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INSUNEWS - WEEKLY E-NEWSLETTER

18TH – 24TH MAY 2024

QUOTE OF THE WEEK

“It's fine to celebrate success but it is more important to heed the lessons of failure.”

BILL GATES

Insurance Term for the Week

Convertible Insurance

If the policyholder decides to make the conversion on their convertible insurance, the permanent policy will have the same value as the term policy, but the permanent policy will have higher premiums. Even before conversion, convertible insurance will be more expensive than a term life insurance policy for the same amount of coverage, because there is a built-in cost for the option of being able to make the conversion without a medical exam.

The benefit of convertible insurance is that the policyholder doesn't have to go through the medical underwriting process again to switch the policy from term to permanent. This is a valuable feature. If the policyholder's health has declined since they started the convertible term policy, they will be able to obtain a permanent policy that they otherwise might not qualify for.

With convertible insurance, the policyholder only needs to pay their insurance premiums on time to retain the option of converting the policy from term to permanent.

INSIDE THE ISSUE

INSURANCE INDUSTRY

India insured by 2047: Insurance companies must be profitable to achieve this – Live Mint – 23rd May 2024

In synchrony with the broader national intent of India becoming a developed nation, the Insurance Regulatory and Development Authority of India (IRDA) has embraced the laudable goal of "India Insured by 2047." The objective is to ensure that "every citizen has appropriate life, health and property cover and every enterprise is supported by an appropriate solution" and to make India's insurance sector "globally competitive," as elaborated in a press release. Enthusiasm within the IRDA is palpable. Coordinated attempts are afoot to usher in regulatory changes and push insurance companies to reach out wider, especially to the rural uninsured, and diversify their product baskets to make insurance more accessible, affordable and relatable. The government think-tank Niti Aayog projects India's GDP at about $30 trillion in 2047. The global average premium (on both life and non-life policies) as a proportion of GDP, a measure of the concept's penetration, is 6.8 percent. This would translate into an Indian insurance industry worth $2.04 trillion in annual premium payments in 2047 If we attain the penetration level of South Korea (11.1 percent) or Taiwan (11.4 percent), the market's size would be larger. India's insurance penetration was at 4.1 percent in 2023 and the industry was placed at $92 billion. To reach $2.04 trillion in 23 years would require a compounded annual growth rate (CAGR) of 14.2 percent Can it be achieved? Near stagnant penetration even after this sector's liberalization more than two decades ago does not inspire confidence.

The edifice of the insurance industry stands on three pillars: Insurance companies, distribution networks and the regulatory framework. For premium income to multiply, all three must perform well. Insurers are the prime movers. Currently, India has 67 insurance companies, 24 offering life covers, 26 providing non-life coverage, five specialized in health insurance and 12 offering services of reinsurance (including branches of foreign companies). In the US , in contrast, there were 2,456 insurers in 2022, while China (with 3.9 percent penetration) had 237 and the UK, 402. There are few applications for insurance licences that await IRDA approval and foreign players like New York Life, Aegon, etc, have either exited the market or are trying to exit. Indian promoters are not very enthusiastic either. It is essential to understand and assess the causes for low enthusiasm among both Indian and foreign aspirants; as our insurance industry holds immense potential, this should not be the case. A broad analysis of the balance sheets of insurance companies shows that it usually takes more than a decade for a life-insurance company to be profitable; non-life and health insurers face more uncertain profitability. The 'combined cost ratio' of insurance companies, except a few honourable exceptions, is more than 100 percent. The Nifty, a barometer of India's equity market, has delivered an annual return (the index's CAGR, i.e.) of 17.6 percent in the last five years, 11.8 percent in 15 years and 28.4 percent in one year. Returns-on-equity north of 15 percent are being notched up by well-managed companies in other sectors. Relative to the Nifty and Bank Nifty, star private insurers HDFC Life, ICICI Pru Life and SBI Life have delivered significantly negative returns in the last 18 months.

Indian or foreign, any entrepreneur, company or individual is prompted to invest by the expected rate of return. If higher returns can be garnered by directly investing in the Indian equity market or another line of business, the narrative that draws investors to invest in the country's insurance industry needs to be more compelling. The causes of the insurance industry's low profitability, inter alia, seem to be: One, a race to the bottom in pricing, particularly in the case of non-life coverage, including health and pure life term policies; and two, high customer acquisition costs. Large policy distributors like banks and nonbank financial companies have gained in profitability while inflicting long-lasting pain on the balance sheets of insurers. The regulator has been liberal and amended regulations to prevent sideways compensation payments to distributors. An acceptable level of 'total management expenses,' inclusive of acquisition costs, has been specified. Unfortunately, even that is being breached often. Yet, in a liberalized market, it is neither desirable nor appropriate to control and marshal pricing. The tariff-heavy environment was dismantled for that very reason. Insurers have a hierarchical organization design with three-four layers, must bear inelastic fixed costs and have a muddled revenue model that seems to have outlived its utility in the contemporary setting. For this industry to improve profitability, attract investors and fulfill the IRDA's ambitions, this model needs to be re-engineered. Ignoring or delaying this will make capacity enhancement elusive and the distant dream of 2047 harder to realize. The sector needs urgent attention. The regulator must seize the moment and propose alternatives in consultation with industry leaders.

(The writer is G N Bajpai.)

TOP

Retirement Planning: How insurance can contribute towards building a robust retirement fund - Financial Express – 22nd May 2024

The retirement phase of our life is a milestone where we bid adieu to a traditional work routine and set out to begin a new chapter. It's a wonderful phase where we seek to fulfil many of our dreams and aspirations that may have been on hold during the working years. Be it travelling, volunteering, learning a new skill, pursuing a long cherished hobby or spending time with friends and family, retirement provides an opportunity to create a fulfilling existence beyond a regimented work life.

Culturally, retirement planning was never on top of the list for us, Indians, but studies have shown that over the years the focus has shifted and now it ranks 6th, among the top financial priorities of today's working population – 35 to 50 years.

A few of the reasons why retirement planning has become so important today:

An enriching retired life
Retirement isn't considered a dull phase of life with nothing interesting to look forward to. People take on life's second innings with renewed zest and consider it as an opportunity to pursue their passion and accomplish many unfulfilled dreams.

Taking charge of medical bills
Health expenses are undeniable and this is one area that has to be primarily focused upon, especially during the retirement phase. Along with that, the inflation factor cannot be ignored as well.

An income source to last a lifetime
With a comprehensive financial retirement plan, it is easy to tide over apprehensions of exhausting the corpus that may have been built during the work years.

Becoming self-reliant financially
With the retirement fund in place, the vulnerability factor will erode with no financial dependency, be it on the children, family members or friends.

Increased life expectancy
A study conducted by a prominent media channel has shown that there has been a 100% increase in life expectancy in India since 1947. This, along with collapsing traditional family structures, has made it imperative for people to plan their retirement well in advance.

Early retirement option
Many people might not have the zeal to work till 60. The FIRE – Financial Independence, Retire Early phenomenon, is gaining popularity amongst the millennial and Gen Z population. If retirement planning is done at an early age, it creates the perfect opportunity to start one's own venture. A survey done last year has shown that 67% of Indians are contemplating early retirement, with some considering it as young as 33 years of age.

Tiding over untoward circumstances of life
An emergency situation can come up unwarranted. A retirement fund will ensure the situation can be resolved with promptness and assurance.

Retirement planning is an undeniable facet of life and in order to make it financially viable, life insurance policies have a very important role to play. The common presumption is that life insurance offers a protective financial shield to the immediate family members, in case of an untimely demise of the policyholder. While that's certainly true, life insurance policies can also be great financial tools to build an outstanding retirement corpus. These low-risk fund options are excellent for lowering tax and therefore suitable for goal-based savings, such as retirement.

Here's how life insurance can help build a retirement fund:
Regular income in retirement:
These plans can be suitable for people irrespective of the income groups, as they convert the savings in the form of premiums into regular lifelong income. Moreover, most retirement plans offer bonuses as well as loyalty additions to boost the retirement fund corpus.

Low on risk:
Retirement phase is different from the working years. The risk appetite drops and people tend to seek safer bets, which stands true even in their financial goals. With a savings pool that's cautiously built, it's paramount to utilise the fund wisely to cover the expenses, without losing money for market volatility.

Disciplined approach:
It's always best to start investing early and the same stands true for retirement planning as well. Along with an early start, it's best to be disciplined when it comes to paying premiums. This will ensure the golden years have a steady flow of money setting aside the stress that comes with fluctuating market rates.

Saving on tax:
Life insurance plans provide various tax benefits under Section 10 (10D) and Section 80C of the Income Tax Act, 1961. These benefits can help make the most of the retirement savings and at the same time lower the tax output considerably.

It is always prudent to be financially independent and build a safety net to bust any financial exigencies, if they may happen anytime. So, plan today to make your tomorrow safe and secure with a comprehensive retirement plan.

TOP

Streamlining the insurance sector: the impact of insurtech innovations - The Economic Times – 20th May 2024

With a steady improvement in economic activities and growth, various core sectors, such as insurance in India, will also witness an unprecedented upward trajectory. As per a report, the sector will demonstrate a stellar YoY growth of close to 7 percent in the next five years. However, this number does not do justice to the potential of the insurance sector (including commercial insurance) due to the conventional challenges the sector faces. These limitations include restricted geographical coverage, lack of personalization of policies, and reduced average premium per policy. Such limitations have resulted in a huge gap as uninsured or underinsured individuals and businesses continue to rise.

In such a case, the Insurtech revolution is not only expected to take the growth story of the sector further, but will streamline the sector by addressing some of the existing and conventional challenges.

The Rise and Rise of India's Insurtech Sector
As against the overall sector's growth, the Insurtech segment is expected to accelerate at close to 17% CAGR in the next five to six years. The substantial growth can be attributed to introducing the latest technologies and their relative impact on increasing the scope of insurance services for businesses and individuals. As customer behaviour has changed, the acceptability of the latest digital products has also increased.

From micro-insurance products that cater to the underserved segments to on-demand insurance services that offer flexibility and convenience, Insurtech is paving the way for a more inclusive and customer-centric insurance market in India.

Major Insurtech Innovations and Their Impact
Insurtech innovations have increased the overall coverage of the sector in remote and other parts of the country. Some of the major Insurtech innovations and their impact has been discussed as follows:

Disruption by Digitalization
Technological advancement provided a significant disruption to traditional systems proving beneficial with enhanced service quality, efficiency and security. Especially in the commercial insurance sector, these new age Inurtech startups are playing a very important role by addressing huge challenges like manual legacy systems with intermediaries and insurance companies transacting over excel sheets and emails. The entire process of securing a policy is time consuming, inefficient and is prone to many risks due to errors. The Insurtech startups help in digitising the process of procuring a quote, bringing the turnaround time for policy issuance to a matter of minutes, a process that would ordinarily take anywhere close to a fortnight.

Data Analytics and Risk Assessment
The process of due diligence and risk assessment in a traditional insurance scenario included multiple steps and was quite time-consuming. By leveraging vast amounts of data from various sources, including IoT devices and public records, insurers can now create more accurate risk profiles and price their policies more effectively. This has led to an overall improvement in commercial and other forms of insurance where real-time risk assessment is critical for developing insurance products.

Blockchain and Improved Transparency
Another challenge in conventional insurance procedures is limited transparency, leading to unnecessary confrontations between insurance companies and insured parties. By enabling a decentralized and immutable ledger, blockchain technology ensures that claims and policies are recorded securely, making fraud more difficult and simplifying the claims process.

