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INSUNEWS - WEEKLY E-NEWSLETTER

18TH – 24TH JANUARY 2025

QUOTE OF THE WEEK

"Put your heart, mind, and soul into even your smallest acts. This is the secret of success."

SWAMI SIVANANDA

Insurance Term for the Week

Mechanical Breakdown Insurance

Mechanical breakdown insurance (or MBI coverage, for those in the know) is a type of insurance that covers your car's mechanical failures. Car insurance typically covers damage from an accident or an "act of God." If an accident causes mechanical damage it would probably be covered by your car insurance, but if your engine fails while you're cruising down the road, or your transmission malfunctions and you suddenly can't reverse, you're likely on the hook for repair costs.

If you're anxious about those future bills, Mechanical breakdown coverage might let you relax a little. MBI coverage is an insurance policy that kicks in to cover many of those mechanical failures that are unrelated to stuff your car insurance policy already covers. Mechanical breakdown insurance can be purchased from some car insurers as an add-on, but not every insurance company offers it. In fact, most do not.

MBI can only be purchased when buying and insuring a new car, or one with very low miles, and can be canceled at any time. Keep in mind that this kind of policy will also only cover system failures—it won't cover you for basic wear and tear of your car's mechanical systems. It also won't cover you for the cost of roadside assistance if you experience mechanical breakdown while out on the road.

INSIDE THE ISSUE

INSURANCE INDUSTRY

Insurers want support for pension plans - The Tribune – 24th January 2025

As the Centre prepares for the Budget, the insurance industry is hopeful for significant reforms. Experts are of the view that government will address affordability challenges, keeping in mind its vision “Insurance for all by 2047.” The Indian insurance sector is at the cusp of a new growth trajectory that needs policy intervention by the government. “The Budget provides excellent opportunities to pump up the insurance sector, which is hoping for a reduction in GST rates to make health insurance more affordable, an increase of tax exemption to encourage people to buy insurance policies that would ultimately provide security and long term capital, and rationalisation of capital gain taxation. In addition, providing incentives for insurance in rural India will significantly impact expanding and promoting insurance in those areas where penetration is very low,” Balachander Sekhar, CEO- RenewBuy, said.
Financial stability is a cornerstone of a secure future. “One of our hopes for the upcoming Budget is to see support for pension and annuity plans which are key financial instruments for the retirement planning needed to create that stability,” Sameer Bansal, MD and CEO, PNB MetLife, said. He shared that tax support for pension plans offered by life insurers, on par with the National Pension Scheme, would provide both greater choice and allow diversification of assets into multiple pension plans.

(The writer is Vijay C Roy.)

TOP

Insurers Push for More Hedging Tools from Regulator to Boost Strategies - Business Standard – 23rd January 2025

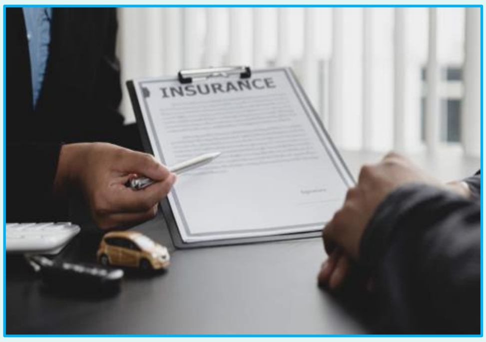
Indian insurers have held talks with the regulator to propose the introduction of equity options as a hedging tool to boost their risk-management strategies, according to people involved in the discussions. The conversations took place in recent months, the people said, asking not to be named as they are not authorised to speak publicly. The insurers have suggested permission to trade derivatives for products that have exposure to benchmark stock indexes as an initial step, the people said. The Insurance Regulatory and Development Authority of India didn’t respond to a request seeking comment. Currently, the regulatory norms do not permit insurers to use instruments like options to manage equity-market risks. However, insurers are allowed to use certain derivative tools to hedge risks in fixed-income products.

The move comes as insurers aim to mitigate their risk in equities that have seen a surge in volatility in recent months amid foreign outflows, worries over company earnings growth and sluggish economic growth. The benchmark NSE Nifty 50 Index has fallen about 11 per cent from its September peak. Insurers have sought parity with mutual funds, who have access to equity hedging instruments, the people said. The move is also guided by insurers’ efforts to shield their solvency norms from potential losses on the equity portfolio. Solvency is a gauge of whether an insurer can fulfill its liabilities.

(The writer are Bhaskar Dutta and Savio Shetty.)

TOP

'Insurance for all' by 2047 challenging at current industry pace, says expert – Moneycontrol - 22nd January 2025



The goal of achieving "Insurance for All" by 2047 seems out of reach given the current passive industry attitude, said T L Alamelu, Principal Advisor, and International Financial Services Centres Authority (IFSCA). Speaking at the 18th IR India Rendezvous on January 22, 2025, Alamelu noted that while there is a readiness in terms of distribution and ecosystem, the actual implementation has been slow. The Insurance for All initiative is a goal set by the India Insurance Regulatory and Development Authority (IRDAI) in 2022 to ensure that the country's 1.4-billion population is insured by 2047.

Since the government's push from around 2014 to expand insurance coverage, there has been some progress, she said, while adding that there is a need for an aggressive approach.

According to a recent report by the IRDAI, insurance penetration in the country slowed down from 4 percent in FY23 to 3.7 percent in FY24. Insurance penetration is measured as the percentage of insurance premiums to GDP, and insurance density is calculated as the ratio of premium to population (per capita premium), according to the report. Alamelu questioned the reliability of these metrics for measuring insurance penetration, stating that the numbers are too "high-level," and asked if they truly reflect the situation on the ground.

In India, insurance to the lower-income population is normally channelised through schemes such as Ayushman Bharat, or State-specific programmes. This leads to significant variations in how insurance is provided and measured, Alamelu said. As a solution, she suggested the development of a new, tailored metric to capture insurance coverage in India better.

She further highlighted the role of the unorganised sector in health insurance, mentioning Employee State Insurance (ESI) hospitals and small pension schemes. The ESI Scheme provides medical benefits primarily to workers in the organised sector. Extending ESI benefits to the unorganised sector, comprising millions of workers, will help cover a vast portion of the population that traditionally has limited access to the formal insurance structure, she said. Additionally, she urged insurers to develop more Gross Direct Premium Income (GDPI) plans tailored to the needs, affordability, and characteristics of specific demographics.

GDPI refers to the total premium income collected by an insurance company from policyholders.
She suggested the possibility of creating an "insurance Aadhaar" or "insurance PAN card" to streamline and track insurance coverage across the population. She gave the example of vehicle insurance where despite legal mandates, 60 percent of vehicles remain uninsured.

"By leveraging data from the VAHAN database, which captures all vehicle registrations, and comparing it with insured vehicle data held by regulators, there is an opportunity to target and close this gap," she added.

(The writer is Malvika Sundaresan.)

TOP

Will PMJJBY life insurance coverage double to ₹5 lakh? - One India – 22nd January 2025

As the Indian government prepares for the Union Budget 2025, one of the key proposals that could make a significant impact on citizens' financial security is a major upgrade to its insurance schemes. In an effort to provide enhanced protection, especially for those from economically vulnerable sections, the government is contemplating an increase in the life insurance coverage under the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY). If approved, the coverage is set to rise from ₹2 lakh to ₹5 lakh, marking a crucial step toward expanding insurance access across the nation.

