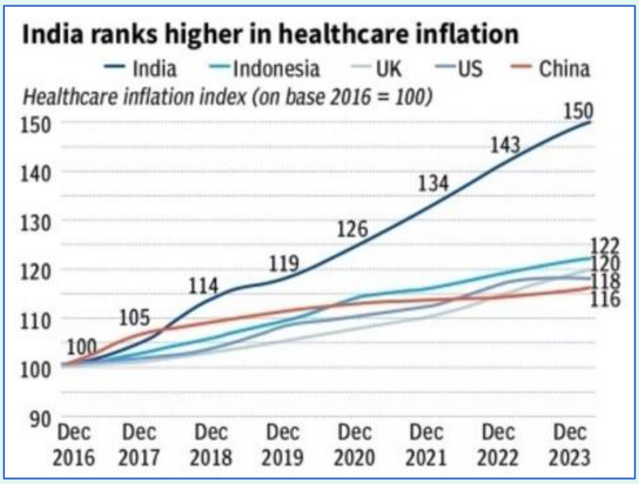
HEALTH INSURANCE

High healthcare inflation and out-of-pocket expense ratio drive health insurance market growth - The Hindu Business Line – 20th November 2024

India is an underpenetrated market when it comes to health insurance and lags behind the global average. The health insurance market, which constitutes 35-37 per cent of the non-life insurance market, is anticipated to exhibit strong growth until FY29. India's high healthcare inflation and out-of-pocket expenses (OOPE) as a percentage of current health expenditure (CHE) are structural drivers for this growth. CHE is the sum of public and private health expenditure, excluding capital investment in healthcare infrastructure.







(The writer is Nishanth Gopalakrishnan.)

TOP

Funding medical emergencies: Use credit cards and loans wisely, build fund – Business Standard – 19th November 2024

Handling the financial aspect of a medical emergency is often a daunting task, since it requires coming up with a significant sum at short notice. Households must prepare in advance to meet this challenge.

Key issues
In India, out-of-pocket medical expenses are high. Many patients don't have a medical cover, while others have an inadequate amount. Even those with adequate covers may face issues like non-availability of network hospitals nearby, forcing them to pay out of pocket and seek reimbursement later. "According to the Insurance Regulatory and Development Authority of India's (Irdai) last released annual report, reimbursement claims amounted to around Rs 28,000 crore out of total registered health insurance claims of Rs 70,000 crore," says Saurabh Soni, founder and chief executive officer (CEO), DigiSparsh.

Personal loans: Quick, but expensive
Personal loans offer a quick funding solution. "Most financial institutions process personal loans even for new-to-bank customers within a few hours. Pre-approved loans or those tied to salary accounts can be approved in minutes," says Adhil Shetty, chief executive officer (CEO), Bankbazaar.

However, personal loans are unsecured and attract high interest rates, ranging from 9.9 to 20.6 per cent. Approval outside working hours can be difficult if you don't have an existing banking relationship.

Credit cards: Convenience at high cost
Credit cards provide immediate funds, which are useful for deposits required at the time of admission. Interest-free credit is available for 30–50 days. However, timely repayment is crucial. "After the interest-free period, rates can go as high as 2.5–4 per cent per month," says Shetty. There is a risk of falling into a debt trap if you don't have a repayment plan in place. Shetty advises limiting credit card use to initial payments and exploring alternative avenues (like gold loans) for the remaining medical bills. If a customer needs time after the interest-free period, then converting the balance into equated monthly instalments (EMIs) can lower the interest cost to around 12.5-15 per cent.

Fintechs: Zero interest, read fine print

Fintech companies now offer medical loans under a subvention model where hospitals cover the interest. “This allows our platform to facilitate loans to customers at zero per cent interest,” says Sahil Lakshmanan, chief business officer, CarePal Money. This model is similar to zero per cent loans offered with consumer durables like mobile phones, where manufacturers subsidise the interest cost.

Fintechs often process loans faster and with simpler terms than traditional lenders. “We offer loans from Rs 8,000 to Rs 15 lakh, including for procedures like IVF not typically covered by insurance,” says Soumya Arora, senior vice-president, LoanTap Financial Technologies. Lakshmanan says they offer loans for critical illnesses, which many other lenders don’t. Shetty advises limiting credit card use to initial payments and exploring alternative avenues (like gold loans) for the remaining medical bills. If a customer needs time after the interest-free period, then converting the balance into equated monthly instalments (EMIs) can usually lower the interest cost (rates range from 11.9-22 per cent). However, such loans are limited to hospitals that have partnerships with these lenders.

Points to pay attention

To avoid last-minute funding stress, build a medical emergency corpus. “Keep around Rs 10 lakh for such situations, especially if you have elderly family members. Split the amount between a savings account and liquid funds,” says Abhishek Kumar, Sebi registered investment advisor (RIA) and founder, SahajMoney. When considering fintech loans, review terms carefully. “Some fintech lenders may require upfront EMIs. For instance, in a 12-EMI loan, four may need to be paid upfront,” says Kumar.

Examine medical bills closely. “To compensate for the interest cost that the hospital pays, it may inflate rates or curtail discounts,” says Kumar. Lastly, avoid borrowing from unorganised lenders, who may charge exorbitant rates of up to 50 per cent annually.

Gold loans: Handy option for post-admission bills

Pros

Usually lower interest rates (8.8 per cent and above) compared to unsecured loans like personal loans or credit cards

Flexible repayment options, including bullet payments, interest-only payments, or traditional EMIs

Suitable for clearing larger hospital bills at the time of discharge due to lower interest rates

Cons

Risk of losing the pledged gold if you are unable to repay the loan

Lenders take some time to evaluate the purity of the pledged gold

Besides processing fee, there may be costs like gold assaying and certification charges

Pledged gold is at risk if loan is not taken from a regulated entity

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

TOP

Health insurance: How ‘unreasonable’ hospital charges and undisclosed existing diseases can lead to claim rejection – Moneycontrol – 19th November 2024

Health insurance-related disputes have been significantly higher than complaints linked to life and general insurance for the last many years. In fact, health insurance complaints rose 22 percent, from 25,873 in 2022-23 to 31,490 in 2023-24. In contrast, life insurance grievances declined nearly 18 percent while general insurance disputes dipped 12 percent during the same period.