AI and Machine Learning
Substandard customer service and prolonged claim settlements have also affected the insurance sector. For a business facing a cash crunch, a prolonged claim settlement can eventually lead to the winding up of the enterprise. However, Insurtech innovations based on AI and ML have seemingly cracked the code in this context.

AI-driven chatbots provide 24/7 customer service, efficiently handling inquiries and claims notifications, which is crucial for businesses outside of traditional working hours. Moreover, AI enhances claims processing by automating damage assessments through image recognition technologies. Hence, the challenges faced by businesses can be addressed, and the overall friction between insurance companies and organizations can be reduced considerably.

Mobile and Digital Platforms
instance, buying a motor, health or life insurance from a mobile application has become easier. However, the impact of these platforms, thanks to the Insurtech innovations, has also been considerable on the commercial insurance space.

These platforms offer user-friendly interfaces for managing policies, filing claims, and interacting with customer service. For small and medium-sized enterprises (SMEs), mobile apps allow business owners to buy policies, adjust coverage, and report incidents directly from their smartphones, empowering them with greater control over their insurance needs.

What does the Future look like?
With the Insurtech innovations, the overall coverage of insurance products shall be better than ever. Through better risk assessment and due diligence, insurance companies can provide personalized products to small and medium-sized enterprises. The overall compliance standards shall also improve with RegTech becoming part of the insurance sector. IoT's role in fraud detection and loss prevention shall also increase as the number of smart devices in businesses continues to increase.

Summing up
The relevance of insurance products in a booming economy such as India is rather critical. However, despite the potential and overall gap in insurance coverage, there has always been the need to address the ongoing challenges within the sector. The need to streamline operations and emphasize the personalization of products are two major outcomes of tech-based innovations introduced by Insurtech within the insurance industry.

(The writer is Aditya Dadia.)

TOP

INSURANCE REGULATION

IRDAI's new agent commission norms and their market impact – The Economic Times – 23rd May 2024

The Insurance Regulatory and Development Authority of India (IRDAI) recently released a master circular outlining new rules for commission payments to insurance agents and intermediaries. This circular mandates all insurers to adopt a board-approved policy that ensures fairness and reasonable payments to intermediaries.

The aim is to create a more transparent and efficient insurance market. Industry experts anticipate that these changes could lead to more competitive premiums, benefiting both insurers and policyholders.

The master circular outlines key areas including:
Board-Approved Policy: Each insurance company must have a policy approved by its board of directors regarding the expense of management and the payment of commissions. This policy should:

-Promote cost-effectiveness
- Align with customer needs

- Encourage transparent competition among intermediaries
- Ensure commissions are fair and reasonable
- Promote good distribution practices

Periodic Review: The commission policy must be reviewed regularly by the audit committee to ensure it remains relevant and effective. This continuous review process aims to adapt to market changes and improve insurance penetration.

Encouraging Insurance Penetration: The guidelines support the growth of insurance services in the market by ensuring that commission structures do not impede the affordability and accessibility of insurance products.

Policyholder Alignment: The policy must prioritize the rights and benefits of policyholders, ensuring that their interests are safeguarded.

Impact on Premiums and the Market
Experts believe that these new regulations will lead to more competitive premium rates for consumers. By promoting fair and reasonable commission structures, the guidelines aim to reduce excessive payouts to intermediaries. This cost efficiency is expected to translate into lower premiums for policyholders.

Additionally, the emphasis on ethical conduct and strong governance will minimize conflicts of interest and build trust within the industry. Insurers are now required to ensure their commission structures align with good distribution practices, fostering a more transparent and customer-centric approach.

Industry Insights
Narendra Kumar Bharindwal, Vice President at the Insurance Brokers Association of India (IBAI) said "IRDAI has indeed shifted from a rule-based to a principle-based regulatory framework, emphasizing flexibility, transparency, and alignment with stakeholders' needs. In line with this shift, the IRDAI has issued a Master Circular on the Expense of Management, which includes guidelines on the payment of commissions for insurance companies."

Bharindwal further explained that this principle-based approach allows insurance companies to tailor their commission structures and management expenses to better suit their operational contexts while maintaining a focus on fairness, transparency, and alignment with customer and market needs.

Implementation and Compliance
The IRDAI's circular mandates that insurers ensure their commission structures are aligned with good distribution practices and that they periodically review these structures to maintain their effectiveness. The focus on ethical conduct and strong governance is expected to build trust within the industry, fostering a more customer-centric approach.

Additionally, the circular requires detailed reporting and oversight to enhance accountability and transparency. These measures aim to create a more robust and trustworthy insurance market, where intermediaries act in the best interests of their clients. In summary, the IRDAI's new norms on commission payments represent a significant step towards creating a fairer and more efficient insurance market in India. By ensuring transparency and ethical conduct, these guidelines are expected to lead to more competitive premiums and improved customer trust.

(The writer is Sheersh Kapoor.)

TOP

IRDAI release norms for commission payments to insurance agents: how will it impact premiums? – Outlook India – 23rd May 2024

The Insurance Regulatory and Development Authority of India (IRDAI) on May 15, 2024, issued a master circular, with guidelines for commission payments to insurance agents and intermediaries. From its erstwhile rule-based framework, IRDAI has shifted towards a principle-based regulatory framework, allowing more flexibility for insurers while clearly outlining how to align commission payouts with policyholders' interests.

Underpinning the new principle-based framework is permission for insurers to tailor commission structures and management expenses to better suit their individual working situation. As of now, stand-alone health insurers and general insurers can pay 35 per cent and 30 per cent of their total premiums as management expenses including commissions.

Key Points In Master Circular

Board Approved Policy: “As the insurance agents and insurance intermediaries play a crucial role in the distribution of insurance products, it is essential for the insurers to have a clear and transparent board policy on their commission structure to ensure fairness, transparency, compliance in the insurance distribution process," the master circular said. The policy should state the objectives and principles governing the commission structure. The structure should promote fair and transparent competition among intermediaries, align incentives with customer needs and encourage efficient and cost-effective distribution

Regular review: The standard review process for the commission structure must be done by the audit committee at least on an annual basis, to assess the commission structure's efficiency, impact on premium rates, benefit pay-outs, penetration, alignment with customer needs and interests etc. Any new commission structure shall not apply to already sold policies. Reasonable Commission: The commission structure shall be commensurate with the efforts required to acquire and sustain that type of business and not result in excessive compensation for intermediaries regardless of their size or bargaining power at the expense of customers or the insurer, the master circular said.

Impact On Customers & Premiums

Experts feel that the regulatory reforms will lead to more competitive premium rates for consumers. If the industry heeds IRDAI's call for fair and reasonable commission structures, the instances of excessive payouts to intermediaries will ween, leading to cost efficiency, and thus lower premiums for policyholders. Rahul M. Mishra, Co-Founder and Director at Policy Ensure, said, "The new norms put forward by the IRDAI on commissions related to insurance agents and intermediaries are expected to lower the insurance premiums and make the products more viable in the market. By bringing these regulations, IRDAI seeks to help lower the overall cost pressures on insurers."

"However, insurers must balance lower commissions with maintaining service quality provided by intermediaries. Adequate remuneration is necessary to ensure intermediaries remain motivated and efficient. If insurers successfully minimise operating costs without compromising service quality, existing policyholders could enjoy lower premiums," Mishra further said. "For new buyers, this means wider access to an array of insurance products at cheaper costs as it will be accommodating to price-conscious consumers. The function of competitive pricing can also create pressure to improve the coverage and the value-added services since the insurers will be in a competition marketing their products to the customers," Mishra added.

TOP

Insurers to reveal number of insurance claims pending and disposed of, says IRDAI circular – Live Mint – 23rd May 2024

The Insurance Regulatory and Development Authority of India (IRDAI) on Wednesday released a master circular on corporate governance for insurers. Although the circular becomes effective upon issuance, the insurance companies are given time up to June 30, 2024 before they are mandated to adhere to the provisions of this 70-page circular. The latest set of instructions carries a set of disclosure requirements, among a number of other requirements, for insurance companies.

These provisions tell the board to ensure that the information with respect to the following is disclosed in the annual accounts.

Insurers need to disclose the following:
1) Commission and expense ratios: Quantitative and qualitative information on the insurance company's financial and operating ratios, viz. incurred claim, commission and expenses ratios.
2) Solvency margin: Actual solvency margin details vis-à-vis the required margin.
3) Persistence ratio: Insurers engaged in life insurance business need to disclose the persistence ratio of policies sold by them.
4) Growth rate: Financial performance including growth rate and current financial position of the insurance company.
5) Risk management: They also need to give a description of the risk management architecture.
6) Number of claims: Details of number of claims intimated, disposed of and pending with details of duration.
7) All pecuniary relationships or transactions of the Non-Executive Directors vis-à-vis the insurance company will also be disclosed in the Annual Report.
8) Elements of remuneration package (including incentives) of MD & CEO and all other directors and key management persons.
9) Payments made to group entities from the policyholders funds.
10) Any other matters, which have a material impact on the insurer's financial position.

Fit and proper criteria for directors
The circular also states that the maximum age limit for non-executive directors, including the chairperson, will be 75 years.

Additionally, an independent director may be appointed for a maximum of five consecutive years on the board and will be eligible for re-appointment for the second term on passing of a special resolution by the insurer.

No independent director will hold office for more than two consecutive terms subject to approvals required from time to time. Also, the post of Managing Director (MD), CEO or Whole-time Director will not be held by the same incumbent for longer than 15 years.

TOP

IRDAI introduces new corporate governance regulations for insurers – The Economic Times – 22nd May 2024

The Insurance Regulatory and Development Authority of India (IRDAI) has asked insurance companies to seek prior approval for the appointment of their Board Chairperson, effective immediately. Existing Chairperson have been given until March 31, 2026, or the end of their current terms, whichever comes first, to comply with the new regulations.

"The proposal for appointment of chairperson of the board shall be submitted for prior approval of the competent authority," IRDAI said. "Chairperson of the insurer as on date of issue of this circular is permitted to continue as chairperson up to March 31, 2026 or till he or she completes his or her current tenure, whichever is earlier."

Under these new corporate governance rules, IRDAI has prohibited conflicts of interest in key management positions. Also, the holding of both business and control functions by a single key management person or the holding of two or more control positions by one individual is now forbidden.

Previously, no such approvals were required for appointing Chairman. This shift towards "principle-based regulations" is to ensure thorough due diligence at both the Board Chairman and CEO levels, according to an insurance executive.

These changes are in line with similar norms issued by the Reserve Bank of India (RBI) for the banking sector.

(The writer is Shilpy Sinha.)

TOP

IRDAI issues detailed regulations to strengthen actuarial and financial practices – The Economic Times – 22nd May 2024

The Insurance Regulatory and Development Authority of India (IRDAI) has released a detailed Master Circular on the Actuarial, Finance, and Investment Functions of Insurers. This comprehensive document aims to provide necessary guidance on various aspects of the IRDAI (Actuarial, Finance, and Investment Functions of Insurers) Regulations, 2024, and is applicable to all insurers, including those engaged exclusively in reinsurance business, unless otherwise specified. In its official statement, IRDAI noted, "This Master Circular provides necessary guidance on aspects pertaining to various provisions of the IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024, and applicable to all insurers including those engaged exclusively in reinsurance business, unless otherwise specified." The circular, spanning 129 pages, will be reviewed annually unless an earlier review or repeal is warranted.