This proposal aligns with the government's broader vision of achieving 'Insurance for All by 2047', ensuring that every individual and business in India is covered under some form of insurance. The potential announcement in the upcoming Budget 2025 would demonstrate a bold commitment to the financial protection of all citizens, particularly those from lower-income groups.

What's in the Pipeline for the PMJJBY and PMSBY Schemes?
The PMJJBY, which currently provides life insurance coverage of ₹2 lakh, is primarily aimed at offering protection against death due to any cause. Meanwhile, the Pradhan Mantri Suraksha Bima Yojana (PMSBY) provides accidental death and disability cover. Both schemes are designed to be highly affordable, with low annual premiums to ensure accessibility for the masses. The annual premium for PMJJBY is ₹436, while PMSBY is priced at just ₹20 annually. The proposal to increase the coverage to ₹5 lakh under PMJJBY is part of the government's push to bridge the insurance protection gap in the country. By offering higher life insurance coverage, this move seeks to provide more substantial financial support to families during unforeseen circumstances, ensuring that they have the resources to meet their obligations and maintain financial stability.

How Will This Impact Citizens?
The increase in life insurance coverage would significantly benefit low-income families and individuals, especially in the face of unexpected tragedies. Currently, the coverage under PMJJBY may not fully meet the growing financial needs of families in case of a policyholder's death. With ₹5 lakh coverage, families will have more financial security to cover various expenses, from funeral costs to meeting everyday living needs.

Key Benefits Include:
Improved Financial Protection: The higher ₹5 lakh life cover would provide a stronger financial safety net, helping families navigate through financial turmoil without severe hardships. Affordable Premiums: Despite the increase in coverage, the government aims to maintain low premiums, ensuring that the schemes remain accessible to all sections of society. The focus will be on keeping costs manageable while offering more robust protection. Choice for Policyholders: Policyholders may have the option to either opt for the increased ₹5 lakh coverage or continue with the existing ₹2 lakh cover. This flexibility allows individuals to select a plan that suits their financial capabilities. Inclusivity and Accessibility: The government's objective is to ensure that more people across the country benefit from these schemes, particularly those who may not have access to private insurance options. The push for higher coverage reflects an inclusive approach to social security.

The Bigger Picture: Expanding Insurance Access
The proposed changes to the PMJJBY and PMSBY schemes fit within the government's broader vision of 'Insurance for All by 2047,' a goal set by the Insurance Regulatory and Development Authority of India (IRDAI) in 2022. The IRDAI has been working diligently to remove regulatory and capital hurdles that currently limit the accessibility of life and health insurance in India. By making insurance affordable and expanding coverage, the government hopes to eliminate the insurance protection gap that leaves many vulnerable citizens unprotected. As of October 2024, more than 216 million people have enrolled in the PMJJBY, with over ₹17,211 crore settled for 860,575 claims. The increase in coverage would further strengthen these efforts, ensuring that even more individuals and families are financially safeguarded against unexpected events.

What Can We Expect from Budget 2025?
With the Union Budget 2025 just around the corner, citizens are eagerly awaiting an official announcement regarding these proposed changes. The government has emphasized that premiums will remain affordable, ensuring that even with the increased benefits, the schemes will remain accessible to the broader population. The increase in life insurance coverage is expected to be a key component of the government's social welfare efforts, contributing to the goal of financial inclusion and increased

resilience for all citizens. The announcement will likely be a major highlight of the Budget, signaling a strong commitment to building a more secure and protected society.

(The writer is Saumya Joshi.)

TOP

Insurers Want GST to Continue on Term Plans - The Times of India - 22nd January 2025

At a time when the ministerial panel on GST rationalisation is seeking to ensure that the benefits of lower tax are passed on to consumers, life insurance companies have petitioned against exempting term insurance policies from the levy. The life insurance industry has argued that the move will result in withdrawal of input tax credit (ITC) benefit for taxes paid on goods and services and services used by them and will increase costs for them. Estimating that ITC adds up to 11 percent, the companies have told the group of ministers, led by Bihar deputy chief minister Samrat Chaudhary, as well as officials at the Centre that at least 12 percent GST should be imposed. Besides, they want the full benefit of ITC to be available to offset any cost disadvantage. Life insurance companies have suggested that in the case of a reduction below 12 percent, there should be a reduction in the rate for insurance commission services too.

One option will be to allow for zero rating, which means that while exempting GST on the output, there is no bar on availing of credit for taxes paid on inputs used for providing the service. "Due to this additional burden (ITC withdrawal), life insurance companies will be compelled to increase the premium which will not fully meet the objective of govt to provide life insurance product at affordable price. Additionally, GST exemption on renewal premiums (for policies sold in previous years) would make it onerous and unviable," the companies have said in a representation. While exempting term insurance plans and health insurance up to a certain limit and for seniors was on the agenda of the last month's GST Council's meeting in Jaisalmer, the ministerial panel was asked to look at them once again.

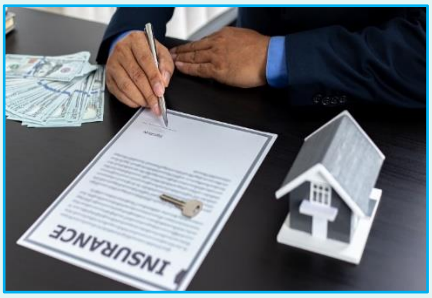
One of the reasons for the decision being postponed was that insurance regulator Irdai had not sent its comments on the issue, which is expected in the coming weeks. Given that the insurance industry has taken up the issue of ITC with the finance ministry and the regulator too, Irdai may flag it before the group of ministers. Besides, finance ministers are keen to ensure that the benefits of lower taxes are actually passed on to consumers since the anti-profiteering clause has now been done away with.

Stay informed with the latest Business News on Times of India. Explore the list of Bank Holidays, stay informed about Budget 2025, discover the new Income Tax Slabs, and use the Income Tax Calculator for hassle-free tax planning.

(The writer is Sidhartha.)

TOP

From Promise to Performance: India's insurance sector is poised for growth – Moneycontrol - 22nd January 2025



India's insurance sector has long been characterised by high potential, underpinned by a large and underpenetrated population. However, its performance has been moderate at best, due to factors such as low awareness and financial literacy, product complexity or relevance, strict regulatory standards, slow pace of technological adoption and generally poor affordability.

In its current phase, however, a convergence of favourable factors may have led the sector to an inflection point.

Rising per capita GDP: India's per capita GDP is expected to rise significantly, by almost $2,000, to reach about $4,730 by 2029.

Proactive regulatory measures: The Insurance Regulatory and Development Authority of India (IRDAI) is balancing the twin agenda of facilitating sector growth with policyholders' protection. Upcoming regulations are expected to augment growth.

Evolution of (Digital Public Infrastructure) DPI: From the launch of Aadhar in 2009, DPI in India has come a long way, especially with UPI showing significant success in rural and semi urban areas.

Innovative work by market participants: Insurance market participants are rising to the challenge with investments and innovations across product, distribution and technology to digitise and modernise the sector.