Claim rejections top the list of grievances
According to an Insurance Ombudsman annual report, 95 percent of health insurance complaints pertain to partial or complete rejection of claims. And claim denial or partial settlement on the grounds of breach of reasonability clause and non-disclosure of pre-existing illnesses figure among the most common causes of disputes between health insurers and policyholders.

"Claims are often denied using reasonability and customary charges clause. Customers should be educated on the terms and conditions of the policy. It is of utmost importance to declare true and correct facts in health declarations. Disclosing pre-existing diseases or conditions, past ailments and treatment will prevent rejection of claims," the report notes.

The grey area around the reasonability clause
Typically, the clause in your policy will state that 'reasonable and customary charges' mean that the charges for treatment are the standard charges for the specific provider and are in line with the prevalent charges in the geographical area for similar quality and services.

Insurers base their decisions on the data they may have collected over time. However, policyholders have no way of ascertaining whether the hospitals' charge structures are fair. There is no regulator-mandated clear definition of what constitutes 'reasonability' and this ambiguity often leads to heartburn for policyholders.

After all, what is reasonable for surgeries or any other treatment could vary as per the patient's overall health condition, hospital location and the category of hospital – for instance, corporate hospitals are bound to be more expensive. However, insurers can deem some charges unreasonable, despite hospitals and doctors certifying the charges.

Industry watchers say insurers need to make their assumptions on the fairness of charges clear beforehand – for instance, they should indicate the range of 'reasonable' treatment costs for an angioplasty or heart surgery.

The pre-existing diseases hurdle
According to a study conducted by online insurance aggregator Policybazaar.com, around 25 percent of claims are rejected on the grounds of non-disclosure of lifestyle conditions such as diabetes and hypertension.

Put simply, these pre-existing illnesses are ailments or conditions that the policyholder had contracted before buying the policy. Insurance policies do not pay for the treatment of such diseases until a stipulated 'waiting' period – a maximum of three years as per the Insurance Regulatory and Development Authority of India's (IRDAI) new health insurance regulations – has passed. This is because insurance, by principle, is meant to cover unforeseen risks – covers cannot be extended to known illnesses immediately.

Until March 31, 2024, as per IRDAI's definition, pre-existing diseases were conditions or ailments for which the policyholder had received treatment or diagnosis from a physician up to 48 months prior to the policy purchase. Since April 1, this period has come down to 36 months.

Not disclosing your health condition at the time of buying health policies can come back to haunt you later. Not only can health insurers reject claims in such cases but also cancel the policy citing breach of contract. If you are covered under a family floater and are found to have concealed an illness prior to buying the plan, your family, too, will be deprived of a cover in such cases.

Therefore, ensure that you answer all the questions in the proposal form with care. Do not let your agent handle the exercise and do not make the mistake of assuming that you need not disclose 'minor' ailments. Make sure that you adopt this approach even while porting your policy to another insurer – do not assume that the new insurer will have access to your past claim track record with the older insurer. Be upfront about your health conditions – even if it means shelling out higher premiums – to avoid disputes later.

TOP

Ayushman Vay Vandana: Over 10 lakh senior citizens aged 70 and above enrol under AB PM-JAY – How to apply – Financial Express – 19th November 2024

In a significant milestone, more than 10 lakh senior citizens aged 70 and above have enrolled for the newly launched Ayushman Vay Vandana Card, enabling them to access free healthcare benefits under the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB PM-JAY), according to a statement by Ministry of Health and Family Welfare.

This achievement comes within three weeks of the card's rollout by Prime Minister Narendra Modi on October 29, 2024. Around 4 lakh enrolments under Ayushman Vay Vandana card are by females.

"Since the launch of the Ayushman Vay Vandana Card, treatments worth over Rs 9 crore have been authorized, benefiting more than 4,800 senior citizens aged 70 and above, including over 1,400 women," the ministry said.

These treatments cover a range of conditions, including coronary angioplasty, hip fractures/replacement, gallbladder removal, cataract surgery, prostate resection, and stroke, among others.

What is Vay Vandana Card?
The Vay Vandana Card is an important aspect of Ayushman Bharat PM JAY initiative that strengthens the idea of making healthcare accessible to all. The Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB PM-JAY), launched by Prime Minister Narendra Modi on September 23, 2018, reflects India's commitment to Universal Health Coverage. This scheme, part of the broader Ayushman Bharat initiative has redefined the nation's approach to healthcare by offering substantial health coverage to its most vulnerable citizens.

Today, PM-JAY proudly holds the title of the world's largest health assurance scheme, extending comprehensive secondary and tertiary care hospitalisation benefits of up to Rs 5 lakh per family annually and encompassing nearly 55 crore individuals that form the bottom 40% of the Indian population. The households included are based on the deprivation and occupational criteria of Socio-Economic Caste Census 2011 (SECC 2011) for rural and urban areas, respectively.

How to apply for Vay Vandana Card?
Documents required for registration:

-Aadhaar Card
-Mobile Number
-Email ID
-Proof of Age
-KYC Details

How to apply online
-Go to the Beneficiary NHA portal to start the application process for the Ayushman Vaya Vandana Card.
-Enter the OTP sent to your registered mobile number to log in.
-Provide required details such as your state, district, Aadhaar number, PMJAY program name, PMJAY ID, or Family ID to help locate your information. Then, click the "Action" button.
-Click the 'Action' button to submit your application. [Click here](insert link) to apply for the Ayushman Vaya Vandana Card.
-Use Aadhaar OTP to complete your KYC process and upload a recent photo.
-Include other details such as your village, district, PIN code, mobile number, and date of birth.