Key Areas Covered in the Circular
1. Actuarial Function
-Appointed Actuary/Mentor Actuary/Consulting Actuary/Certifying Actuary: The circular delineates roles and responsibilities, ensuring clear guidelines for these crucial positions.
-Valuation of Life Insurance Business: Standards for valuing life insurance policies are established, ensuring consistency and accuracy.
-Valuation of General and Standalone Health Insurance Business: Guidelines for assessing the financial health of general and health insurance sectors.
-Valuation of Reinsurance Business: Criteria and procedures for evaluating reinsurance companies are specified.
2. Finance Function
-Accounting and Disclosure Requirements: Comprehensive accounting practices and disclosure norms to be followed by all insurers.
-Accounting and Disclosures Specific to Life Insurers: Tailored guidelines for life insurance companies to maintain transparency.
-Accounting and Disclosures Specific to General Insurance, Health Insurance, and Reinsurance Companies: Including branches of foreign reinsurers, ensuring uniformity across various segments.
-Accounting and Disclosures Specific to Reinsurers, FRBs & Lloyds: Specific requirements for these entities are detailed.
3. Investment Function
-Conditions Applicable for Specific Categories of Investments: Rules governing different types of investments to ensure compliance and risk mitigation.
-Risk Management and Concurrent Audit: Frameworks for managing investment risks and conducting audits concurrently to ensure robust financial health.
-Valuation Guidelines: Detailed methods for valuing investments. -Operational Procedure: Steps and protocols for investment operations.
-Disclosure Norms: Requirements for transparent reporting of investment activities.
-Reporting Norms and Certificates: Standards for regular reporting and certification of investment portfolios.
-Investment Category Codes and Valuation Methodology: Codes and methodologies for categorizing and valuing investments.

(The writer is Sheersh Kapoor.)

TOP

Insurance market set for competitive premiums under new IRDAI commission norms - The Hindu Business Line – 21st May 2024

The new guidelines mandate board-approved policies to ensure intermediaries act ethically and in customers' best interests, which could result in lower premiums and enhanced trust. The new norms on commission payments to insurance agents and other intermediaries issued by the Insurance Regulatory and Development Authority of India (IRDAI) are expected to result in more competitive premiums in the insurance market, according to industry experts. Sharad Mathur, Managing Director & Chief Executive Officer, Universal Sompo General Insurance Company said, "The recent circular is a significant step forward for the insurance industry. It ushers in a new era of transparency and efficiency, benefiting both insurers and policyholders. We view this as a catalyst for positive change. The circular promotes fair commission structures, leading to potentially lower premiums for our customers. The new norms also mandate it clear that board-approved policies ensure intermediaries act in their best interests. "This focus on ethical conduct and strong governance minimizes conflicts and builds trust. As the circular outlines, regular reviews and oversight are crucial for continuous improvement. This circular marks a turning point for the insurance landscape," Mathur added. According to Aditya Mall, Appointed Actuary, Future Generali India Life Insurance, the new norms attempt to enforce fair and reasonable commission structures, thereby reducing excessive payouts. This circular aims to create cost efficiencies that could result in more competitive premium rates over time.

'The impact of this regulation extends beyond premium adjustments. It mandates insurers to establish transparent, board-approved commission policies that align intermediary incentives with customer interests, fostering ethical conduct. Regular reviews and stringent oversight will help insurers optimize expense management, ensuring compliance and adaptability to market conditions," he said. Experts say, enhanced governance and detailed reporting would increase accountability and transparency, contributing to a more trustworthy and customer-centric insurance industry, say experts. Last week, IRDA directed all insurers to have a board-approved policy on the commission structure for insurance agents to ensure fairness and reasonable payments. "As the Insurance Agents, Intermediaries or Insurance Intermediaries play a crucial role in the distribution of insurance products, it is essential for the insurers to have a clear and transparent board policy on their commission structure to ensure fairness, transparency, compliance, efficiency and industry reputation in the insurance distribution process," A master circular issued said the board policy on commission structures for intermediaries should include its objectives and principles, fairness and reasonableness, good distribution practice, and regular review.

(The writer is G Naga Sridhar.)

TOP

IRDAI relaxes procedural norms on expense of management, share transfer - The Economic Times - 21st May 2024

The Insurance Regulatory and Development Authority of India (IRDAI) has eliminated the requirement for insurance companies' boards to specify ceilings based on the absolute amount of commission in segments like group insurance. The regulator introduced changes through the Master Circular on Expenses of Management (EOM) and Commission Regulations 2024, The new circular has introduced several updates and clarifications, repealing the earlier one issued on March 31, 2023, allowing insurers more flexibility in managing commission structures. The IRDAI has specified that the new commission structure will not apply to policies already sold, ensuring that existing policyholders and their contracts remain unaffected by the changes. Also, recognising the growing importance of insurtech, the regulator has stated that insurtech expenses will now include depreciation on insurtech expenses that are capital expenditure in nature. The regulator has also specified the format of the business plan, which must be prepared separately for Participating and Non-participating business. The regulator has asked board to regularly monitor the status of actuals against the business plan. Separately, the regulator issued the Master Circular under the IRDAI (Registration, Capital Structure, Transfer & Amalgamation of Insurers) Regulations 2024, effective May 15, 2024 where it streamlined application procedures, ESOPs compliance and share transfers, specified timelines for prior approval for listings, amalgamation guidelines, reporting for capital forms and clarified lock-in periods.

(The writer is Shilpy Sinha.)

TOP

IRDAI overhauls surety bond regulations to boost infrastructure sector - The Economic Times – 21st May 2024

IRDAI has revised surety bond regulations to enhance accessibility and attract more insurers. This move, responding to stakeholder feedback, aims to foster growth in the infrastructure sector by facilitating easier compliance and offering greater flexibility to insurers. The Insurance Regulatory and Development Authority of India (IRDAI) has implemented key changes to the regulations surrounding surety bonds. This initiative aims to make surety insurance products more accessible and to attract a larger number of insurers, responding to feedback from industry stakeholders.

One of the major changes introduced by the IRDAI is the reduction of the solvency requirement for surety bonds from 1.875 times to 1.5 times. This adjustment aims to facilitate easier compliance for insurance companies. Another significant revision is the removal of the previous 30 percent exposure limit on each contract underwritten by insurers. This policy change provides insurers with increased flexibility in managing their underwriting portfolios.

By lifting this cap, insurers can now allocate their resources more effectively, potentially increasing their involvement in the surety insurance business. This greater flexibility is anticipated to enhance the competitiveness and vibrancy of the market.

Framework Background and Revisions

In January 2022, the IRDAI introduced a framework for the development of surety insurance in India, effective from April 1, 2022. This framework allowed Indian general insurers to commence surety insurance operations provided they maintained a solvency margin of 1.25 times. The recent adjustments are aimed at further expanding the surety insurance market and improving liquidity for contractors. These changes are expected to significantly benefit the infrastructure sector, which is crucial for India's economic progress.

Surety bonds are essential risk mitigation tools that offer protection against financial losses due to contract breaches or non-performance. In this context, a surety bond involves one party (the surety) guaranteeing the obligations of another party (the principal) to a third party. These bonds play a critical role in ensuring the integrity and adherence to contractual terms, which is particularly important in the infrastructure sector. By providing this form of protection, surety bonds help ensure that projects are completed on time and within budget, thereby facilitating smooth project execution.

Impact on the Infrastructure Sector

The infrastructure sector stands to gain significantly from the revised surety bond regulations. With the enhanced availability of surety bonds, contractors will have better access to liquidity and financial backing, reducing the risks associated with large-scale projects. The IRDAI's revisions are seen as a strategic move to support the sector, ensuring that infrastructure projects proceed without financial interruptions, thus contributing to the broader economic development of the country.

(The writer is Sheersh Kapoor.)

TOP

Insurance for All: IRDAI's strategic push to saturate rural India - The Economic Times – 20th May 2024

The Insurance Regulatory and Development Authority of India (IRDAI) has mandated life and general insurers to extend coverage to the designated Gram Panchayats, aiming to transform rural India's insurance landscape. This initiative, coupled with other regulatory efforts, serves as a strategic blueprint for enhancing insurance accessibility, according to industry experts.

The Insurance Regulatory and Development Authority of India (IRDAI) has unveiled a comprehensive strategy to enhance insurance accessibility in rural areas, with a particular focus on Gram Panchayat. According to a master circular issued by the regulator, both life and general insurers are now required to provide coverage to specific Gram Panchayats.

This directive is part of a broader effort to saturate rural regions with insurance services, ensuring that underserved populations gain access to vital financial protection.

The Life Insurance Council, in collaboration with the Ministry of Panchayat Raj, will determine the minimum number of Gram Panchayats each life insurer must cover, based on parameters such as market share and other relevant criteria. Similarly, the General Insurance Council will identify Gram Panchayats for extending health coverage, Motor Third Party (MTP) insurance, and coverage for dwelling shops. Insurers will then have the flexibility to select these Gram Panchayats within the states of their choice to fulfill their obligations.

To facilitate this initiative, insurers are required to establish mechanisms for identifying, recording, coordinating, and exchanging information on the number of lives, persons, and vehicles covered in each Gram Panchayat.

Rakesh Jain, CEO of Reliance General Insurance, lauded the IRDAI's initiative, stating, "This initiative is set to include the large set of uninsured population within the Bharat's pin code, bringing them under the umbrella of protection with innovative products tailored to their unique risks and lifestyles. Furthermore, the focus on Motor Third Party Obligations ensures that every vehicle owner, especially those in the bustling informal sectors, gains access to essential liability coverage, safeguarding against the financial repercussions of road mishaps."

The IRDAI has emphasized the importance of insurers working closely with local Gram Sarpanches and Gram Sachivalayas to achieve full saturation of insurance coverage in these areas. The new norms, applicable from the current financial year, aim to ensure comprehensive insurance penetration at the grassroots level. The regulator's Master Circular is not just a policy update; it's a strategic blueprint designed to revolutionize insurance accessibility. By expanding the reach to the underserved rural and social sectors, we're not only broadening our customer base but also enriching the fabric of financial security across the nation RGI Chief said.

Bima Vahaks
The IRDAI has also introduced the concept of Bima Vahaks as part of its "Insurance for All by 2047" objective. Bima Vahaks will serve as the crucial last-mile connect for insurers, comprising both corporate and individual representatives, with a significant focus on onboarding women. These field agents will be instrumental in building trust within local communities, facilitating the distribution and servicing of insurance products, and enhancing accessibility.

While women play a major role in the traditional distribution landscape in urban areas, their representation in the insurance sector in rural areas has always been a matter of concern, Shailaja Lall, Partner, Head - Insurance & Reinsurance, Shardul Amarchand Managaldas & Co., pointed out.

"Through Bima Vahak, the regulator aims to leverage the local expertise and insights of women to achieve the objective of insurance for all. The knowledge and trust enjoyed by women in local areas will certainly be a strong persuasive force to enhance insurance penetration in rural areas," she said.

Bima Vistaar
In a related development, the IRDAI recently announced the pricing for Bima Vistaar, an all-in-one affordable mass insurance product targeted at rural areas. Priced at Rs 1,500 per policy, Bima Vistaar offers a comprehensive social safety net, combining life, health, personal accident, and property insurance.