Key sector initiatives and factors necessary for their success:
Bima Trinity initiatives: The Bima Vahak – Bima Vistaar initiatives are particularly interesting for their potential to enhance rural coverage exponentially. The schemes aim to have Bima Vahaks (a women-centric distribution force) deployed to all 250,000 Gram Panchayats across India with specific coverage targets for lead insurers for each state. However, their success will depend on effective training, product design, and technology usage. The success of Bima Sugam, will be contingent on its customer experience design combined with robust technology infrastructure.

Increase in FDI limit: The rise in the foreign direct investment cap to 100 percent will boost market expansion. However, more clarity is needed on the fair market value or 'FMV' clause under the Foreign Exchange Management Act regulations for foreign players to find market entry more attractive.

Lower capital requirements for new entrants based on business scale: Currently, the minimum capital requirement for setting up an insurance company in India is Rs 100 crore. This move will allow market entry for smaller, niche, more specialised players in the market. However, it is important to balance sector growth with stability and to protect the customer's interest. In this case, therefore, IRDAI must build robust frameworks to conduct stress tests on the business models of potential entrants and ensure that corporate governance requirements are adhered to, to have continuous regulatory oversight.

Composite licenses: Allowing all insurance purchases under one roof will significantly improve customer convenience, potentially improving efficiency and making market participants more profitable. But the success of this move will hinge on a clear and simple regulatory framework and guidelines to manage associated risks.

Technology-led transformation:
The insurance sector has significantly raised its investment in technology in recent years with almost all large market participants making large investments. Most recently, LIC reported earmarking Rs 600 crore for its digital shift. However, businesses will have to embed digitisation and technology as a part of their core business strategy for sustained transformation.

Product hyper-personalisation:
In an increasingly digital, data-driven world, companies are building product strategies to allow for tailor-made or hyper-personalised products rather than the traditional 'one-size-fits-all' approach. Insurers, though, will need to build customer trust to collect data about their needs and preferences. They will also need digital and technological capabilities to create and offer data-backed products and be able to distribute them efficiently to right segments at the right price.

The road ahead
With the right foundational blocks in place and increased regulatory clarity, the industry is now uniquely positioned for growth. The regulator has shown its willingness to act as a partner and a facilitator for the industry to help achieve its vision of 'Insurance for all by 2047'. While this goal is ambitious, the recent actions of the industry inspire much confidence that they will be able to rise to mee this challenge.

Achieving this goal will be a monumental achievement for India, providing much-needed protection for its masses and paving the way for a more secure and prosperous future.

(The writer is Shubhra Goel.)

TOP

Budget 2025 can unlock new opportunities for insurance sector. What about 100% FDI? – 22nd January 2025

India Budget: The Indian insurance sector is at the cusp of a new growth trajectory that needs policy intervention by the government. The Union budget will provide an excellent opportunity to pump up the insurance sector, which is expecting a reduction in GST rates - to make health and term insurance more affordable, an increase of tax exemption to encourage people for buying insurance policies that would ultimately provide security, long-term capital and ease the inflationary effects on individual tax payers.

It may also help, if the Union budget provides incentives for insurance in rural India which will significantly impact expanding and promoting insurance in those areas where penetration is very low.

Budget's Vision: India as a Global Insurance Leader

India, which is ranked as the 10th largest insurance market globally, is projected to become the sixth largest by 2032. To reach that kind of growth, there is a need for more players, more technological advancements, and the use of digital to get into deeper pockets.

Budget to Drive FDI in Insurance

The government's proposed move to permit 100% Foreign Direct Investment (FDI) in the sector will help facilitate entry of more players into the Indian market, thereby ushering in a new wave of competition, innovation and growth. In a capital-intensive market like insurance, the proposal will help inject substantial capital into the sector, enabling insurers to expand their operations, enhance their product offerings, and strengthen financial reserves.

Moody's recent ratings have highlighted significant foreign direct inflows into the insurance industry, if the government goes ahead with a proposal to increase the FDI from 74% to 100%. It can also impact improved margins for Indian insurers, listing of insurance companies and newer tax rules. It will help in strengthening and modernizing the insurance industry and attract significant interest from global insurance players. Many international insurers can enter the Indian market which will drive Indian insurers to adopt global best practices in product and processes, innovation as well as cutting-edge technologies.

Insurance players globally have been undertaking significant strides on the technology front by betting big on advanced technologies such as AI, ML and big data analytics. These could help India's insurance sector by bringing in fresh perspectives on underwriting, claims management and customer service.

Along with this, the Bill also proposes allowing a single composite license for life, health, and general insurance, which will work as a one-stop shop for addressing consumers' needs, making it more convenient for them to access products for all their insurance and protection requirements.

Budget to Enable Composite Licenses and Reduce Entry Barriers

The proposal of differential capital and reduction in solvency norms will also help reduce entry barriers for new entrants into the market. All these measures put together, will help deepen the insurance market in India, leading to more innovation on the product front. For a country like India, which has a significant share of population living in the rural and semi urban markets, innovation on products to suit the varied needs of customers and proper pricing will play a crucial role in higher uptake of insurance products.

Budget to Revolutionise the Insurance Agent Model

The proposed regulations have also highlighted about allowing insurance agents to offer policies from multiple insurers, in place of the tied agency model. For decades, the insurance industry has been driven by the tied agent model, where agents promoted insurance products of the company they have been associated with. In most cases, consumers bought products which were encouraged by the agents and often ended up buying insurance, which did not suit to the best of their needs.

The proposal will help consumers receive multiple options for insurance products and they can choose the most suitable insurance, as per their requirements. The tied-agent model has not been able to reach more than 100 million consumers, residing in the top 50-60 cities. Over the years, the model has not succeeded in the smaller cities. Allowing insurance agents to offer multiple insurance policies, will help the sector reach out to those 700 million consumers, who need financial protection, but have not been reached out to.

With proposals to increase FDI limit, composite license, insurance agents being allowed to offer multiple insurance policies, expectations for reduction in GST; the insurance industry is filled with optimism for budget 2024-25. Most importantly, consumers should benefit from the budget and the industry should collectively look at increasing the insurance penetration beyond the current 3.7%.

(The writer is Balachander Sekhar.)

TOP

100% FDI in Insurance to Boost Inflows: Moody's – The Times of India – 21st January 2025

Moody's Ratings has said it sees significant foreign direct investment flows into the insurance sector if govt goes ahead with a proposal to increase foreign direct investment to 100% from 74%. This is coupled with improving margins for Indian insurers, brought about by govt pressure on public sector insurers, the listing of insurance companies, and the move toward newer tax rules.

"Many markets still do not allow 100% FDI in insurance. Wholly-owned subsidiaries give foreign companies more incentive to deploy more resources. Many foreign insurers already present through joint ventures could seek to increase their stake," Mohammed Ali Londe, VP and senior analyst, told TOI. According to Londe, govt's decision to link capital infusion in public sector general insurance to underwriting profits has had a positive impact on the industry. He added that persistently weak prices in insurance suppress the sector's profitability.

Another attraction for some foreign insurers would be the proposal to allow monoline insurers and composite insurance companies. "There are many insurers globally who focus on one line of insurance activity. They will be encouraged to come to India," said Londe.