TOP

Multi-year health cover offsets rising premiums – Financial Express – 16th November 2024

With health insurance premiums rising every year, individuals should buy a cover for an extended term — three to five years —to protect against medical inflation. For youngsters, it is especially helpful as they can secure affordable premiums for multiple years and avoid potential hikes as they age.

In a multi-year policy, there is no hassle with annual renewals. Policyholders can choose to pay the premium in EMIs for a multi-year policy, and it won't impact the discounts they receive. This option provides flexibility with payments, easier to fit into their budget while still allowing them to enjoy the cost savings of a multi-year plan.

Locking a fixed premium

By locking in a stable premium rate over an extended period, policyholders gain greater financial predictability. This allows them to plan and budget for their healthcare costs without the stress of unpredictable annual hikes.

Siddharth Singhal, head, Health Insurance, Policybazaar, says multi-year health insurance policy is useful for youngsters as they face fewer health risks and paying upfront at a fixed rate can lead to significant savings. "It is also worth noting that multi-year health plans offer discounts up to 17-18%, which makes these policies even more cost-effective."

Rakesh Goyal, director, Probus, an insurance broking firm, says in recent years, health insurance premiums have risen significantly, making coverage increasingly unaffordable for many.

"A multi-year policy avoids the hassle of renewing the policy each year and safeguards a policyholder from future premium increases, offering long-term stability and peace of mind."

What to consider

Individuals must assess their budget to determine if they can afford the lump-sum payment or need to opt for an EMI. They should also ensure that the policy offers adequate coverage, including critical illnesses, hospital cash benefits, and day-care procedures. While premiums may be fixed for the term of the policy, some insurers may still adjust premiums after the policy term ends. It is important to understand how premiums may change after the multi-year term expires.

Individuals must review what the policy covers, including hospitalisations, outpatient treatments, specialist consultations, preventive care, maternity benefits, and other health-related expenses. One should also ensure that the plan provides comprehensive coverage that aligns with the policyholders healthcare needs. Also, look for insurers with a reputation for quick, transparent, and hassle-free claims settlement.

Opt for OPD add-on

Individuals must confirm whether the policy allows them to add riders or top-up benefits during the tenure. If the policy allows, they should opt for OPD add-on to cover costs for routine doctor consultations and cost for diagnostics and medicines. They should also consider a consumables cover that can cover the costs for non-medical expenses during a hospitalisation such as gloves, masks, and other medical disposables, which can otherwise add up.

No-claim bonus

A no-claim bonus (NCB) in a multi-year plan works the same way as in annual policies. Most insurers offer an increment to the sum insured if no claims are made during the policy year. In a multi-year plan, this accrued NCB accumulates yearly within the same policy tenure, increasing the insured amount.

Pankaj Nawani, CEO, CarePal Secure, says in the case of multi-year plans, the NCB can be accumulated year over year, boosting the overall coverage amount. "This is particularly beneficial for young policyholders who might not require frequent medical care. They can gradually build a higher coverage amount over the policy duration, offering better protection against future health expenses," he says.

(The writer is Saikat Neogi.)

TOP

Health insurers sweeten coverage for diabetics, but additional premiums remain a bitter pill – Moneycontrol – 15th November 2024

With over 101 million Indians estimated to be suffering from diabetes and another 136 million at the pre-diabetes stage, as per the Indian Council for Medical Research (ICMR), there is an urgent need to tackle this health challenge that has assumed epidemic proportions.

Along with measures to reduce blood sugar levels and obesity, Indians also need to ensure that they have adequate health insurance cover in place to deal with any health complications that might arise. But how easy is it for such individuals to obtain comprehensive health insurance policies that will pay for diabetes and related ailments?

Health insurers say 'yes' to diabetes coverage

While age and pre-existing medical conditions such as diabetes or hypertension add a layer of complexity to the health insurance buying process, insurers are now increasingly open to covering diabetes, say industry watchers. Several companies today offer coverage from day one, particularly by way of rider benefits or covers that can be purchased by paying additional premiums. Other options include buying regular health covers with waiting periods ranging from two to three years or dedicated policies that come with waiting periods of 2-3 months. Put simply, during this period, your health insurance will not pay for any hospitalisation expenses arising out of such illnesses.

"Insurance companies offer diabetics restrictive or comprehensive coverage, subject to the absence of any micro or macrovascular complications. Compared to earlier, when diabetes would attract a waiting period of 3-4 years in addition to a loaded premium, today, many cover diabetes from day one," says Rupinderjit Singh, Senior Vice President - Health Insurance, ACKO. However, insurers take calls on the basis of the severity of diabetes and the complications, if any. For instance, insulin-dependent diabetics will still find it challenging to obtain health coverage, points out Singh. Likewise, if your diabetes has already resulted in ailments such as diabetic neuropathy or kidney issues, insurers will think twice before issuing a policy.

"Many insurance companies now offer plans with day-one coverage, and most new plans are open to covering both type 1 and type 2 diabetes. Specific plans for diabetes patients are available, and some insurers even accept customers on insulin or with HbA1c levels up to 10, depending on underwriting," says Siddharth Singhal, Head, Health Insurance, Policybazaar.com. Moreover, rider benefits are also now offered to help diabetics access health insurance. "Insurance plans have become highly modular, allowing customers to choose the specific features they want in a policy. This flexibility enables customers to adjust premiums based on their choices—adding features for a slight increase in cost or removing them for a discount," he adds.