For families opting for a floater policy, the cost will be Rs 2,420, with an additional Rs 900 for other family members. This product is designed to address the diverse insurance needs of rural populations, providing essential coverage at an affordable price. "Recognising the existing protection gaps and myriad challenges faced by members within the Indian insurance ecosystem, IRDAI has taken a huge step and introduced its Bima Vistaar product to make insurance affordable for even the rural masses," Nilesh Parmar, Chief Operating Officer, Future Generali India Life Insurance told ETBFSI earlier.

We believe that the launch of Bima Vistaar will herald the dawn of a new era of accelerated insurance adoption and power rapid socio-economic development across previously neglected population segments Parmar added. During a recent summit of insurance CEOs, IRDAI Chairman Debasish Panda highlighted the significance of these initiatives in achieving the regulator's long-term vision of comprehensive insurance coverage across India. The introduction of Bima Vahaks and the rollout of Bima Vistaar are pivotal steps towards making insurance accessible to every individual, regardless of their geographical location.

The implementation of these measures is expected to significantly boost insurance penetration in rural India, aligning with the IRDAI's goal of "Insurance for All by 2047." By leveraging technology, enhancing risk management strategies, and fostering close collaboration with local authorities, the insurance industry is poised to create a more inclusive financial ecosystem.

(The writer is Sheersh Kapoor.)

TOP

IRDAI directs insurers to put in place a board-approved policy on commission for agents – The Hindu Business Line – 18th May 2024

The Insurance Regulatory and Development Authority of India (IRDA) has directed all insurers to have a board-approved policy on commission structure for insurance agents to ensure fairness and reasonable payments. In the master circular on expenses of management, including commission, of insurers, 2024, the insurance regulatory said: "As the insurance agents, intermediaries or insurance intermediaries play a crucial role in the distribution of insurance products, it is essential for the insurers to have a clear and transparent board policy on their commission structure to ensure fairness, transparency, compliance, efficiency and industry reputation in the insurance distribution process.''

The board policy on commission structures for intermediaries should include its objectives and principles, fairness and reasonableness, good distribution practice and regular review, it said. It should "clearly state the objectives and principles that underpin the commission structure. This should include promoting fair and transparent competition among intermediaries, aligning incentives with customer needs and encouraging efficient and cost effective distribution,'' the circular said.

Reasonable structure

The commission structure shall be reasonable and not result in excessive compensation for intermediaries at the expense of customers or the insurer. "Insurers shall ensure their commission structure is commensurate with the efforts required to acquire and sustain that type of business. This means intermediaries shall be compensated fairly for their work, regardless of their size or bargaining power,'' the regulator said.

The board policy on commission structure shall encourage good distribution practices of intermediaries. "This can help enhance customer satisfaction, build a stronger relationship with the customers, increase the insurer's market share and ensure compliance with regulatory requirements,'' the circular said.

The policy should also contain a review process for the commission structure, which includes assessments of its effectiveness, efficiency, impact on premium rates, benefit pay-outs, penetration, alignment while outlining the governance and oversight mechanism for market conduct to ensure that intermediaries adhere to high standards of behavior and ethical practices.

Any new commission structure should not apply to already sold policies. “Overall, the commission structure of intermediaries should be designed to promote fair and transparent practices that protect policyholders’ interests and encourage insurance penetration,“ the master circular said.

(The writer is G Naga Sridhar.)

TOP

HEALTH INSURANCE

Govt plans one-stop portal for hospitals to process insurance claims – The Indian Express – 23rd May 2024

The National Health Authority (NHA) — the apex body implementing the Ayushman Bharat scheme — is developing a one-stop portal that can be used by hospitals across the country to process claims to almost 50 insurance providers. This is part of a 100-day plan drawn up by the Union Health Ministry in the event of the BJP government’s return to power, claimed sources from the ministry.

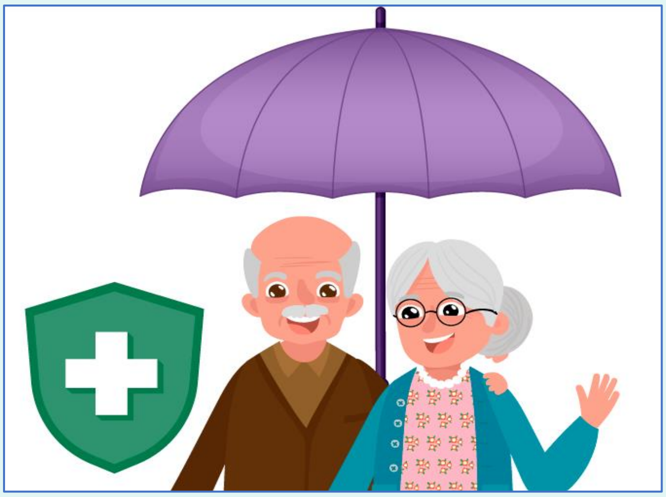
At present, hospitals have to raise claims on separate portals used by different private insurance providers. The new portal, called the National Health Claims Exchange, will likely be used by more than 200 major hospitals across the country. “It will not be mandatory for hospitals or insurance providers to use this portal. This was an industry demand and has been developed after consultation with hospitals, insurance providers and the insurance regulator IRDAI (Insurance Regulatory and Development Authority of India),” said a senior health official, adding that this will help foster an ecosystem for the government’s vision of creating portable digital health records. The official said: “A single portal will bring down the costs of clerical manpower for hospitals that are required at present to raise claims and upload data to multiple portals for different insurance providers. When it comes to patients, their claim processing time is likely to go down.” The new portal will use a common data collection format that will contain all the information needed by different insurance companies, according to the official. It will aim to speed-up the pre-authorisation time and discharge approvals, and bring down insurance premiums in the future.

While the portal is not meant for government oversight, the official said that it will provide people information on the claim settlement ratio (the proportion of total claims that are settled by the company) and the turnaround time (the time a company takes to settle claims). Pilots of the portal are already underway and the rollout is likely within two to three months. This is one of the three key areas the Union Health Ministry will work on as part of its 100-day plan, sources from the ministry said. The second key goal is the rollout of the government’s vaccine management platform, eVin. This will be a portal on the lines of Co-WIN that was used for the Covid-19 vaccination drive. eVIN will enrol children at birth, record all their vaccinations and provide them a vaccine certificate online. With the backbone of the digital health account ABHA, the system will also be linked to anganwadis and schools so that health parameters of the children since birth get recorded on the same platform. The government is planning to roll it out by August or September if it returns to power. The third target is to station BHISM cubes — a portable medical centre and operation theatre meant to be used for disasters and health emergencies — across all the All India Institutes of Medical Sciences and other major central government hospitals such as PGI-Chandigarh and JIPMER-Puducherry. “These will be stationed at major hospitals across the country, which already have trained manpower, so that in case of an emergency the nearest BHISHM cube may be moved,” the official said.

(The writer is Anonna Dutt.)

TOP

Empowering senior citizens: The crucial role of health insurance in India - The Economic Times – 21st May 2024



In a country as diverse and dynamic as India, where the tradition of respect and caring for senior citizens is deeply ingrained, the role of health insurance takes on profound significance. According to recent statistics by the Population Reference Bureau, India is projected to have over 14.4 crore elderly individuals by 2050, highlighting the pressing need to safeguard their health and well-being. Their life is characterized by a combination of cherished memories and vulnerability to various diseases and lifestyle-related conditions with unforeseen health challenges.

Health insurance for senior citizens steps in as a guardian, ensuring access to quality healthcare without financially burdening them or their loved ones. Concerning this, in a significant move, the Regulatory and Development Authority of India (IRDAI) has recently made strides towards senior care, extending a compassionate hand towards ensuring clearer and more accessible health insurance options for the elderly. Recognizing the growing number of uninsured senior citizens, these regulations focus on making insurance more accessible, especially for those seeking insurance coverage for the first time. These regulations pave the way for the development of new innovative insurance products tailored to meet the healthcare needs of senior citizens, providing them with essential financial protection during their medical emergencies.

However, these regulations are beneficial for all citizens, including senior citizens, since they address several concerns, including reductions in waiting periods for specific diseases and pre-existing medical conditions, lifelong policy renewal, expanded coverage to include Ayush treatments, a longer free-look period, and a shortened moratorium period. With streamlined processes and improved benefits, it is time to secure a policy, especially for senior citizens.

Assess, Choose, Insure:
To begin with, when choosing health insurance, it’s essential to assess your needs based on factors like age and health status. It’s advisable to familiarize yourself with different plan options and what they cover, including waiting periods and exclusions. Recent regulations from the regulator have made this process more customer-friendly and easier than before. It's a good time to ensure coverage for elderly family members if they're not already insured. In addition, with the introduction of the Customer Information Sheet (CIS) as mandated by the IRDAI, policyholders can get a clear overview of their coverage including any exclusions, promoting transparency for consumers.

How to Tackle Waiting Periods:
A common pressing concern is the waiting periods for pre-existing conditions for senior citizens. However, following IRDAI's recent decision, the waiting period for health insurance has now been capped up to 36 months for all. This means there are two main waiting periods to consider: Pre-Existing and Specific Diseases, which are both limited to a maximum waiting period of 36 months. Some senior citizen insurance plans offer shorter waiting periods, as short as 12 months, for specific diseases and pre-existing conditions. Although these policies might have slightly higher premiums, they ensure quicker coverage for specific ailments, providing you with faster protection. Most insurance companies will ask for a pre-medical test before issuing your health insurance policy. However, another effective approach involves providing your medical records to the insurance company if you have a pre-existing condition.

By sharing this information, the insurer can assess your medical history and accept your proposal with either a loading or limitation, which can potentially help avoid any rejections at the time of your claim. Be transparent & up front in declaring medical history and health conditions. Additionally, opting for a modular and flexible health insurance plan can offer customization options. These plans often allow you to choose a waiting period ranging from 12 to 36 months, giving you the flexibility to adjust the waiting period and, consequently, the premium, offering a more personalized and adaptable coverage approach.

Tailored coverage with lower premium costs:
Many seniors are concerned about the steep costs of health insurance premiums. However, there are various accessible plans that can be tailored to meet your individual needs. A modular plan lets you pick and choose the features you want, so you only pay for what you need. This approach not only helps make premiums more manageable but also provides comprehensive benefits.

With these plans, you can customize your coverage and get benefits like double the premium for outpatient care, options for high coverage up to 5 Crore, and even international coverage for emergencies. Other perks include home nursing cover, cumulative bonuses, and medical expenses for the donor's inpatient treatment during organ harvesting. Additionally, inpatient treatment, medical costs for Ayurvedic and Homeopathic treatments are covered up to the sum insured, as advised by a medical practitioner. Moreover, policyholders are entitled to a free preventive health check-up once per policy year, among many other benefits.

Boosting coverage, managing premium:
It is recommended to consider opting for a health insurance plan that offers a feature to increase the sum insured annually to keep pace with medical inflation. Some plans have a built-in inflation protection feature, while others may offer it as an add-on. Having a higher sum insured can protect you from rising medical costs, especially for severe illnesses like cancer and other critical illnesses.

You will be interested to know that you can also opt for a plan with an aggregate deductible instead of one with low coverage or sub-limits. A deductible is the amount you pay before your insurance kicks in. By choosing an aggregate deductible option, you agree to co-share the cost of medical expenses, the benefit of which is passed on to you in the form of a discount in premiums.