Londe said the listing of LIC and New India Assurance had increased the margins of the insurers. "We see these measures as credit positive. The state-owned insurers have considerable influence over market pricing but have historically prioritized gaining market share. As a result, they have tended to set prices at artificially low levels," he said.

(The writer is Mayur Shetty.)

TOP

Mergers and Acquisitions in the Indian Insurance Broking Space – Cyrilam Amarchand Blogs - 20th January 2025

Insurance Brokers Association of India projects insurance broking sector to capture a 45 per cent market share by 2030 following increased insurance penetration and the demand for insurance products. Over the past couple of years, the Indian insurance industry has seen a series of significant transformations and new developments. Modified regulations, liberalisation of commission regimes, and proposals for amendment of regulatory architecture have opened new avenues of growth for the insurance broking industry.

This, along with the liberalisation in the foreign direct investment limits for insurance intermediaries (detailed discussion on this can be found in our blog post dated May 8, 2020), have resulted in the M&A deals in the sector gaining momentum. Specifically, for the insurance brokerage industry, convergence of various factors (such as need for increased capital to invest in digital technologies, all-time high valuation of the insurance brokers and the challenging and competitive insurance industry) has created a perfect environment for consolidation.

Implications

The Indian insurance market has evolved significantly during the last decade. There are presently 708 insurance brokers registered with the insurance regulator. Since this makes the insurance broking industry far too fragmented, and a significant market share is captured only by a small percentage of these insurance brokers, consolidation has now become the driving theme.

Consolidation gives an opportunity for insurance brokers to boost market share inorganically. This will enable insurance brokers who are better capitalised to implement new technologies and platforms and invest in digitisation, thereby providing better customer experience. With consolidation bringing more cross-selling and up-selling opportunities (due to a wider customer pool), insurance brokers can gain higher bargaining power with insurers, improve brand and market share, and expand and diversify services and product lines. The resultant insurance broking entity can also leverage the combined resources to offer a wider range of products and services to the customers, offering greater value to the customers. Large insurance broking entities, born through such consolidation, will also have the resources and the wherewithal to increase the insurance penetration, which has reduced to 4 per cent in 2022-23 from the level of 4.2 per cent in 2021-22.[1]

Recent Consolidations

Well-planned M&A can eventually facilitate the listing of the insurance broking entities and unlocking of valuation in the market. Very recently, a NYSE-listed leading global professional services firm completed the transaction to acquire an Indian insurance broker registered with the Insurance Regulatory and Development Authority of India ("**IRDAI**"). This Indian insurance broker is now currently a wholly owned subsidiary of the global services firm and will formally merge with another Indian insurance broker, a wholly owned subsidiary of the aforementioned global services firm, following the completion of the merger process with the National Company Law Tribunal ("**NCLT**"). This consolidation is expected strengthen the existing broking capabilities of this merged entity to offer sophisticated products to its customer base and expand its existing customer and insurer network.

The acquisition of an insurance broker is also an attractive proposition for technology companies. Very recently, an Indian artificial intelligence-based financial wellness platform forayed into the insurance broking space by acquiring 100 per cent shares of a Hyderabad-based insurance broking entity through its parent entity.

Challenges for M&A

While M&A opportunities offer significant benefits to all the stakeholders involved, several legal and regulatory considerations must be considered before opting for a desired transaction structure for such consolidation. M&A can take place in different forms. However, pursuant to the IRDAI (Insurance Brokers) Regulations, 2018 ("**Brokers Regulations**"), any kind of corporate restructuring of the insurance broker (implementation of a scheme of merger or amalgamation, business transfer/demerger, takeover/acquisition, joint venture, etc.) requires a prior IRDAI approval.[2] From a regulatory perspective, it is necessary to submit several documents, such as draft agreements, financial statements, synopsis of the proposed transaction, to the regulator, who may seek further information or documents during the examination of such documents.

Scheme of Merger

One of the most straightforward ways of merger between two insurance broking entities is undertaking a scheme of merger as per the process laid down under the Indian Companies Act, 2013. Schedule II-Form Y of the Brokers Regulations mandates that every scheme of amalgamation or merger and acquisition be implemented only after prior IRDAI approval. Undertaking a scheme of merger/amalgamation is efficient from a tax perspective; however, in the event the parties concerned are wary of the timelines, this restructuring option is generally avoided, given the burdensome requirements to seek no objections, filing a scheme with NCLT, seeking consent from NCLT, etc. The NCLT may take up to 9 (nine) months to 1 (one) year to approve a scheme of merger.

Business transfer

From a timeline perspective, parties also consider undertaking an arrangement for business transfer. Typically, a merger between two insurance broking entities, by way of business transfer, consists of the following three steps:

An insurance broking entity seeks prior approval from the IRDAI for business transfer.

A business transfer agreement ("**BTA**") helps transfer the business of the Transferor Broking Entity ("**Transferor**") to the resultant insurance broking entity ("**Resultant Entity**").

The Transferor voluntarily surrenders the insurance broking registration.

The Brokers Regulations defines "scheme of transfer of business" as "*the scheme for transfer of the whole or part of business/assets of the insurance broker*." Regulation 2(1) (u) defines "transferor" as a "registered insurance broker that transfers the business to another registered insurance intermediary". Typically implemented in the form of a BTA, the "scheme of transfer of business" is negotiated and executed (subject to relevant corporate authorisations as per the Indian Companies Act, 2013) between the Transferor and the Resultant Entity.

In terms of business transfer, the entity transferring the business to the other insurance broking entity, is required to surrender the insurance broking license. It is, however, relevant to note here that an insurance broker surrendering the certificate of registration is required to stop onboarding any fresh business from the date of making such application with the IRDAI for voluntary surrender of registration. Pursuant to this provision and to help prevent any disruption of the insurance broking business of the Transferor until receipt of the IRDAI's approval for business transfer, the Transferor can seek an exemption from the IRDAI to continue onboarding fresh business in the interim period between the date of application for voluntary surrender of registration and date of grant of the approval for the business transfer.

Temporary Subsidiarisation

Another way to navigate through this could be not applying for surrender of the certificate of registration (while seeking the approval from the IRDAI for business transfer) and seeking exemption from the IRDAI for the temporary subsidiarisation of the Resultant Entity, from the period from receipt of the IRDAI approval for business transfer until the surrender of the insurance broking license.

The Brokers Regulations do not permit insurance brokers to have subsidiaries and there have been no precedents in this regard. However, one can consider, seeking an exemption from the IRDAI for the temporary subsidiarisation of the Resultant Entity *vis-à-vis* the Transferor in the event it involves issuance of equity shares to the Transferor by the Resultant Entity (as consideration for the business transfer), as then the Resultant Entity shall become a subsidiary of the Transferor (without the Transferor having surrendered the certificate of registration at this point). However, in the event the Resultant Entity is a "foreign owned and controlled" entity, as per Rule 23(4)(b) of the Non-Debt Instrument Rules, 2019, it can only make investment through funds received from abroad or internal accruals for making downstream investments. Accordingly, there can be no issuance of shares to the Transferor in lieu of consideration for business transfer.