Besides health insurance covers, policies have rolled out wellness programmes for such policyholders. "Insurers have begun to link premiums to health outcomes – rewarding policyholders who actively manage their health. Some insurers also integrate preventive health programmes with their plans, offering wellness coaching and lifestyle support, which both assist policyholders and mitigate the insurer's long-term risk," says Narendra Bharindwal, vice-president, Insurance Brokers Association of India (IBAI).

Be prepared for stricter evaluation, higher premiums

While policies for diabetics are increasingly available in the insurance space, you have to be prepared for stringent underwriting – that is, risk assessment process before insurers take calls on premiums and policy issuance – processes. "Most insurers have an HbA1C limit of 8 for control and no existing micro or macrovascular complications to offer a full-fledged cover. There are some restrictive covers which can be availed if complications exist along with some co-morbidities. Therefore, it is advisable to get a policy as early as possible to ensure maximum coverage," says Singh of ACKO. According to Singhal, not all insurers have a strict HbA1c cut-off of 8. "Some plans even accept levels up to 10, though this varies case by case. Based on the extent of the disease, whether it is type 1, type 2, insulin-dependent, whether it started at a very young age or at a later age – insurers assess each case individually. It's essential to declare your current medical condition accurately and completely to avoid issues during a claim," he says.

Depending on the severity of your diabetes and other complications as also the product and company that you have chosen, you might have to pay an additional premium, which is termed as loading. And, insurers' stances on loading and the quantum vary greatly. "Duration of diabetes, HbA1C levels, and overall health status – including age and co-morbidities like hypertension – are primary determinants. For instance, diabetics with well-managed HbA1c levels under 7 percent may see a minimal increase of around 15-20 percent, whereas poorly managed cases with additional health issues could face a loading of up to 50 percent. Notably, some insurers, like New India Assurance, have recently eliminated the additional 10-20 percent loading for diabetic and hypertensive individuals," says Bharindwal.

Singhal echoes the view that many insurers do not charge additional premiums. "Most health insurance companies do not apply risk-based loading, but if they do, it typically ranges between 10 percent and 30 percent, depending on the plan and the insurer. Generally, you can opt for a plan with minimal or no loading, if available, which might be a preferable choice," he adds. Based on the manageability and control on HbA1c, the loading can vary from 10 percent and 50 percent for customers. "The parameters taken into account are Hb1Ac, duration of diabetes, weight, any other comorbidities, etc, to account for the short-term and long-term health risks," says Singh of ACKO.

Ensure complete, transparent disclosures

Most health insurance companies require you to go through pre-policy issuance medical check-ups if you are over 45. So, health conditions such as impaired lipid profiles, diabetes and hypertension will show up in your health tests in any case. However, even if you are younger and health checks are waived off, it is in your interest to be upfront about any ailments – including diabetes – that you may have been diagnosed with. Failure to make these disclosures can result in your claims being rejected. Health insurers can do so even if, say, your claim is unrelated to your diabetes. Worse, the company could even cancel the policy on the grounds that concealing health information constitutes a breach of contract.

(The writer is Preeti Kulkarni.)

TOP

SURVEY AND REPORTS

Insurance CEOs confident of growth amid challenges; focus on Gen AI and talent – The Economic Times – 22nd November 2024

Despite economic uncertainty, insurance CEOs are optimistic about business growth over the next three years, both in terms of earnings and workforce expansion. A survey of 120 global insurance leaders highlights their focus on digital transformation, ESG commitments, and productivity enhancements to stay competitive.

According to the KPMG CEO Outlook, 74 percent of insurance CEOs expressed confidence in their company's growth prospects over the next three years. Meanwhile, 81percent identified generative AI (Gen AI) as a top investment priority, underscoring its importance despite financial headwinds.

Insurance CEOs are prioritizing key operational areas to drive growth. Advancing digitalization and connectivity emerged as the top focus for 21% of respondents, followed by the execution of ESG initiatives (18%) and enhancing employee value propositions to attract and retain talent (15%). The integration of Gen AI is a prominent concern, with over two-thirds of CEOs acknowledging the technology as a significant challenge to their organization's growth. Nonetheless, firms are actively investing in Gen AI, reflecting its role as a catalyst for transformation.

Talent concerns persist

The survey revealed that talent acquisition and retention remain critical for growth. While 93% of insurance CEOs plan to increase headcount over the next three years, 62% cited talent gaps as a potential barrier to achieving their objectives. A significant concern is the ability to replace retiring employees with adequately skilled professionals. Climate change and ESG compliance are also central to the growth agenda. Nearly 10% of CEOs identified climate change as the most significant risk to their business, with over half acknowledging that a global failure to adapt could undermine their prospects.

While insurance leaders remain upbeat about growth, they recognize the rapid pace of stakeholder expectations as a challenge. Seventy percent of CEOs are willing to address contentious issues, yet 54% admitted that adapting to evolving stakeholder demands remains difficult.

Kailash Mittal, Partner and Head-Insurance & Head-Actuarial, KPMG in India said, "Today insurance CEOs are making strong progress on a range of key topics. Our survey picks up conflicting challenges on the minds of insurance executives across the globe. They understand that specific talent gaps will impact their growth and recognise the struggle to attract and retain the skills needed.

They view generative artificial intelligence (Gen AI) as a top investment priority for their business, but they also acknowledge the associated risks. Lastly, they realise their commitment to delivering on stakeholder ESG expectations but aren't always sure what those expectations are. These are clear challenges that need to be carefully navigated to build a business fit for future.

TOP

93% of Indian execs surveyed see cyber-budget increase next year: PwC report - Deccan Herald – 21st November 2024

As much as 93 per cent of Indian executives surveyed anticipate a rise in their cybersecurity budget next year, with 17 per cent planning to raise their budgets by 15 per cent or more, according to PwC India Digital Trust Insights 2025.

Further, 42 per cent of Indian business leaders are prioritising data protection and remediation in the aftermath of recent cyber breaches as their main cyber investment for the coming year.