Enhancing health insurance with comprehensive riders:
Individuals often wonder whether adding riders to the base health insurance plan is a wise decision. Recognizing the significant demand for a comprehensive support system for senior citizens, many insurance companies now offer riders explicitly tailored for seniors alongside their standard base plans. One noteworthy aspect of these rider options is their flexibility to accommodate individual preferences. You will be amazed to know that these riders encompass a wide range of benefits, from essential services like ambulance coverage to more advanced features, such as integrating fall detection technology with wearable devices.

For instance, integrating fall detection technology with smartwatches ensures that assistance is promptly arranged in the event of a fall, providing invaluable peace of mind for seniors and their families.

Additionally, the inclusion of services like in-home physiotherapy sessions and professional nursing care delivered to the doorstep further enhances the comprehensiveness of these rider packages.

These riders often offer unlimited access to medical tele-consultation services and specialized consultations for psychological conditions, facilitating convenient and timely access to healthcare resources, thus catering to the evolving needs of seniors, and ensuring a well-rounded support system.

By availing themselves of such comprehensive and advanced rider options, senior citizens can significantly improve their ability to manage their health and safety independently, knowing that dedicated care and support are readily accessible whenever needed.

Insurers and IRDAI are working collaboratively to offer comprehensive solutions and address concerns that arise when selecting health insurance for senior citizens.

With the regulations mandating insurers to have products to cater to diverse demographics, including lifelong renewability and reducing limits on waiting periods, it's an opportune moment to ensure your parents or other elderly loved ones have comprehensive health coverage they very rightly need.

By doing so, you're not only ensuring their financial protection for their medical needs, but also empowering them to live more independent, secure and dignified lives.

(The writer is Tapan Singhel,)

TOP

States told to link patient records to Ayushman Bharat health accounts - Live Mint – 20th May 2024

The central government has directed all state administrations to link the health records of beneficiaries enrolled under different health schemes with the Ayushman Bharat Health Account (ABHA) ID in a bid to maximize health insurance benefits provided to people. The lack of integration of health records with the Ayushman Bharat ID means that patients and doctors are unable to get all the benefits of the digital health mission. Union health secretary Apurva Chandra has taken this up with the states. The unique digital health ID—ABHA—is part of Ayushman Bharat Digital Mission (ABDM), which aims to create a digital health ecosystem in the country. The ABHA ID enables citizens to authenticate, access and manage their health records digitally, and facilitates hospital and doctors' appointments, helping patients avoid queues for registration at healthcare facilities.

As of 20 May, over 618 million ABHA IDs had been created. However, states are unable to meet 100 percent compliance for ABHA seeding on different health portals of the government. For instance, the National Communicable Disease (NCD) portal has about 534 million beneficiaries but only 84 million of those beneficiaries are linked to the Ayushman Bharat ID. Similarly, the sickle cell programme portal has 29 million beneficiaries, but only 89,000 beneficiaries are integrated with ABHA ID.

The reproductive and child health (RCH) programme has about 542 million beneficiaries but only about 1.5 million of those enrolled under the programme are linked with the digital health IDs. Additionally, the National Viral Hepatitis Control Program (NVHCP) and Pradhan Mantri National Dialysis Programme (PMNDP) have linked 5,600 and 17,000 beneficiaries with digital health accounts respectively. "The value proposition of ABDM is huge, as citizens will be able to view and share all their health records. In order to facilitate this, it is vital that all programmes successfully complete the development of milestone 1, milestone 2 and milestone 3," said Chandra in a letter to the states/UT seen by Mint. The milestones Chandara has referred to are: Creating ABHA ID for beneficiaries; linking their digital health records with ABHA; and sharing of digital health records.

"Though states have taken huge interest in creation of the IDs, the non-linking of health records with these IDs, is not allowing the stakeholders, including the patients, from reaping [benefits] of the digital health records," said Chandra. These milestones include creating ABHA ID for their beneficiaries, linking their digital health records with ABHA and sharing of digital health records. The mission is being implemented by the National Health Authority (NHA) ensuring data privacy and safety. Medical records are made available to anyone only with the consent of the patient. Queries sent to the health ministry spokesperson rema-ined unanswered.

(The writer is Priyanka Sharma.)

TOP

CGHS recast in works to cut red tape and dues, link with Ayushman Bharat - The Economic Times – 20th May 2024

The Centre seems to be readying a major reform plan for the Central Government Health Scheme (CGHS) ahead of the new government taking charge next month. It is learnt that the cabinet secretary has been holding rounds of discussions with stakeholder ministries and departments over the last few weeks to address various problems currently ailing the CGHS - from flagging partnership with major private hospitals amid pending dues to taxing referral system and shortage of doctors and healthcare staff to the simmering concern on linkage of CGHS cards with the digitalised Ayushman Bharat Health Account (ABHA) cards. A committee of secretaries is learnt to be looking into the issues.

The key focus is on cutting the red tape and backlog with a simpler process that distinguishes high value transactions from petty/lower value ones, ET has learnt. The government plans to bring a minimal scrutiny regime for low value transactions below Rs 10,000 while ensuring proper verification process for higher value transactions of above Rs 10,000. The CGHS caters to over 4.5 million people, ensuring cashless healthcare services to serving and retired central government employees, their dependents, and other beneficiaries across governmental and private hospitals/health facilities empanelled with the government.

CGHS has empanelled 1,735 private hospitals and 209 laboratories across the country for carrying out investigations and indoor treatment facilities, as per submissions made to a parliamentary panel in February this year. However, with the rates of procedures/diagnosis not revised since 2014, several private hospitals are seen as reluctant partners in the scheme. The stagnant government rates, clubbed with heavily delayed settlement of dues, have dragged down the scheme's efficacy and treatment capability considerably. Assessments in the government point to the burgeoning bills for settlement pending within, most of which are low-value transactions. "In all, the low-value transactions are clogging the settlement chain considerably even though they may be just about 10 percent of the total billing value," an official in the know said.

(The writer is Anubhuti Vishnoi.)

TOP

Unravelling the 'Cashless Everywhere' phenomenon in Indian Healthcare - The Economic Times – 18th May 2024

In the dynamic landscape of healthcare insurance, better access and improved customer experience have been the ongoing theme through the years. Tradition dictates that policies are attached to a fixed list of hospitals, controlled by a network-centric approach, thereby limiting the customer's options and curtailing the power of cashless facilities. The issue becomes more pronounced when customers try to choose a healthcare facility that is outside of the prescribed network.

Today, only 63 percent of patients opt for cashless claims. Reimbursement claims, long waiting periods, and financial risks are some of the reasons why customers refrain from going beyond the set boundaries.
Understanding the need for a paradigm shift, the General Insurance Council (GIC), in collaboration with general and health insurance companies, launched the 'Cashless Everywhere' initiative.

How does it help?
Cashless healthcare facilities make use of latest technologies, such as mobile applications and internet platforms, to optimise the lifecycle of the resources within the healthcare ecosystem and enhance the complete patient experience. This facility also helps improve data security, aids easy billing, and encourages a patient-centric approach. Cashless services are a preferred method of payment for both consumers and organisations due to their convenience and accessibility.

Another important factor to be noted is that cashless transactions help reduce administrative tasks by completely removing manual documentation, enabling quick electronic transactions and faster processing times. As these processes become digitised and streamlined, healthcare professionals can focus more on treating and caring for patients.

Apart from this, faster insurance claim processing and verification processes ensure quicker pay-outs and minimise the financial load on the patients. This pathbreaking initiative empowers patients and gives them access to more than 40,000 hospitals across India. It also benefits policyholders residing in tier 2 and 3 regions, especially those in remote parts of the country. It seems to be a win-win for all stakeholders.

What must policyholders consider?

Although everything seems to be positive with this move, there are a few things that customers need to consider when opting for the right policy. Pay attention to the maximum sum insured value of the policy. It should provide sufficient coverage for the family's

healthcare needs throughout the year. Also, the waiting period for cashless health insurance claims should be shortest for quick access to healthcare facilities. It is advisable to lookout for a co-payment clause. This clause involves sharing some expenses out of your pocket while the insurance company covers the rest.

There are some exclusions in this facility that need to be considered as well. Certain illnesses, surgeries, or treatments might have waiting periods before coverage becomes effective. Many policies exclude coverage for congenital conditions, birth defects, HIV/AIDS- related treatments and complications. If the policy doesn't cover daycare procedures, it might not include expenses for treatments that require less than 24 hours of hospitalisation.

Some policies limit the number of times you can claim for the same illness within a certain period. Wellness and lifestyle services such as gym memberships, spa treatments, weight loss programs, and lifestyle consultations are typically not covered. The duration of the cashless claim process depends on various factors, such as the availability of the necessary documents, the case's complexity, and the processes that the insurance provider follows. There is no universally accepted timeframe for claiming health insurance. However, insurers usually advice their customers to file a claim within 30 to 60 days of hospitalisation, discharge, or post-treatment. It allows the insurance provider to check and process the claim accordingly. Reviewing the policy documents or contacting the insurance provider to confirm the specific claim filing window to a policy is critical. Adhering to the claim filing timeframe is essential to avoid any potential claim rejection or complications.

How can insurers mitigate risks?

The dependency on electronic systems increases the risk of technical issues, cyberattacks, and digital gaps. Power or internet outages might impact the quality of care and lead to potential interruptions in medical services. Having robust cybersecurity measures, user- friendly interfaces, and educating users is necessary for smooth processes. To ensure that all age demographics can access this facility, there need to be user-friendly interfaces, comprehensive support, and targeted user education to address technology disparities. To eliminate the possibility of cyber-attacks, data breaches, identity theft, and unauthorised access to medical records, insurers need to be prepared with strong cyber security measures and staff training.

In conclusion, ‘Cashless Everywhere’ is revolutionising the industry in more ways than one and forging the way for a new era of healthcare. By embracing and adopting such initiatives, patients and healthcare providers can both look forward to a future of seamless, conveniently accessible, and exceptional healthcare services.

(The writer is Sharad Mathur.)

TOP

ITR filing FY2024: What tax benefits do senior citizens receive on medical insurance - Business Today – 18th May 2024

Maintaining proper management of health conditions is imperative to prevent complications in later years, as individuals become increasingly susceptible to ailments. Considering the substantial medical expenses prevalent today, a comprehensive health insurance policy can be invaluable in mitigating the high costs associated with hospital stays and medical consultations.

The Insurance Regulatory and Development Authority of India brought in the Insurance Regulatory and Development Authority of India (Insurance Products) Regulations, 2024, on April 1. Under the new norms, insurance companies cannot refuse to sell health cover to senior citizens above the age of 65 years.

IRDAI has asked insurance companies to offer health insurance products to all age groups, including senior citizens, and offer coverage for all types of existing medical conditions. The revised guidelines include a reduction in waiting periods, now capped at a maximum of three years, down from the previous four years.

Currently, insurers offer extensive coverage that includes preventive health check-ups, no-claim bonuses, and discounts on policy renewals. Additionally, the income tax department extends various tax benefits for expenditures related to health insurance for senior citizens or other family members.

Here are the top points on taxation on medical insurance:

> Section 80D Of Income Tax Act

As per section 80D, a taxpayer can claim a tax deduction on premiums paid towards medical insurance for self, spouse, parents, and dependent children. Individuals and HUF can claim this deduction. This also covers the medical expenditure incurred by senior citizens.

Seniors can avail of tax benefits of up to Rs 50,000 on medical insurance payments under section 80D of the Income Tax Act, 1961.