Conclusion

As with any M&A transaction, besides the consolidation of the broking businesses, there are also post-transaction exit opportunities, such as listing of shares of an insurance broker. While the current law does not explicitly provide for the listing of an insurance broker and there have been no precedents in this regard, the regulations applicable to insurers prescribe that an insurer may approach the financial sector regulator for the listing of its equity shares by way of an offer for sale or further issuance of shares, or both, subject to certain conditions. The insurance regulator may apply similar principles to the insurance brokers as well.

Given the time-critical nature of such M&A deals, it becomes imperative to ensure dealing with and appropriately discussing in advance, the legal and structural considerations to facilitate a smooth transaction and integration of businesses.

(The writers are Indranath Bishnu & Ayushi Agrawal.)

TOP

Insurance honchos seek tax incentives for policyholders, reduction in GST – Moneycontrol - 20th January 2025

Union Budget 2025 is expected to play an important role in shaping India's insurance sector when the government has set a goal of 'Insurance for all' by 2047. To achieve this target, India's insurance sector is expecting some key announcements in the Budget such as tax incentives for policyholders, reduction of goods and services tax (GST), and implementation of mandatory basic term life insurance coverage for formal employment. Finance Minister Nirmala Sitharaman will present the Union Budget 2025 on February 1.

Tax incentives for policyholders
Most insurance firms expect an increase in tax deduction limits for policyholders under section 80C for life insurance premiums and tax incentives for policyholders under section 80D. "Increasing tax deduction limits under section 80C for life insurance premiums or introducing a separate limit exclusively for term insurance and pension policies can significantly boost life insurance penetration," said Sandip Goenka, chief executive officer, ACKO Life Insurance. Further, Gaurav Parasrampuria, CFO, Magma General Insurance, expects tax incentives for policyholders under section 80D. Currently, under section 80C, policyholders can avail tax exemption of up to Rs 1.50 lakh, and under section 80D, can avail tax exemption between Rs 25,000 and Rs 50,000.

Reduction in GST on premiums
Industry experts expect a cut in the GST rate on health insurance premiums in the Union Budget 2025. "Initiatives to reduce GST on health insurance premiums while retaining the benefit of input tax credit for the industry," said Parasrampuria. Currently, an 18 percent GST is levied on premiums paid for life and health insurance policies. Last month, the 55th GST Council meeting, chaired by Finance Minister Nirmala Sitharaman in Jaisalmer, Rajasthan, had deferred the potential reduction in GST on premiums. Even though the call on GST cut will be taken by the GST Council, experts believe that some announcement or clarity will be there in the upcoming Budget. The Group of Ministers (GoM) requires more time to finalise inputs from insurance regulators regarding a potential reduction in GST on premiums. "We have basically just made a humble submission that whatever rate they decide should be matched with a similar level input tax credit. That's the way in which we can then pass on any benefits to the customer. If that is not the case, then it may not really result in any benefit to the customer," said Niraj Shah, chief financial officer and executive director, HDFC Life Insurance.

Mandatory basic term life insurance coverage for formal employment
To increase insurance penetration and ensure financial security for dependents, the insurance sector is expecting mandatory basic term life insurance. "Additionally, implementing mandatory basic term life insurance coverage for formal employment, akin to the Employees' Provident Fund (EPF), will ensure financial security for dependents in the case of untimely demise," said Goenka from ACKO Life Insurance.

(The writer is Manish M. Suvarna.)

TOP

Customer-centric growth strategies will transform Indian life insurance in 2025 & beyond - The Economic Times - 18th January 2025

India's life insurance sector is a remarkable growth story. For the past 20 years, demographic shifts, rising consumer awareness, improved distribution, and enhanced efficiencies have created opportunities for growth and brought protection to millions of people. With regulatory support from the Insurance Regulatory Development Authority of India (IRDAI), India is projected to be the fastest-growing insurance market among G20 countries from 2024 to 2028.

IRDAI's goal of enabling "Insurance for All" by 2047 goes a long way towards closing the insurance adoption gap and addressing the needs of a diverse population. As we enter this new phase of growth, customer-centric strategies will be in focus in 2025 and beyond. Insurers must align their strategies by focusing on accessibility, affordability, and exceptional customer care. This vision of success hinges on a holistic approach that addresses evolving customer expectations, by leveraging advanced technology and fostering innovation.

Bancassurance will be a game-changer
Banks in India played a pivotal role in successfully implementing Pradhan Mantri Jan Dhan Yojana (PMJDY). Since its launch in 2014, the government's flagship financial inclusion scheme has resulted in the opening of more than 54.40 crore bank accounts by banks. Public sector banks are the key drivers of the scheme as they opened about 42.4 crore accounts, bringing masses under the ambit of banking. It was followed by Regional Rural Banks (10.15 crore accounts and private sector banks (1.68 crore accounts). PMJDY and Public Sector Banks (PSUs) have also been instrumental in implementing government schemes like the Pradhan Mantri Jeevan Jyoti Bima Yojana and Atal Pension Yojana.

Bancassurance, a strategic alliance between an insurance company and a bank, has emerged as a critical enabler in expanding life insurance penetration, particularly in semi-urban and rural areas where life insurance companies do not have a presence. Banca partnerships allow insurers to tap into the established customer base of trusted banks. It also helps insurers to offer easy, simplified, and tailored solutions for individuals who may otherwise remain unserved. As bancassurance efforts grow, more customers will have access to a wider selection of insurance solutions that align with their financial goals and life stages.

Customer Centric Regulatory Advances and Tech-driven Innovation
The life insurance sector in India is all set to enter an exciting phase driven by a combination of regulatory advancements and new age technology. Facilitating the transformation is insurance regulator IRDAI which has introduced initiatives like digital Know Your Customer (KYC), Aadhaar-based KYC, Video KYC, or Central KYC, which simplify both customer onboarding and claims processing and reduce paperwork for purchasing or managing policies.

IRDAI's Master Circular on Life Insurance introduced customer-friendly measures like extended free-look periods, simplified Customer Information Sheet (CIS), policy loans on savings products, and even partial withdrawals on pension products. The IRDAI has also delegateddecision-making powers to the Product Management Committee; a move that has shortened the product clearance timeline and accelerated product innovation. Looking ahead, platforms like the upcoming Bima Sugam — an ambitious project of the insurance regulator to create an Amazon-like one-stop digital platform for buying, selling, and servicing insurance policies — are expected to be rolled out shortly.

Such efforts coupled with introductions like higher special surrender value (SSV) for endowment policies encourage long-term financial planning and provide greater financial security. This move would significantly increase the premium amount returned to policyholders when surrendering their policies, contributing to their financial security. With ₹2, 42,699.18 crore in maturity benefits, ₹2, 29,245 crore in survival/withdrawal benefits across both individual and group segments, and ₹42,284.21 crore in death claims processed in FY24 alone, the life industry continues to uphold its role as a cornerstone of social security and is steadily moving toward the vision of 'Insurance for All by 2047'.

A Future Where Insurance is truly for all

India's path to universal insurance coverage is both challenging and promising. However, it can be achieved by giving impetus to customer-friendly strategies, embracing technology, and following the right regulations. As insurers continue to innovate and simplify processes, customers will see more personalized products and easier ways to get coverage. By deploying cutting-edge customer-centric technologies and with the combined efforts of stakeholders such as insurers, regulators, and policyholders, India can overcome stumbling blocks and pave the way for more inclusive and accessible coverage.