Indian executives rank cybersecurity as their top risk mitigation priority (61 per cent), followed by digital and technology risks (60 per cent), inflation (48 per cent), and environmental risks (30 per cent) for the next 12 months, as per findings from PwC's 2025 Digital Trust Insights - India Highlights.

The report found that 93 per cent of Indian executives surveyed anticipate a cyber-budget increase next year. The report featured insights from 4,042 business, technology and security executives across various regions, including 155 executives representing Indian businesses. Cloud-related threats remain a prime worry, cited by 55 per cent of Indian executives as their most concerning cyber risk. However, 50 per cent of security leaders and chief financial officers (CFOs) feel least prepared to address these threats in the coming year, the report revealed.

All security leaders and CFOs said regulations have prompted them to boost their cyber investments with 74 per cent enhancing or strengthening their cybersecurity stance. This, in turn, underscores the critical role of strategic investments and regulatory compliance in shaping a resilient cyber future for Indian businesses.

TOP

Online motor insurance sees 70 percent jump in tier-2 cities, 110 percent in tier-3 areas: Policybazaar – CNBC – 21ST November 2024

The online motor insurance landscape in India has seen growth over the last three years, with tier-2 and tier-3 cities leading the charge. According to data from Policybazaar, the increasing digital penetration, better internet access, and growing awareness about the affordability of online insurance have spurred adoption in these regions, while electric vehicles (EVs) are driving a pivotal shift toward sustainable, digital-first solutions.

Over the past three years, the growth of online motor insurance has been robust across various tiers:

Tier-1 cities: The steady adoption in metro cities has seen a 35 percent growth.

Tier-2 cities: A significant surge of 70 percent reflects the increasing reach of digital platforms in these areas.

Tier-3 cities and rural areas: The most exceptional growth was witnessed here, with a 110 percent increase.
Delhi remains at the forefront, with an 8.1% market share.
Bangalore (4.4%) and Mumbai (2.1%) follow closely.

Emerging tier-2 cities like Pune and Lucknow (1.9% each) are also contributing significantly to the upward trend in online insurance adoption.

Popular car models dominating online insurance

Certain car models are standing out in the online insurance space, largely driven by their popularity among digital customers.

Maruti Wagon R and Maruti Swift are the top models, each commanding a 5.9% share.

Other top models include the Hyundai i20 (4.4%) and Maruti Baleno (4.3%). The Maruti Alto (4.2%) further underscores the relevance of mass market vehicles in the online insurance ecosystem.

EVs leading the charge in online policies
A standout trend in the motor insurance sector is the explosive growth of EVs. Online insurance policies for EVs grew by 423% in 2022 and 399% in 2023, marking the EV segment as the fastest-growing category in motor insurance.

Age-wise trends in online buyers
Online motor insurance is especially popular among younger demographics, with a significant majority of buyers aged 25-40 years — primarily comprising tech-savvy millennials and Gen Z consumers.

However, older age groups (40+) are also becoming increasingly comfortable with purchasing insurance online, highlighting a growing trust in digital financial platforms.

Paras Pasricha, Head of Motor Insurance at Policybazaar, emphasised, "The surge in online motor insurance adoption, especially in tier-2 and tier-3 cities, underscores a significant shift in how insurance is being perceived and purchased across India. Increasing digital penetration, better internet access, and growing consumer awareness are driving this transformation. As digital-first insurance platforms continue to enhance accessibility and affordability, we expect this trend to gain further momentum, making online motor insurance a mainstream choice across urban and rural India alike."

TOP

India's insurance sector AUM projected to grow to USD 11 trillion by 2047 from USD 0.7 trillion now: Report – ANI News – 20th November 2024

India's insurance sector is set to witness remarkable growth, with its Assets Under Management (AUM) projected to surge to USD 11 trillion by 2047 from USD 0.7 trillion in 2023, according to a report by Boston Consulting Group (BCG) and India InsurTech Association (IIA). This expansion aligns with India's broader economic goals, including achieving "Health for All" by 2047, as the country's GDP is expected to reach USD 30 trillion by then. The report also highlighted that India's financial assets are also anticipated to grow significantly, climbing to $120 trillion by 2047 from the current USD 6.4 trillion. However, despite the promising outlook, insurance penetration in the country remains low, particularly in the health and non-life insurance segments.

As per the data in the report, India's health insurance penetration is just 0.31 per cent, far below the levels seen in countries like the United States (5.26 per cent) and China (0.77 per cent). Non-life insurance penetration in India stands at 1 per cent, compared to 1.8 per cent in China and 9.3 per cent in the US. On the other hand, life insurance penetration in India is relatively strong at 2.8 per cent, However, it still falls short of the global average of 2.9 per cent.

The report stressed the need to increase insurance coverage, particularly in health insurance, where 45 per cent of medical expenses are still borne out-of-pocket by individuals. Multiple macroeconomic tailwinds are already driving growth in the industry. The goal is to achieve 100 per cent coverage for all citizens and reduce out-of-pocket medical expenses to less than 10 per cent. India envisions becoming the world's third-largest insurance market, with over 10 companies in the global top 50 and more than 100 insurtechs operating at scale. It said "Driving penetration a key focus area; Health Insurance most underpenetrated with 45%+ medical spends still out of pocket"

The evolving InsurTech landscape is playing a critical role in driving these changes. Over 75 per cent of InsurTech companies in India are now focusing on building profitable operating models, while more than two-thirds are exploring strategic partnerships and expanding into new geographies. The report highlights that while India has made significant strides in improving insurance penetration, there is considerable scope for growth, especially in the health and non-life insurance segments. Achieving these goals will be crucial for securing the financial health and well-being of the country's population in the coming decades. (ANI)

TOP

Non-life insurance: India to outperform all major emerging markets in 2025-26, per Swiss Re – Asia Insurance Review – 20th November 2024

India is expected to outperform all major emerging markets in terms of non-life insurance premium growth in 2025-2026, according to Swiss Re Institute (SRI) in a new sigma report. The report, titled "Growth in the shadow of (geo)politics: Global economic and insurance market outlook 2025-26", says, "We forecast

India's non-life premium growth at 8.0% and 9.3% in 2025 and 2026 respectively, driven by strong economic growth, with rising demand for auto insurance, health coverages and government support for crop insurance. regulatory efforts to increase insurance take-up will also support non-life insurance demand in the long term."