Individuals who cover health insurance premiums for their senior parents are eligible for a tax deduction of up to Rs 50,000. Additionally, they can claim a rebate of Rs 25,000 on their personal health insurance policies. Policyholders can avail of tax benefits on insurance premiums paid for themselves, their spouse, children, and parents. Notably, if senior citizens purchase health insurance coverage for both themselves and their senior parents, the maximum allowable deduction is capped at Rs 1 lakh.

> Preventive Health Check-Up

The Income Tax Department provides tax deductions of Rs 5,000 for preventive health check-ups. However, it is adjusted within the Rs 50,000 limit for senior citizens.

> Multi-Year Policy Payment:

Senior citizens have the option to prepay their insurance premiums for periods of one, two, or three years, thereby unlocking substantial discounts offered by insurers. This approach allows them to claim proportionate tax deductions annually. For instance, if a senior citizen pays an Rs 80,000 premium for a policy with a two-year duration, they can avail themselves of tax deductions amounting to Rs 40,000 each year under Section 80D.

> Section 80DDB

Senior citizens can benefit from up to Rs 1 lakh tax relief under Section 80DDB of the Income Tax Act for specific diseases. Proof like a doctor's certificate is required for this deduction. Post-pandemic, awareness of health insurance has risen. Coverage, including costly treatments for diseases like cancer and AIDS, is available.

> Important points

The tax benefits associated with health insurance are limited to the provisions of the old tax regime. However, it is important for individuals not to view health insurance solely through the lens of potential tax savings. While these incentives can be a significant motivating factor, the primary purpose of health insurance should be to provide financial protection for you and your family in times of medical emergencies.

Points to note before buying a health cover
> Before buying a health cover, senior citizens should inquire about the waiting periods and understand how they will impact the coverage of pre-existing conditions.

> When choosing a policy, it's important for senior citizens should consider the network coverage, the limit on room rent, sub-limits for diseases, coverage for consumables, and other terms and conditions of the policy that could limit payouts when making a claim.

TOP

MOTOR INSURANCE

40% of vehicles on roads not insured: Centre tells SC - The Times of India – 17th May 2024

The central govt informed the Supreme Court (SC) that "40 percent of vehicles on the roads are uninsured". This information came to light during the ongoing hearing of a writ petition, Civil No. 295 of 2012, filed by Agra-based senior advocate Kishan Chand Jain in 2023. The govt stated that according to the e-Detailed Accident Report (e-DAR) data, only about 60 percent of vehicles involved in road accidents have third-party insurance.

This means if an accident occurs with any of 40 percent uninsured vehicles, the victim cannot claim compensation from an insurance company but must pursue legal action against the vehicle owner to seek damages, a process that can be both difficult and problematic. Advocate Jain had filed a petition in the apex court for electronic monitoring of vehicles to ensure compliance with traffic rules as per section 136-A of the Motor Vehicles Act. He demanded e-cameras be used to check whether a vehicle has third-party insurance and to issue fines if it does not.

The ministry of transport has data indicating which vehicles are insured and the validity of insurance. "E-monitoring can easily facilitate the fines of uninsured vehicles," Jain said. He pointed out that under section 146 of MVA, it is mandatory for every vehicle to have third-party insurance. Failure to do so is punishable under section 196, resulting in imprisonment of up to three months or a fine of Rs 2,000 for first offence, and for subsequent offences, imprisonment of three months or a fine of Rs 5,000. Despite these provisions, vehicle owners continue to operate vehicles without third-party insurance. Notably, in financial year 2018-19, general insurance companies collected Rs 38,046 crore in motor third-party insurance premiums, which increased to Rs 49,508 crore in 2022-23 and is estimated to reach around Rs 50,000 crore in 2023- 24. Yet, 40% of vehicles are still running on the roads without insurance, the central govt told the SC.

(The writer is Deepak Lavania.)

TOP

SURVEY AND REPORTS

Online insurance nightmare: 61 percent trapped in policies they can't cancel - Business Standard – 17th May 2024

A recent survey by LocalCircles, a consumer advocacy group in India, has revealed widespread use of deceptive practices known as "dark patterns" by online insurance platforms. These practices are designed to manipulate consumers into making decisions that are not in their best interest.

Key Findings:
61% of respondents who purchased online insurance experienced a "subscription trap," where canceling the policy was made difficult. 86% reported platforms frequently using a "nagging" approach, bombarding them with messages when trying to get a quote or cancel a policy. 57% of respondents said platforms frequently used a forced action by seeking unnecessary personal details to provide a quote and sending unsolicited information or misusing the personal details.

These tactics compromise a consumer's ability to make informed choices, potentially leading them to purchase inadequate coverage or get stuck in unwanted subscriptions. The survey received over 36,000 responses from insurance consumers located in 309 districts of India. 66 percent respondents were men while 34 percent respondents were women. 49 percent respondents were from tier 1, 24 percent from tier 2 and 27 percent respondents were from tier 3, 4 and rural districts.

Mis-selling of insurance policies, whether life, health, motor, property or any other insurance, is not an uncommon practice. The insurance agents or officials often don’t tell what all the policy doesn’t cover or the drawbacks of a particular policy vis-à-vis another or hard sell a policy in an attempt to meet their targets. While there is provision for the insured to return or cancel a policy when an insurance company misleads you and sells a product by hiding important information, it is equally true that many people trust the agent and often don’t read the full document during the consideration period when the policy can still be returned without any financial loss.

As an increasing number of consumers take to the internet to buy or renew insurance policies, complaints of mis-selling or manipulative selling also called as dark patterns in the online world have risen in the last 9 months, noted LocalCircles.

The timing of these complaints coincides with the Government via the Central Consumer Protection Authority (CCPA) notifying prohibition on 13 types of dark patterns in November 2023. These include false urgency, basket sneaking, confirm shaming, forced action, subscription trap, interface interference, bait and switch, drip pricing, disguised advertisement, nagging, trick questions, SaaS (software as a service) billing and rogue malwares. As per the CCPA notification, dark patterns amount to misleading advertisement or unfair trade practice or violation of consumer rights.

The survey highlights a significant concern for online insurance buyers in India. Dark patterns can lead to:

Reduced Choice: Consumers may be steered towards specific plans or pressured to buy before fully understanding their options.

Hidden Costs: Subscription traps may result in unknowingly paying for unwanted coverage.

Data Privacy Concerns: Forced action tactics raise questions about how personal information is collected and used. LocalCircles is urging government bodies like the Consumer Protection Authority (CCPA) and the Insurance Regulatory and Development Authority (IRDAI) to take action.

Stressing on some of the dark patterns in the insurance sector, European Insurance and Occupational Pensions Authority (eiopa) in a report, states that dark patterns in insurance are those that seek to exploit consumer biases. Some of these include social proof, forced action, false sense of urgency, hidden charges, etc. In the case of forced action dark pattern, consumers are made to believe that they cannot get a quote or make a comparison without following the directions of an online platform. This may lead consumers to disclose personal information that they wouldn’t have shared otherwise.

Similarly, a false sense of urgency is created by falsely informing the consumers that a product is only available for a limited period of time. This practice leverages on the fear of missing out and discourages users from reading all the information available. Websites, including insurance websites, sometimes use pre-selected or default options which are not necessarily in the interest of consumers. False hierarchies are used to promote a certain option or, on the contrary, to hide certain options. This could include using brighter colours or a bigger font size, to guide consumers into taking certain decisions, states the eiopa’s report.

The scenarios described by eiopa are relevant in India too, going by consumer experiences when the insurance policy in their hands fails to deliver on the promise assured to them.

(The writer is Sunainaa Chadha.)

TOP

INSURANCE CASES

Commission orders New India Insurance Company to compensate 3 lakhs with interest! – Kannada Asia – 22nd May 2024

Mr. Basava Nagar here. Vinaya Kshatriya bought a RENAULT KWID CAR for his own work and got insurance for it by paying Rs.6,750/- from the opposite party. In that insurance the ID of the vehicle. The value was mentioned as Rs.3 lakh. On 31/05/2022, the vehicle met with an accident near Udaya Hostel, Dharwad, and the complainant had paid all the documents to the opposite party for the repair of the car as per the policy. The opponent had refused to pay the insurance money saying that the vehicle was drunk and driving at the time of the accident.

Despite asking the insurance company to pay the insurance amount several times, the defendants did not give them the insurance amount or compensation. The complainant had filed a complaint with the Dharwad District Consumer Commission on 03/06/2023 to take appropriate action against them saying that such conduct of the insurance company amounts to service deficiency under the Consumer Protection Act. Regarding the said complaint, the presidents of the commission, Eashappa Bhute, Vishalakshi. A. Bolashetti and Prabhu.C.Hiremath members conducted a thorough investigation.

On checking the documents given by the complainant, it is clear that the complainant was not driving under the influence of alcohol at the time of the accident and since there was no statement in this regard in the first current report, the commission is of the opinion that the complainant is entitled to get the insurance amount of Rs.3 lakh as requested. In addition, the Commission has ordered The New India Assurance Company of Dharwad to pay Rs.50,000/- compensation and Rs.10,000/- as expenses for the mental torture and inconvenience suffered by them.

TOP

Insurance firm directed to pay compensation for repudiating claim related to COVID treatment in Mangaluru – The Hindu – 19th May 2024

Dakshina Kannada District Consumer Disputes Redressal Commission has directed Future Generali India Insurance Company Limited to pay Vishwas Hegde and his wife Suhani Hegde ₹65,250 and ₹13,444 respectively for repudiating the claim of the two relating to COVID-19 treatment.

The 35-year-old Vishwas Hegde, a resident of Kalenja village of Belthangady taluk, purchased a health total family floater policy from the insurance firm in October 2020 under which the sum assured was ₹5 lakh. He paid annual premium for the period between October 9, 2020 and October 8, 2021.

On July 28, 2021, Mr. Hegde approached doctor Muralidhar Yadiyala following a cold. After the COVID-19 test, Mr. Hegde tested positive for COVID-19 on July 31, 2021, and he was advised home isolation. As he developed desaturation and panicking at home, Mr. Hegde was admitted to Vijaya Clinic on August 5, 2021. Suhani Hegde too tested positive for COVID-19 and she was admitted to the Clinic on August 6, 2021. Following their discharge on August 9, 2021, and on August 10, 2021, respectively, Mr. Hegde submitted a claim of ₹65,250 to the insurance firm.

When the insurance firm repudiated the claim, Mr. Hedge and his wife Ms. Suhani filed the complaint with the District Consumer Commission seeking compensation for deficiency in service.

Upholding the complaint, the District Commission said perusal of the discharge summary makes it clear that Mr. Hegde, a COVID-19 patient, was given further treatment for a cold, cough, and fever at the clinic. Ms. Hegde was treated at the clinic for being the direct contact of COVID-19 positive patient.

Holding that the insurance firm has committed deficiency in service, the commission comprising of president K. Prakasha and member H.G. Sharadamma, in their judgement on May 6, 2024, directed the insurance firm to pay Mr. Hegde ₹65,250 with 8% interest per annum from the date of complaint till realisation. It also directed the firm to pay Ms. Hegde ₹13,444 with 8% interest per annum. Further, the firm was asked to pay ₹15,000 to complainants as compensation and cost of litigation.