(The writer is Sameer Bansal.)

TOP

Insurance coverage under PMJJBY and PMSBY may be doubled in the upcoming budget - Live Mint - 20th January 2025

The Central government may more than double the insurance coverage under its schemes, the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and the Pradhan Mantri Suraksha Bima Yojana (PMSBY), in the upcoming budget, two people aware of the matter said. The initiative aims to strengthen financial security, especially for individuals from economically weaker sections, while advancing the vision of 'Insurance for All by 2047,' ensuring comprehensive insurance access for every individual and business in India, the people mentioned above added. Proposals are under consideration to increase the life cover under PMJJBY, one of the government's largest life insurance programmes, from the current limit of ₹2 lakh to ₹5 lakh, the first person mentioned above said requesting anonymity.

"The proposed changes aim to address the insurance protection gap by offering higher coverage, ensuring that insured individuals or their dependents have adequate financial support to meet their obligations. Increasing the coverage to ₹5 lakh under these schemes is expected to significantly reduce this gap," this person said. "An announcement in this regard could be made in the annual budget (to be presented on 1 February)," the person added. Last month, the finance ministry said the PMJJBY scheme has provided ₹2 lakh life insurance cover to over 210 million beneficiaries across India. As of 20 October, 2024, enrolments had reached 216 million, with 860,575 claims settled, amounting to ₹17,211.50 crore.

While, the PMSBY is an accident insurance scheme that provides financial protection against accidental death and disability and offers one-year coverage, renewable annually, the PMJJBY is a renewable one-year life insurance scheme, covering death from any cause. There have been discussions in the government to enhance coverage under PMJJBY and PMSBY schemes, and some more tweaks could be expected in the upcoming budget."Individuals may be given the option to opt for higher coverage with an increased premium or retain the existing ₹2 lakh cover, which costs ₹20 annually for PMSBY and ₹436 annually for PMJJBY," the first person mentioned above said. "The premium payable under the revised version of the schemes is currently being worked out though it is unlikely to see a sharp hike as the plan is to keep premium low to enable higher coverage under the insurance plans," added the person mentioned.

A spokesperson of the ministry of finance, and the secretary of the Department of Financial Services, didn't respond to an emailed query. "The government seeks to broaden insurance coverage while ensuring premiums stay affordable, making the schemes accessible to a larger segment of the population despite the increased benefits," the second person mentioned above said. "The goal is to strike a balance between enhanced coverage and cost-effectiveness, ensuring that the benefits reach those who need them most, without placing a financial burden on policyholders," the person added. Since announcing its 'Insurance for All' by 2047 vision in November 2022, the Insurance Regulatory and Development Authority of India (Irdai) has worked to eliminate regulatory, capital, and social barriers, driving greater consumer adoption of life and health insurance. The 'Insurance for All' by 2047 vision aims to provide every citizen with life, health, and property coverage while offering businesses tailored insurance solutions.

(The writer are Subhash Narayan and Rhik Kundu.)

TOP

Stay ahead of the curve with Insurtech-powered innovation - The Economic Times – 19th January 2025

This is a period of rapid and significant changes for the entire BFSI industry, at the global and local Levels. Companies that fail to keep up with the pace of change are doomed to be left behind in the race.

However, in the recent past, it is proven that technological progress coupled with innovation have catapulted the Fintech / Insurtech sector from the fringes to the forefront of financial services. And the growth has been buoyed by the robust growth of the banking sector, rapid digitization, changing customer preferences, focus on financial inclusion and increasing support of investors and regulators.

During this decade, fintechs have profoundly reshaped certain areas of financial services with their innovative, differentiated, and customer-centric value propositions, collaborative business models, and cross-skilled and agile teams. This fintech sector saw a nearly 60% slump in funding for the first six months of 2024 and is expected to grow hereon. Its high time now that insurtech firms adopt tech, forge strategic partnerships, educate customers and masses across length and breadth of India with the help of innovation and ultimately establish propositions and deeper with customers.

Anticipating and adapting to emerging market demands with agility is now the most efficient way to remain relevant and a step ahead of the competition. However, new opportunities also bring fresh and more complex challenges.

So, how can the Fintech and insurtech sectors transform from being tech laggards to innovators? Here's a look how:

Why Innovation is the Key to Growth
The insurtech industry is increasingly seeing innovation as critical to success, with 90% of insurance providers worldwide intending to increase investment in AI in 2024. Leveraging insurance technology is the best way to not just fulfill customer expectations but also to predict their needs proactively. Brands that respond quickly to emerging needs gain the first-mover advantage. The recent PwC report highlighted the fact that the application of AI, including the rapid advancements in GenAI, is a major focus area for FinTechs and Insurtechs. AI is being leveraged in various solutions catering to fraud detection, credit scoring, personalised financial advice, etc.

Hence in the long run and in order to reap the benefits, innovation needs to become part of the DNA of the brand.

Move Resources to Innovation Initiatives
Novel ideas cannot emerge in a vacuum. Companies now even more, need to take care of business and people without disrupting existing systems or operations, while, simultaneously, testing new offerings and business models that might re-balancing product portfolio for stronger growth and expansion. You need to first identify untapped markets and needs. This will give you insights into how best to address them. The next step is to test solutions and business models for these markets and needs. However, entering unchartered territory without sufficient resources, including manpower, management focus and assets, amplifies risks. Therefore, if you want to innovate, you must support it with adequate financial

resources and talent. India being home to millions of potential across rural and urban areas, there are people who still are not privy with insurance and tech expertise.

The need for addressing three P's (product, process and pathways)
Different innovation projects might need distinctive approaches. For instance, most insurance companies in India and the rest of the world can predict the potential gain in total written premiums from improving an existing policy or tweaking a core process. This insight gives clarity regarding possible risks and how to overcome them. But such innovation is very different from building and launching a unique, disruptive product, such as a brand-new life insurance policy that offers amazing flexibility over living benefits.

New, disruptive products come with their own share of risks, which insurers tend to have lesser clarity on. A key example of this was the rise and rapid decline of mutual-aid platforms in China. In 2019, numerous such platforms were launched, providing easy access to basic health insurance. It represented a radical shift in product design. Ant Financial's Xiang Hu Bao was perhaps the most successful of these platforms, garnering over 100 million users within a year of its launch. But these initiatives started winding down just as quickly as they had arisen due to increasing regulatory oversight and errors in customer selection, with young and healthy users abandoning the platforms. The result was that the remaining participants had to bear increasing costs.

Innovate Approaches to Engage Customers
Innovation isn't limited to developing new value propositions for products. It should also focus on marketing and distribution. An amazing new product will only give justified returns when its value is understood by the end-user. This is especially important, given the evolving customer expectations, where hyper-personalisation, immense flexibility and complete convenience are fast becoming the norm. To engage new and existing customers, you first need a more granular understanding of customer profiles across different markets. This will help you tailor your messaging for maximum impact.