Emerging Asia is set to be the main driving force of growth in non-life insurance premiums in emerging markets. Non-life premiums in Emerging Asia are expected to grow at a 7.4% CAGR in 2025-26. In emerging markets, growing exposure rather than pricing is supporting non-life premium growth. SRI expects a CAGR of 4.1% during 2025?26, slightly below the 4.3% of 2024 and higher than the 3.7% average of 2019-23. Globally, however, non-life premium growth will slow as pricing conditions become less favourable, led by advanced markets. SRI forecasts global non-life premiums to decelerate to a 2.3% CAGR over the 2025-26 period – below the 4.3% growth rate of 2024 and the 3.1% CAGR of the last five years.

Global total insurance premiums

The forecast is that global total insurance premiums will increase by 2.6% on average in real terms in 2025 and 2026, after 4.6% estimated growth in 2024. Growth will be primarily driven by the life sector, although saving business growth will moderate as interest rates decline.

Life insurance

SRI expects global life premiums to grow by a CAGR of 3.0% in real terms in 2025-26, more than double the past long-term trend (CAGR of 1.3% during 2014-23). It estimates that the global life market grew by 5.0% this year, the highest rate in a decade, primarily driven by strong demand for savings products. The consumer rush into saving business should fade gradually and the growth rates of the saving and protection segments eventually converge. Interest rates, despite some easing, are set to stay elevated for the medium term, underpinning demand for life savings products, with a demand pivot from fixed-rate to index-linked savings products. Real wage growth, ageing demographics and the rise of the middle class in emerging markets continue to support the positive backdrop.

TOP

'Listed insurers not generating enough returns' – The Economic Times – 16th November 2024

Indian insurers have fared poorly in productivity despite growth in volumes, with commissions, operating and marketing expenses rising sharply, according to a report by McKinsey. According to the report Indian companies are doing much worse than MNCs in Asia in terms of productivity.

The report said that listed life companies have been unable to generate sufficient returns to cover their cost of equity in the past two to three years.

"This raises questions about the long-term viability of their business model. The three largest listed private life insurers had return on equity (ROE) minus cost of equity (COE) ranging between - 3.9 percent and 1.6 percent. Although value-of-new-business (VNB) margins for these players improved during this period from about 17 percent to over 25 percent, they are relatively low compared with MNC players in the Asian market, which boast VNB margins exceeding 50 percent," the report said

TOP

PENSION

EPF, EPS wage ceiling hike likely in Union Budget 2025! Rs 6000 jump in limit expected – How will this impact pension? – Financial Express – 21st November 2024

The Centre will probably make an announcement to raise the wage ceiling under the Employees' Provident Fund Organisation (EPFO) in the next year's Union Budget to be presented on February 1, according to experts. At present, the EPFO wage limit stands at Rs 15,000, which was revised from Rs 6,500 in 2014, and is expected to be hiked to Rs 21,000.

Earlier this year, the finance ministry reportedly received a proposal from the labour ministry to consider raising the wage limit for employees covered under the EPFO. The monthly contribution to EPF and pension scheme under Employees' Pension Scheme (EPS-95) is linked to wage ceiling, which means employees will retire with higher retirement corpus and pension on retirement if the limit is increased to Rs 21,000, as expected.

Impact on retirement corpus and pension amount for retirees under EPS-95. "Raising the wage ceiling to Rs 21,000 will likely increase the retirement corpus and pension amount for employees covered under the EPS-95. As an immediate impact it will also increase employers' cost and will decrease the monthly take salary for employees. Currently, contributions towards the EPS are calculated based on the wage ceiling of Rs 15,000. With the ceiling raised to Rs 21,000, both the employer's contribution to the Employees' Provident Fund (3.67% going to EPF) and the pension contribution (8.33% of the salary towards EPS) would increase," says Sandeep Agrawal, Director and Founder of Teamlease Regtech.

For employees, a higher EPF wage ceiling would significantly increase their retirement corpus as EPF contributions (12% of the salary from both employer and employee) would rise, leading to more savings over time, he adds. Additionally, if the ceiling is raised to Rs 21,000, the pensionable salary would increase, says Agrawal, adding that this change would result in a larger monthly pension, though the exact impact would vary based on factors such as the employee's duration of service and contributions during their employment.

For instance, under the current wage ceiling of Rs 15,000, the maximum EPS pension is calculated as Rs 7,500 per month, using the formula: Rs 15,000 x 35 / 70. If the wage ceiling is increased to Rs 21,000, the new pension would be calculated as Rs 21,000 x 35 / 70, resulting in a monthly pension of Rs 10,050. This represents a boost of Rs 2,550 per month in the EPS pension, significantly increasing the retirement income for eligible employees and providing greater financial security post-retirement.

Labour unions demanding the wage limit to be raises to Rs 25,000

Labour unions have been requesting the government to raise the EPF wage ceiling to Rs 25,000 from the current Rs 15,000, primarily to address rising living costs and inflation. "As salaries and expenses have steadily increased over the years, the current ceiling of Rs 15,000 is considered insufficient to ensure adequate post-retirement income for workers. Many employees, particularly in the organized sector, earn well above this limit, and unions argue that higher wages should be reflected in their retirement benefits," says Agrawal.