TOP

Sufficient Evidence To Justify Repudiation By Invoking Exclusion Clause: SC Allows Insurance Company's Appeal Against NCDRC Judgment In 2009 Chambal Bridge Collapse Case – Verdictum – 18th May 2024

The Supreme Court allowed the appeal filed by United India Insurance Co. Ltd. against M/s Hyundai Engineering & Construction Co. Ltd. & Ors., challenging the decision of the National Consumer Disputes Redressal Commission (NCDRC) which allowed the consumer complaint and directed the insurance company to release and pay an insurance claim of Rs. 39,09,92,828/-.

The Court said that the NCDRC fell into a clear error of law and fact in allowing the consumer complaint and that there is sufficient evidence to justify repudiation of the claim on the basis of the exclusion clause. The two-Judge Bench of Justice P.S. Narasimha and Justice Aravind Kumar observed, "... we are of the opinion that the NCDRC fell into a clear error of law and fact in allowing the consumer complaint for multiple reasons. As we have not agreed with the preliminary objection of the appellant to reject the complaint and relegate the respondents to civil court, we made extra efforts to examine the facts in detail. It is for this reason that the evidentiary value of the reports, their scope and ambit, and their contents were examined by us in some detail."

Senior Advocates Abhishek Manu Singhvi and Niraj Kishan Kaul appeared for the appellant while Senior Advocate Dama Seshadri Naidu appeared for the respondents.

Brief Facts –
The National Highways Authority of India (NHAI) awarded a contract for the design, construction, and maintenance of a cable-stayed bridge across the river Chambal on NH-76 at Kota, Rajasthan to a joint venture company comprising the respondent. The value of the project under the contract was Rs. 2,13,58,76,000/-. The appellant (insurance company) issued a Contractor's All Risk Insurance Policy covering the interest of NHAI as principal. While the construction was in progress, a part of the constructed bridge collapsed in 2009, resulting in the death of 48 workmen. The Ministry of Road Transport and Highways, Government of India constituted a committee of experts (Expert Committee) for investigating and reporting the cause of the said collapse. An FIR was lodged against the respondent for offences under Sections 304 and 308 of the Indian Penal Code (IPC). The respondent was found liable for the loss of 48 lives due to several defects at the stage of design, construction, and supervision. While the surveyor was furnishing the details, the respondent made a claim of Rs. 1,51,59,94,542/-.

In 2010, NHAI issued a show-cause notice to the respondent and in the meanwhile, the surveyor appointed by the insurance company/appellant submitted its final report. It was recommended that the insurance claim must be rejected as the respondent violated the conditions of the insurance policy and hence, the claim was repudiated. On the request of the respondent, the appellant agreed to reconsider the repudiation but it did not find any justifiable reason for accepting the claim. In the meanwhile, the bridge was inaugurated and put to public use and was operating since then. After almost 2 years of the rejection of the claim, the respondent filed a consumer complaint before the NCDRC and the same directed the appellant to pay a sum and strangely, when its judgment was pronounced, an addendum was added to the judgment. The same was undated and sought to amend paras and directed payment of Rs.

1,51,59,94,542/- instead of Rs. 39,09,92,828/-. Being aggrieved, the insurance company approached the Apex Court.

The Supreme Court in view of the facts and circumstances of the case noted, “At the outset, the concerned experts were never examined before the NCDRC. Further, these reports were not based on site inspection. They are all theoretical in nature.” The Court further noted that there is sufficient evidence to indicate that the surveyor made site-visits and the proof of that was part of the pleadings filed before it.

“The submission that NHAI continuing the contract with respondent nos. 1 and 2 and they have, in fact, completed the contract does not impress us. The continuation of work by respondent nos. 1 and 2 could be due to various reasons”, it said. The Court added that even if the NHAI’s decision to continue is taken to be a valid economic decision, that by itself cannot be a reason for not applying the applicable clause of the contract if such applicability is otherwise proved by cogent evidence.

Accordingly, the Apex Court allowed the appeal and set aside the order of the NCDRC. Cause Title- United India Insurance Co. Ltd. v. M/s Hyundai Engineering & Construction Co. Ltd. & Ors. (Neutral Citation: 2024 INSC 431)

Appearance: Appellant: Senior Advocates Abhishek Manu Singhvi, Niraj Kishan Kaul, AOR Amit Kumar Singh, Advocates K Enatoli Sema, Chubalemla Chang, and Prang Newmai. Respondents: Senior Advocate Dama Sheshadri Naidu, Advocates Mahesh Agarwal, Rishi Agrawala, Ankur Saigal, S. Lakshmi Iyer, Anwesha Padhi, Himanshu Saraswat, and AOR E. C. Agrawala.

TOP

PENSION

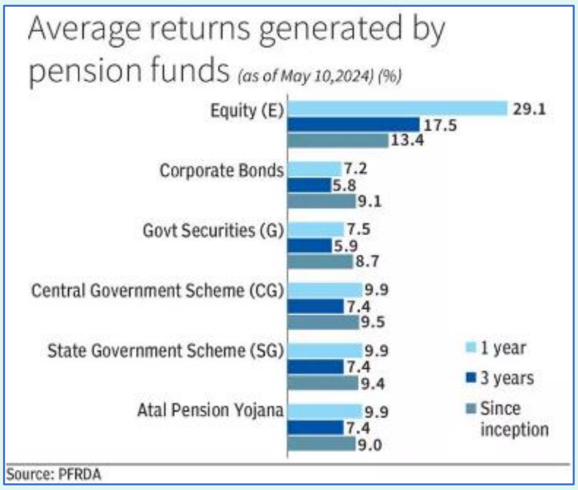
NPS assets surge 26% y-o-y to ₹11.94 lakh crore as of May 11: PFRDA - The Hindu Business Line – 21st May 2024

This overall AUM including that of Atal Pension Yojana (APY) — slightly short of ₹12 lakh-crore milestone mark —was higher than end March 2024 level of ₹11.73 lakh crore. The frenetic pace of overall NPS assets growth can be gauged from the fact that only in August last year the NPS assets had touched the ₹10-lakh crore mark.

NPS took six years and six months to reach the milestone of ₹1 lakh crore AUM after its implementation in 2009. It then took 4 years and 11 months to further increase AUM to ₹5 lakh crore. NPS AUM had doubled to ₹10 lakh crore as of August 25 last year from ₹5 lakh crore in a span of just 2 years and 10 months.

NUMBER OF SUBSCRIBERS

The number of new NPS and APY subscriber registrations till May 12 this fiscal stood at 94,009, PFRDA data showed.



On a year-on-year basis, the number of subscribers in the non-government sector as of May 11 grew by 8.77 lakh, while increase in the government sector was 7.17 lakh.

In 2023-24, as many as 9.47 lakh new subscribers onboarded NPS from the non-government sector. Of this, as many as 8.10 lakh subscribers were from ‘all citizen model ‘ and 1.37 lakh were corporate employees.

The overall robust NPS assets growth in recent years has been driven by both buoyant equity markets and widening NPS subscriber base as more working age Indians take up to retirement planning in a serious manner.

The non-government sector —corporates and retail —

saw a 26.42 per cent year on year growth in its NPS assets as of May 11 this year to ₹2.41 lakh crore. On the other hand, NPS assets of the government sector was up 24.12 percent at ₹9.19 lakh crore. The number of new government employees who onboarded NPS in fiscal 2023-24 stood at 7.10 lakh.

EQUITY RETURNS SIZZLE

Roaring bull markets in equities has helped pension funds record a scorching average annual return of 29.12 percent as of May 10 surpassing corporate bonds by over fourfold, and outperforming Government Securities and State Government Schemes. Over the past three years, pension funds achieved an average return of 17.51 per cent in equities, with returns since NPS inception coming in at 13.38 per cent for equity investments.

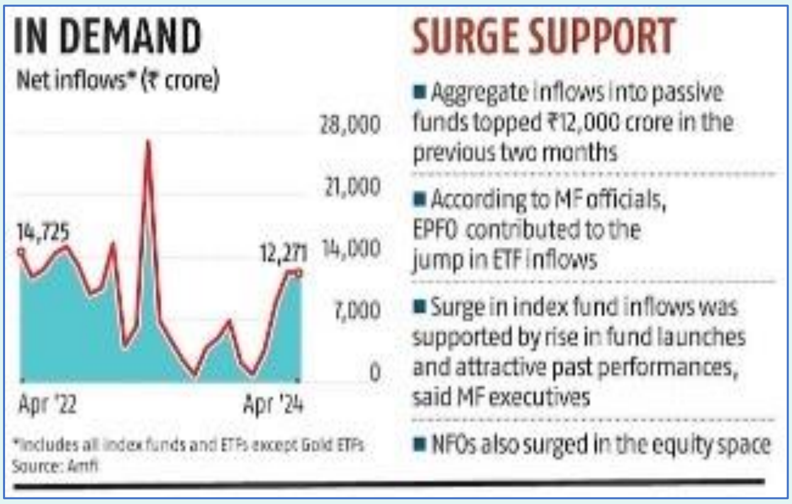
As of May 10, corporate bonds recorded annual return of 7.15 per cent, while Government securities saw a return of 7.49 per cent. The annual return from Central and State Government schemes stood at 9.91 per cent. The total number of NPS and APY subscribers as of May 11stood at 7.41 crore, up 16.29 per cent over 6.38 crore a year ago.

(The writer is K R Srivats.)

TOP

Jump in passive fund inflows in 2024 on new launches, EPFO boost - Business Standard – 20th May 2024

Inflows into passive funds, which slumped after the change in debt fund taxation in April 2023, have rebounded this calendar year (CY2024). The surge in inflows came on the back of an increase in new index fund and exchange traded fund (ETF) launches and strong performance in some of the categories. The aggregate inflows into passive funds topped Rs 12,000 crore in the previous two months (March and April 2024), with the total CY2024 net inflows at Rs 37,200 crore. The average monthly inflows in the previous six months were just Rs 3,263 crore.



According to mutual fund (MF) officials, the Employees' Provident Fund Organisation (EPFO) has also contributed to the jump in ETF inflows.

In March, ETFs alone had received a net inflow of Rs 10,560 crore. ETFs mostly draw inflows from institutional investors with the EPFO being the largest investor. Back-of-the-envelop calculations using assets under management (AUM) data shows that nearly Rs 9,000 crore ETF inflows went into Nifty 50 and Sensex ETFs offered by SBI Mutual Fund (MF), UTI MF, Nippon India MF, and ICICI Prudential MF. The EPFO investments largely go into these schemes.

Mutual fund officials say the surge in index fund inflows was supported by a rise in fund launches and attractive past performances. "A lot of new funds have come in on the passive side in recent months. We are seeing participation categories, be it market-cap, sector or factor-based funds. The interest is driven by strong performances and good experience in recent years," said Anand Varadarajan, Head - Institutional clients, Banking, Alternate investments and Product strategy, Tata AMC.

Passive funds have been at the top of the one-year and three-year performance charts for some months now. CPSE ETF has given the highest return in the one-year period at 107 per cent. Motilal Oswal S&P BSE Enhanced Value ETF and index fund, along with UTI Nifty 500 Value 50 Index Fund, are also in the top 10. In addition, passive funds were leading in popular categories like midcap and smallcap for the most part of the year. There has been a surge in new fund offerings (NFOs) in the equity space as the bull run in the equity markets gained momentum. The launches have been higher on the passive side as most large fund houses already have completed their active equity and hybrid product bouquet.