In addition, an Omni channel approach is rapidly becoming indispensable to capturing and holding onto customer attention. Example, Generation Z and Millennials largely opt for sachet size products. For instance, 64% of customers expect brands to connect with them on social media, while 70% feel more connected to businesses who's CEOs are active on social media. As customer expectations continue to evolve, businesses that embrace innovation while keeping the customer at the core of their strategies will thrive.

By revolutionising customer engagement, FinTech and start-ups have the opportunity to redefine customer relationships, shaping a future where every interaction is personalised, meaningful, and truly remarkable.

Spur Innovation with the Right Insurtech Partner
The time now is for insurance companies in India to partner with a skilled and experienced insurtech provider to enhance the quality, breadth and pace of innovation. Given that customer expectations and market dynamics are evolving, delivering consumer-centric and personalised products is the need of the hour. Insights regarding what constitutes such a product for your target market can be best supported by tech solutions for AI/ML-powered data analytics. Technology tools can also accelerate innovation while easing change management within the organization.

So, choose your partner carefully to integrate innovation within the DNA of your business.

(The writer is Surjendu Kuila.)

TOP

Bracing for 2025 – Guardrails to avoid pitfalls - The Economic Times – 18th January 2025

All eyes are on the Indian economy as it continues to grow secularly year after year. According to estimates of the International Monetary Fund, the country is at crucial inflection point as it marches with all its might to surpass developed peers like Japan and Germany to reach a GDP of $5.4 trillion by 2027. This speaks volumes about the country's growing influence on the global stage.

However, economic glory comes with its own set of challenges, and there is no shying away from the fact that there are emerging risks that could significantly impact this growth trajectory. From cybersecurity risks to shortage of skilled workers in niche fields of emerging technologies, and supply chain vulnerabilities, economic growth could face headwinds from multiple sides.

India's response to these emerging risks will be crucial for sustaining its economic growth beyond 2025. Challenges on India's macroeconomic growth prospects for the year 2025 will be influenced by both domestic and international factors. Geopolitical instabilities across the world, high inflation rates, and increased central bank interest rates are among some which will be starkly visible. But there is every possibility of many smaller shocks that can create hurdles in the path of this linear growth of the Indian economy. Having a right insurance program becomes paramount for future security and protection of losses.

Like many parts of the world, there is a change in the approach of risk management in India as the financial landscape undergoes transition. The use of insurance is now realized not only as an umbrella that guarantees the protection against a particular event, but also as a component of a robust financial strategy. IRDAI (Insurance Regulatory & Development Authority of India) data presented that the insurance premium collection in India for fiscal year ending March FY23 showed a YoY growth of 13 percent indicating growing significance of insurance in the nation's economy. It is important for insurance companies to introduce innovative products based on the evolving needs of its customers. The top five risks that can impact India's performance at global level are: geopolitical risks, financial risk, and cyber risk, bridging skill gap and employee wellness. The top five risks that can impact India's performance at global level are: geopolitical risks, financial risk, and cyber risk, bridging skill gap and employee wellness.

Geopolitical risks and strategic solutions

The global geopolitical landscape continues to present complex challenges for India. Ongoing conflicts, such as the war in Ukraine, and rising volatility in the Indo-Pacific region, are impacting trade routes and disrupting global supply chains. According to the Asian Development Bank's report 2024, supply chain disruptions are estimated to have caused a cumulative loss of $1.5 trillion to global output between 2022 and 2024. For India, mitigating these risks requires diversification of its supply chains and strategic solutions.

Corporations need to be prepared to face and mitigate such supply chain risks. New approaches offered by certain products like SentRisk, an AI-based supply chain risk management tool can be a case in point. It presents real-time risk analysis to provide companies with necessary information needed to defend their supply chains. New age technologies like this will assist India in safeguarding its economy while positioning it as a leader in the fast-emerging field of supply chain risk management.

Financial resilience: innovations in insurance and surety Solutions

One of the financial solutions gaining traction is Surety Bonds, which provides guarantee for contract performance. This is especially important for India's growing construction and infrastructure sectors. According to India Brand Equity Foundation (IBEF), India's infrastructure market size will reach $5 trillion by 2030. In this rapidly growing sector, surety bonds will have the significant function of ensuring contractual obligations and mitigating financial risk, fostering growth and confidence.

Cybersecurity: closing the evolving cyber gap

While the future of digitalisation looks bright, the threats associated with cybersecurity are getting more diverse and potent. In 2024, India reported a 46% rise in cyberattacks compared to 2023.

Ransomware attacks and data breaches have significantly affected both companies and governments. As digitization continuous to ramp up, the cybersecurity gap continues to widen, opening doors to new threats. In response to this, India is investing resources in building cybersecurity structures and capacity of its workforce. Businesses are increasingly turning to cyber insurance to safeguard against the financial fallout of cyber incidents. According to a 2024 Deloitte study, Indian businesses have started implementing cyber insurance policies to cover costs related to data recovery, legal liabilities, and business interruption.

Raising cybersecurity awareness and encouraging collaboration between the public and private sectors are crucial to building a robust defence against cyber threats. Strategic investments in cutting-edge cybersecurity solutions will enable India to close the growing resilience gap and protect its critical national infrastructure.

Bridging the skills gap: preparing for the future of work

India's digital transformation presents a significant challenge: the widening skills gap in emerging technologies like AI, machine learning, and cybersecurity. India needs a massive workforce in digital technology by 2025 to meet the growing demand for skilled professionals. Govt along with various organizations are addressing this challenge by offering targeted training programs and partnerships with industries to align workforce skills with market demands. Parallelly, the integration of Artificial Intelligence across industries is creating a demand for workers skilled in AI development, implementation, and management. The AI-related jobs in India will double annually over the next decade, highlighting the urgency for AI proficiency. Collaboration between government agencies, educational institutions, and the private sector will be key to ensuring a workforce that can leverage technological advancements and sustain India's global competitive edge.

Employee benefits: the changing face of workforce wellness

New patterns of workforce in India have given shape to the changes in employee benefits. Proactive solutions for employee wellness are louder than ever. Companies that prioritize employees' health and offer them comprehensive welfare support, including perks as varied as health insurance, OPD, mental health support, work-from-home schemes, and tailored retirement plans, will have a higher chance to retain their employees.

The recent RiseUP for a Better Tomorrow report reinforces this trend, highlighting the growing recognition of mental health as a critical component of overall well-being and a key aspect of a competitive benefits package. While employee stigma and fear of discrimination remain challenges the report underscores the opportunity to create a more supportive and inclusive environment within organizations. By fostering open conversations and implementing practical solutions like outpatient care models and digital tools, companies can effectively address the unique needs of individuals struggling with mental health and demonstrate a genuine commitment to employee wellbeing. Furthermore, positive change can be accelerated through proactive policy interventions and increased awareness, ultimately bridging existing gaps and ensuring access to quality mental healthcare for all.

This shift towards comprehensive mental health support represents a positive evolution in employee benefits, recognizing the crucial link between mental well-being and a thriving workforce. The year 2024 has witnessed a complete transformation of how organizations manage employee well-being. Advantages that used to be considered desirable additions to basic motivation have now become necessary components of an effective talent management program. More organizations have noticed a correlation between a focus on employee health, including mental well-being, and increased efficiency and productivity, allowing them to better compete in attracting top talent.