For example, with the ceiling at Rs 15,000, a large portion of workers' wages remains outside the purview of pension calculations, leaving them with lower-than-expected pensions. By raising the limit to Rs 25,000, a larger percentage of their earnings would be considered for both EPF and EPS contributions, ensuring better retirement security, he adds.

Unions also highlight that the Rs 15,000 ceiling was set in 2014, and a significant hike is pending to match economic conditions. A higher ceiling would extend retirement and pension benefits to a broader section of the workforce, particularly those in the middle-income bracket, thus providing better social security for millions of employees across India.

EPF wage ceiling revisions over the years

The EPF wage ceiling has seen several revisions over the years, starting from Rs 500 in 1962. It increased to Rs 1,600 in 1976 (220%), Rs 2,500 in 1985 (56%), Rs 3,500 in 1990 (40%), Rs 5,000 in 1994 (43%), Rs 6,500 in 2001 (30%), and Rs 15,000 in 2014 (130%). With the rising inflation averaging 6-8% annually and wage growth, it is expected that the ceiling would be increased to Rs 21,000 or higher.

In 2023, India saw an inflation rate of 5.1%, driven by rising prices in food and energy sectors. The inflation rate in 2024 spiked to 6.21% in October, mainly due to sharp increases in food prices. These inflationary pressures suggest that the purchasing power of workers has eroded, making a revision of the wage ceiling necessary to maintain social security benefits in line with current economic conditions.

“Given this context, along with the historical trend of wage ceiling hikes in response to inflation, it is highly likely that the government will increase the EPF ceiling in the next Union Budget session, potentially raising it to Rs 21,000 or more. This would address the inflation and the rising wage levels in the economy, ensuring that workers continue to benefit from adequate social security coverage,” says Agrawal.

TOP

Ministry of Labour & Employment directs EPFO to ensure employees' UAN is active – The Telegraph – 21st November 2024

The Ministry of Labour & Employment has directed the EPFO to ensure the Universal Account Number (UAN) of employees is active to avail the benefits of Employment Linked Incentive (ELI) Scheme. EPFO will involve their zonal and regional offices for effective outreach, the ministry said in a statement. "To ensure that maximum number of employers and employees benefit from the ELI Scheme, it has directed EPFO to work in a campaign mode with employers and ensure activation of UAN of employees," the Ministry said.

UAN activation provides employees with seamless access to EPFO's comprehensive online services, enabling them to efficiently manage their Provident Fund (PF) accounts, view and download PF passbooks, submit online claims for withdrawals, advances, or transfers, update personal details, and track claims in real time. This allows employees 24/7 access to EPFO services from the comfort of their homes, eliminating the need for physical visits to EPFO offices.

In the first stage, employers are required to complete the process of UAN activation through Aadhaar-based OTP for all their employees joining in the current financial year by 30th November 2024, starting with the latest joinees. They must then complete the process for all employees working with them. In the second stage, UAN activation will include facility of biometric authentication through face-recognition technology.

TOP

EPFO net member addition rises 9.33% to 1.88 million in September – Business Standard – 21st November 2024

Retirement fund body EPFO logged 9.33 per cent growth in net member additions in September at 18.81 lakh compared to the year-ago month, showed payroll data released on Wednesday. Employees' Provident Fund Organisation (EPFO) enrolled around 9.47 lakh new members in September 2024, representing an increase of 6.22 per cent over September 2023, the labour ministry said. This surge in new memberships can be attributed to growing employment opportunities, increased awareness of employee benefits and EPFO's outreach programmes, it noted. According to the statement, EPFO has released provisional payroll data for September 2024, revealing a net addition of 18.81 lakh members. This represents a 9.33 per cent year-on-year (YoY) growth compared to September 2023, signifying increased employment opportunities and heightened awareness of employee benefits, bolstered by EPFO's effective outreach initiatives.

A noticeable aspect of the data is the dominance of the 18-25 age group, which constituted a significant 59.95 per cent of the total new members added in September 2024. In addition, it stated that the net payroll data for the age group 18-25 for September 2024 is 8.36 lakh, which depicts a 9.14 per cent YoY growth compared to the September 2023 data. This is in consonance with the earlier trend which indicates that most individuals joining the organised workforce are youth, primarily first-time job seekers, it pointed out.

The payroll data highlights that approximately 14.10 lakh members exited and subsequently rejoined EPFO. This figure depicts year-on-year growth of 18.19 per cent. Gender-wise analysis of payroll data unveils that around 2.47 lakh women were added as new members during the month, representing a 9.11 per cent YoY growth. The net female member addition during the month stood at around 3.70 lakh, reflecting a 12 per cent YoY rise. The surge in female member additions is indicative of a broader shift towards a more inclusive and diverse workforce. State-wise analysis of payroll data denotes that net member addition in the top five states/ Union Territories constitutes around 59.86 per cent or 11.26 lakh during the month. Of all states, Maharashtra was on top, adding 21.20 per cent of net members during the month.

The states/UTs of Maharashtra, Karnataka, Tamil Nadu, Delhi, Haryana, Gujarat, Uttar Pradesh and Telangana individually added more than 5 per cent of the total net members during the month. Month-on-month comparison of industry-wise data displays significant growth in the members working in establishments engaged in industries like expert services, trading - commercial establishments, electrical, mechanical or engineering products, garments making, establishments engaged in cleaning, sweeping services, hospitals, financing establishments, companies/societies/Assc/clubs/troupes for performances etc. Of the total net membership, around 41.69 per cent addition is from expert services consisting of manpower suppliers, normal contractors, security services, miscellaneous activities etc. It stated that the payroll data is provisional since data generation is an ongoing exercise, as updating employee records is a continuous process. In monthly payroll data, the count of members joining EPFO for the first time through Aadhaar validated Universal Account Number (UAN), existing members exiting from coverage of EPFO and those who exited but re-joined as members, is taken to arrive at net monthly payroll, it stated.