The launches in the equity, hybrid, and passive space surged to 80 in the second half of the last financial year (H2FY24) compared to 47 in the previous six months, according to data from the Association of Mutual Funds in India (Amfi). As of April end, mutual funds had launched 33 passive funds in CY 2024 vis-a-vis 15 launches in the previous four months. Even as passive fund AUM is only a fraction of active AUM and is still seen as an institutional offering, retail investors have started to warm up to the concept of index-based investing. The traction is largely driven by the two advantages that they have over active funds — low cost and no fund manager risk.

(The writer is Abhishek Kumar.)

TOP

IRDAI CIRCULAR

Circular	***Reference***
Master Circular on Corporate Governance for Insurers, 2024	https://irdai.gov.in/web/guest/document-detail?documentId=4916164

TOP

GLOBAL NEWS

South Korea: Insurance industry's 1Q2024 combined net profit falls by 11% - Asia Insurance Review

Insurance companies in South Korea saw their combined net profit shrink more than 11% from a year earlier in the first three months of the year, according to data from the Financial Supervisory Service. The combined net profit of 22 life insurers and 31 non-life insurance companies in the country stood at KRW4.84tn ($3.54bn) in the January-March period, down by KRW605bn, or 11.1%, from the corresponding quarter in 2023, reported Yonhap News Agency citing the data.

The profit decline was attributed to a drop in investment returns due to high interest rates that led to the depreciation in the value of the insurance companies' financial assets, according to the financial regulator. Life insurers' premium income gained 1.7% year on year to KRW1.25tn in 1Q2024 while that of non-life insurers surged by 27.9% to KRW3.05tn.

Their return on assets, however, dropped 53.2% and 17.5% year on year, respectively. The insurance companies' average return on assets stood at 1.58% at end-March, down 0.27 percentage point from a year earlier, with their return on equity dipping 2.03 percentage points to 11.95% over the cited period. Their total assets amounted to KRW1,222.6tn as of 31 March, down by KRW2tn, or 0.2%, from a year earlier.

TOP

Taiwan: Life insurers to see financial obligations grow in 2024 – Asia Insurance Review

Taiwan life insurers are working to strengthen their regulatory capital base in preparation for stricter regulatory capital standards due in 2026, says Taiwan Ratings, which is an S&P Global company.

The implementation of related accounting changes in that year is unlikely on its own to have a material impact on credit ratings by Taiwan Ratings. However, insurers' growing financial obligations could weigh on their creditworthiness without careful planning. That's according to a chartbook-style report, titled "2024 Taiwan Life Insurance Sector Credit Trends" published by Taiwan Ratings.

The report highlights the following main points:
• Insurers will continue to strengthen their regulatory capital ahead of the introduction of the Insurance Capital Standard (ICS) in 2026.

• Growth in the sector's financial obligations could weigh on insurers' creditworthiness.
• Recent bond issuances have had minimal impact on the sector's capitalisation.
• Earnings could show some, albeit limited, improvement in 2024.
• Forex risk remains the sector's key credit risk.
• Insurers' forex volatility reserves now provide a stronger cushion against profit shocks from forex risk.
• Implementation of ICS and International Financial Reporting Standard 17 presents new challenges, but Taiwan Ratings does not expect these accounting changes alone to have a material impact on its ratings.

TOP

Taiwan: Non-life market expected to be supported by strengthening economy - Asia Insurance Review

Taiwan's strengthening economy will likely underpin steady insurance demand and drive modest premium growth for the P&C insurance sector in 2024, said Taiwan Ratings, an S&P Global company. Insurers are also likely to strive for a balance between risk return and risk capacity, amid inflation and higher reinsurance costs.

That's according to a chartbook-style report, titled "2024 Taiwan P/C Insurance Sector Credit Trends" that Taiwan Ratings Corp. published on RatingsDirect on the Capital IQ platform. Taiwan Ratings is the Taipei-based subsidiary of S&P Global Ratings.

The key expectations for the Taiwanese P&C insurance sector include:
Insurers' average capital adequacy is unlikely to weaken under a moderate stress scenario.
Insurers are likely to remain focused on risk management over the coming year.
The balance between risk-return and risk capacity will continue to underpin stable aggregated risk.
The sector's capital remains a key credit strength.
Insurers' Cat exposure risk will remain manageable.
The sector's use of reinsurance will return to the historical average.
The improving macroeconomy should underpin steady insurance demand and drive premium growth.
Average liquidity will remain adequate.
Regulatory enhancements are credit-positive for the sector.

TOP

Pakistan: Regulator begins digitising licensing and regulatory approvals for insurance - Asia Insurance Review

The Securities and Exchange Commission of Pakistan (SECP) has entered the second phase of its end-to-end digital transformation and automation project, LEAP (Leading Efficiency through Automation Prowess), thereby automating its regulatory approvals and licensing regime.

Phase 2A begins with the automation of licensing and regulatory approvals of insurance.

This is to be followed by the end-to-end automation of non-banking finance companies, the Securities Market and other companies.

In the initial phase of LEAP, the SECP successfully launched its new corporate registry, "eZfile," which is an advanced, sophisticated and user-friendly online portal for company registration and post-incorporation filings.

Under LEAP, the SECP has identified key business processes that need to be reviewed, documented, re-engineered and automated.

The main focus of this end-to-end process automation and digital transformation is to facilitate the ease of doing business, to enable meeting compliance requirements through lowering costs and to introduce efficiencies in turnaround times while accomplishing transparency and internal accountability.

TOP

Indonesia: General insurers call for mandatory motor third-party liability insurance

The Indonesian General Insurance Association (AAUI) has called for third-party liability (MTPL) insurance to be made mandatory for all vehicles, saying that the number of motor accidents has been rising. In 2023, the number of accident victims reached 148,000, according to data from the Traffic Police Corps (Korlantas). Based on AAUI data, in 2023, motor vehicle claim payments amounted to IDR7tn ($438.5m).

AAUI deputy chairman for technical affairs (health, motor & TPL) Wayan Pariama said at a media meeting last week that his committee was studying the feasibility of forming a consortium of TPL insurers. He said that TPL insurance is currently provided by many motor insurers in Indonesia. It is voluntary and sold as a rider on comprehensive motor insurance policies. However, most total-loss-only insurance policies do not cover TPL. Most motorbikes are not covered by MTPL insurance, which is currently required for commercial trucks and vehicles licensed to carry public passengers.

He hoped that regulations making TPL mandatory could be issued by 2025, reported Antara News Agency. Mr Wayan said that his committee was also collecting motor data, such as premium rates, needed by the government in a study on drafting the regulations. In addition, Mr Wayan said that plans for mandatory TPL plans would also cover the obligation to provide insurance for huge events such as football matches. The proposal is for the TPL insurance premium to be included in the ticket price.

TOP

COI Training Programs

Mumbai – June 2024

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Understanding Electric Vehicle Insurance	03-Jun-24	03-Jun-24	ClickHere	Register
2	Basics of Aviation Insurance	06-Jun-24	07-Jun-24	ClickHere	Register
3	Comprehensive Financial Planning Series-Part 1 : Focus on Tax Planning	06-Jun-24	06-Jun-24	ClickHere	Register
4	Reinsurance Program: International (RPI)	10-Jun-24	15-Jun-24	ClickHere	Register
5	Cutting Edge Marketing Strategies for Branch/Unit Leaders of Life Insurance	10-Jun-24	10-Jun-24	ClickHere	Register
6	Understanding Life Insurance Operations for Middle Level Managers	10-Jun-24	11-Jun-24	ClickHere	Register
7	Risk Inspection- Methods & Reporting	12-Jun-24	13-Jun-24	ClickHere	Register
8	Workshop on Soft Skills for team leaders	12-Jun-24	13-Jun-24	ClickHere	Register
9	Techniques for Telemarketing Teams in Insurance	13-Jun-24	14-Jun-24	ClickHere	Register
10	Basics of Life Insurance for New Recruits	14-Jun-24	14-Jun-24	ClickHere	Register
11	Life Insurance Marketing for Brokers	18-Jun-24	19-Jun-24	ClickHere	Register
12	Creating High performers in BancaChannel	18-Jun-24	18-Jun-24	ClickHere	Register
13	Liability Insurance: Focus - Casualty Lines	20-Jun-24	21-Jun-24	ClickHere	Register

14	Program on AML-KYC-CFT Requirements	20-Jun-24	20-Jun-24	ClickHere	Register
15	Principles of Valuation of Life Insurance Companies	21-Jun-24	21-Jun-24	ClickHere	Register
16	Compliance Management for Principal Officers of Corporate Agents, Banks	24-Jun-24	24-Jun-24	ClickHere	Register
17	Insurtech and Agriculture	21-Jun-24	21-Jun-24	ClickHere	Register
18	Motor OD Insurance - Underwriting and Claims	26-Jun-24	27-Jun-24	ClickHere	Register
19	Liability Insurance: Focus Cyber & Crime	27-Jun-24	28-Jun-24	ClickHere	Register
20	Forensic Science in Insurance Investigations	27-Jun-24	27-Jun-24	ClickHere	Register
21	Compliance 2.0 – An upgrade for Principle based Regulatory Regime	27-Jun-24	28-Jun-24	ClickHere	Register

Kolkata – June 2024

Sr. No	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Annuities as a Distinct Marketing Too-CT Kolkata	12-Jun-24	12-Jun-24	ClickHere	Register
2	Managing Liability Insurance: Marketing, Underwriting and Claims (Other than Motor TP and Cyber Liabilities)-CT Kolkata	13-Jun-24	14-Jun-24	ClickHere	Register
3	Renewable Energy Insurance - The emerging opportunities-CT Kolkata	27-Jun-24	28-Jun-24	ClickHere	Register
4	Paradigm Shift in Life Insurance Underwriting-CVT Kolkata	28-Jun-24	28-Jun-24	ClickHere	Register

TOP

Courses offered by COI

CC1 - Certificate Course in Life Insurance Marketing

Course Structure –

Particulars	Details
Date	6th July 024
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	6^{th} July 2024
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	6^{th} July 2024
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
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.

Post Graduate Diploma in Collaboration with Mumbai University

Post Graduate Diploma in Health Insurance (PGDHI)

Particulars	Details
Duration of the course	one year (2 semesters)
Mode of Teaching	Weekend Class Room sessions (Saturdays and Sundays (full day)) and Research Project
Eligibility	Graduates in any faculty are eligible. Students appearing in their final year degree examination are also allowed to apply*. Fresher's, working professionals (including medical doctors) in the health insurance sector can join this course to upgrade their professional qualifications, knowledge and for career advancement [*subject to their passing the examination].
Fees for the course	Rs.45,375/-
Cash Award Prize Scheme	Rs.15,000/- for the best performing candidate of III-PGDHI
Contact Email id	pgdhi@iii.org.in

Post Graduate Diploma in Insurance Marketing (PGDIM)

Particulars	Details
Duration of the course	one year (2 semesters)
Mode of Teaching	Weekend Class Room sessions (Saturdays and Sundays (full day)) and Research Project
Eligibility	Graduates in any discipline are eligible. Students appearing in their final year degree examination are also allowed to apply*. Fresher, working professionals in life/general insurance sector can join this course to upgrade their professional qualifications, knowledge and for career advancement [* subject to their passing the examination].
Fees for the course	Rs.45,375/-
Cash Award Prize Scheme	Rs.15,000/- for the best performing candidate of III-PGDIM
Contact Email id	pgdim@iii.org.in

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