TOP

Norms to be eased to let more pvt banks collect PF money from companies – The Economic Times – 21st November 2024

The Employees' Provident Fund Organisation (EPFO) will soon relax rules to allow more private banks and agent banks to collect provident funds from establishments and deposit them with the retirement fund body, thus enhancing the ease of doing business for companies, ease of living for its subscribers and enabling more direct collection for the retirement fund body which will result in faster funds transfer, said officials. The proposal to nearly double the number of empanelled banks for centralised collection of EPF contribution to 33 from 17 will be taken up for consideration at the upcoming board meeting of the EPFO on November 30, a senior government official said. "Some of the changes being considered include reducing the ceiling on EPFO collection to 0.20 percent from the current 0.50 percent to widen the base for EPFO's direct online collection and reduce the role of aggregators," said the official, who did not wish to be identified.

Currently, banks doing 0.5 percent of the EPFO collection are authorised collector banks and any collection lower than this has to be routed through an aggregator. This is in line with the EPFO's philosophy to provide seamless and transparent services to employers and employees through whichever bank they prefer to open accounts with. The move will enhance direct banking while minimising aggregator operations at the retirement fund body, said officials. The EPFO currently collects contributions from employers or establishments online, either directly through internet banking or through the payment aggregator.

While direct collection is efficient and is deposited in the EPFO's account the next day, collections through the payment aggregator are indirect and take two additional days, giving the float advantage to the banks. The EPFO collected ₹2,80,233.46 crore in 2022-23 -- ₹2,12,310.01 crore under the Employees' Provident Fund Scheme, ₹64,885.61 crore under the Employees' Pension Scheme and ₹3030.85 crore under the Employees' Deposit Linked Insurance Scheme -- with 68.5 million contributing members on average each month. Till 2017, the EPFO had authorised the State Bank of India as its sole collector bank and aggregator. The bank charged the EPFO Rs 12 per transaction. Nominations for ET MSME Awards are now open. The last day to apply is November 30, 2024. Click here to submit your entry for any one or more of the 22 categories and stand a chance to win a prestigious award.

(The writer is Yogima Seth Sharma.)

TOP

GLOBAL NEWS

Philippines: Regulator updates rules on allowable infrastructure investments for insurers – Asia Insurance Review

The Insurance Commission (IC) has updated guidelines for investments in infrastructure projects under the Philippine Development Plan (PDP). The new Circular Letter (CL), approved on 14 November 2024, provides a framework for infrastructure investments that an insurance or professional reinsurance company may undertake. These allowable investments factor in the determination of the entities' compliance with statutory prudential requirements, says the IC. The issuance of the new CL was prompted by President Ferdinand R Marcos, Jr's approval of his eight-point socioeconomic agenda under the PDP for 2023 until 2028. The new CL supersedes CLs pertaining to allowable investments under the PDP for the years 2017 to 2022. "With the issuance of the PDP for 2023 to 2028, there was a need for the Commission to review and update its guidelines on allowable investments in infrastructure projects under the PDP with the objective of aligning policy with the President's agenda," said Insurance Commissioner Mr Reynaldo A. Regalado.

Allowable investments

Regulated insurers or reinsurers may undertake either or a combination of an equity investment, by which the regulated entity invests capital in the project, and/or a debt investment as a financier or a sponsor of an infrastructure project. The investments shall require the prior approval of the Commission. For life insurance companies, the total allowable investments in infrastructure projects under the PDP shall not exceed 40% of their admitted assets, respectively, per their latest approved annual statements. For non-life insurance companies and professional reinsurers, the total allowable investments in infrastructure projects under the PDP shall not exceed 40% of their respective net worth, per their latest approved annual statements

In the determination of an insurer or professional reinsurer's compliance with the risk-based capital requirement, which is also a prudential requirement by the Commission, the new CL imposes risk charges relating to investments in PDP infrastructure projects. The risk charge for equity instruments is 9%, while the charge for debt instruments is 6%. However, the Commission may impose a lower risk charge for debt instruments if the same have high credit ratings given by an external credit rating agency.
Mr Regalado said, "The Commission will be closely coordinating with the Department of Finance, the National Economic Development Authority, and the Public-Private Partnership to ensure that requests for these kinds of investments are in line with national government policy objectives."

TOP

COI TRAINING PROGRAMS

Mumbai – November 2024 – January 2025

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2	Equity investment & Valuation of Life Companies	08-Dec-24	08-Dec-24	ClickHere	Register
3	Enterprise Risk Management (ERM) and Role of Risk Owners and CRO	17-Dec-24	18-Dec-24	ClickHere	Register
4	Handling Customer Grievance, Ombudsman, Consumer Cases, Mediation and Arbitration	19-Dec-24	19-Dec-24	ClickHere	Register
5	Comprehensive Port Package Policies and Oil and Energy Insurance	02-Dec-24	03-Dec-24	ClickHere	Register

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19	Technical Audit of General Insurance Companies	02-Jan-25	02-Jan-25	ClickHere	Register
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Kolkata – November – December 2024

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COURSES OFFERED BY COI

CC1 - Certificate Course in Life Insurance Marketing

Course Structure –

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

CC2 - Advanced Certificate course in Health Insurance

Course Structure –

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

CC3 - Certificate Course in General Insurance

Course Structure -

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

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

Course Structure -

Particulars	Details
Date	10th – 12th December 2024
Duration of the course	3 Days
Mode of Teaching	Virtual Training sessions
Total hours of Teaching	15 hours for online classes
Exam pattern	MCQ pattern
Target Group	Employees working in Fraud cells/ Claims Department/ Audit functions of the company
Fees for the course	Rs. 10620/- (Rs. 9,000/- + 18 % GST)

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