Summary

As India approaches 2025, its economic ascent is fraught with emerging risks, including cybersecurity threats, supply chain disruptions, and skills gaps. However, India's proactive strategies—such as adopting emerging technologies like SentRisk, Surety bonds, and cyber insurance—positions it to navigate these challenges effectively. Strengthening insurance penetration, closing the skills gap, and evolving workforce benefits will be critical for ensuring a resilient, secure, and inclusive economy. By embracing innovation and fostering talent development, India is poised to solidify its place as a major global economic player, paving the way for sustainable and inclusive growth in the years ahead.

(The writer is Sanjay Kedia.)

TOP

LIFE INSURANCE

Restrictions on bancassurance may not be a great step: HDFC Life's Padalkar - Business Standard – 23rd January 2025

Restrictions on the bancassurance channel might not be a great step at a time when it has more touchpoints and the number of complaints is not higher than other channels, said Vibha Padalkar, managing director (MD) and chief executive officer (CEO) of HDFC Life Insurance on Thursday. Speaking on the sidelines of MEDC's Insurance & Reinsurance Conference 2025, Padalkar said that imposing restrictions on bancassurance may not be a wise move when data does not support it, particularly as bank touchpoints today are ten times more.

"When there is a crying need for insurance penetration in India, I think it might not be a great step," she said. Bancassurance is a partnership between banks and insurance companies to sell insurance products through bank branches. In October 2023, the Insurance Regulatory and Development Authority of India (Irdai) formed a task force to review the existing bancassurance framework and improve its efficiency amid complaints of mis-selling or forced selling of policies.

Previously, during SBI's Economic Conclave, both the Finance Minister Nirmala Sitharaman and Irdai Chairman Debasish Panda expressed concerns about mis-selling or forced selling of insurance products via banks and emphasised the need to restore customer confidence in the system while urging banks to focus on their core banking services. Sitharaman had said, "I wish to say this for the due consideration of the bank boards: sale of insurance by banks has raised concerns of instances of mis-selling, and I would say this has contributed indirectly to the cost of borrowing for the customers. So banks will have to look at this, look at their core banking activities, and not burden customers with insurances they don't require."

In December, there were reports stating that the insurance regulator is likely to introduce norms to limit the over-dependence of life insurers on their parent bank for business sourced through bank channels. However, in the post-earnings analyst call for Q3FY25, listed life insurers HDFC Life Insurance and SBI Life Insurance said they had not heard anything regarding the same from the regulator.

(The writer is Aathira Varier.)

TOP

GENERAL INSURANCE

Insurance merger on hold, govt may pick one for sale - Live Mint – 24th January 2025

The Centre may drop its plan to merge three general insurers and instead pick one of them for privatization this fiscal year, two people aware of the development said. The other two may be provided additional capital to strengthen their balance sheets, the people cited above said on the condition of anonymity. To begin with, the government will assess the financial performance of all three insurers in the coming quarters. "The aim is to strengthen the general insurers' balance sheets through recapitalization before any potential merger is considered," the person added. While National Insurance, United India Insurance and Oriental India Insurance are considered weak, market leader New India Assurance is seen as strong and not a candidate for privatization.

The Union budget 2018-19 had proposed merging the three weak insurers into one and listing it on the stock exchanges, a plan that has made little progress. Federal think tank; NITI Aayog recommended United India Insurance for privatization to a secretaries' panel in FY22, but that has not taken off either. At the end of the September quarter, solvency ratios of National Insurance, Oriental Insurance, and

United India Insurance stood at -0.45, -1.02, and -0.71, respectively, while that of New India Assurance stood at 1.81. The insurance regulator mandates all insurers to maintain a minimum solvency ratio of 1.5. The ratio measures an insurer's ability to service the risks it has undertaken. According to the second person mentioned above, all PSU insurers are expected to have positive ratios after an expected capital infusion. "While the Centre had earlier sought exemption from the Insurance Regulatory and Development Authority of India (Irdai) for all three entities from meeting regulator-mandated solvency margins, capital infusion may be done to strengthen them further," the person said. "After assessing the performance of these companies in these companies, a call could be taken on privatization," the person added.

On 16 December, reported that the government may consider a capital infusion of ₹4,000-5,000 crore in state-owned general insurers facing solvency issues, depending on the improvement in their financial health. To be sure, market leader New India Assurance reported a net profit of ₹1,129 crore in FY24 and ₹73.56 crore in Q2 of FY25. United India Insurance Company reported a profit of ₹45.43 crore in Q2, FY25, and ₹803.71 crore loss in FY24. Oriental Insurance reported a profit of ₹210.82 crore in Q2, FY25, and ₹18.61 crore profit in FY24. National Insurance Company reported a profit of ₹81 crore in Q2, FY25, after narrowing its loss to ₹187 crore in FY24. "The plan to privatize a general insurance company is a good but impractical idea as no public sector bank has been privatized yet. Even IDBI Bank is still in the government/LIC hands," said C.R. Vijayan, former secretary general of the industry body General Insurance Council. "One advantage public sector general insurance companies had was the number of offices they had. But, almost half of them have been closed. It is better to recapitalize them (like banks) and then merge them (like banks)," he suggested.

To be sure, privatizing insurance companies is expected to be more straightforward, as Parliament has already amended the General Insurance Business Nationalisation Act, enabling the government to reduce its stake in a general insurer below 51 percent. This stands in contrast to the privatization of public sector banks, which requires an amendment to the Banking Regulation Act first. India’s general insurance market comprises 27 companies, including four major public sector undertakings, 23 private insurers, and six standalone health insurance providers. Despite the sector’s size, India’s insurance density (premium per capita) stands at about $95, significantly lower than the global average of $889. Similarly, insurance penetration in India is at 3.7 percent, compared to the global average of 7 percent.
While ongoing negative solvency in public sector insurers hampers their social impact despite ₹17,450 crore infused between FY20 and FY22, capital infusion alone is a band-aid; structural reforms, operational efficiency, and cost optimization are essential for long-term sustainability, said Rajeev Saxena, partner-audit, S.N. Dhawan & Co LLP. "To strengthen loss-making public sector insurers, the government can provide immediate capital infusion linked to operational reforms and cost optimization. Strategic disinvestment or privatization could bring in expertise and to quite an extent higher orientation towards financial wellbeing and growth without offloading the social responsibility they have been shouldering," he added.

(The writer are Subhash Narayan and Rhik Kundu.)

TOP

India’s general sector premiums seen to rise in the medium term - Insurance Asia – 22nd January 2025

India’s economic development, rising insurance demand, and regulatory reforms aimed at increasing insurance penetration and financial inclusion will drive the country’s non-life insurance premiums in the medium term, AM Best said. The sector achieved double-digit premium growth in fiscal year 2024 ending 31 March (FY 2024), with health and motor insurance driving performance. The Insurance Regulatory and Development Authority of India (IRDAI) introduced several initiatives under its "Bima Trinity" framework to support sustainable growth and its vision of "Insurance for All by 2047."

These include "Bima Sugam," an electronic insurance marketplace; "Bima Vistaar," a bundled insurance product covering life, health, personal accident, and property risks; and "Bima Vaahak," a women-centric distribution channel. Other reforms include liberalising the insurance market, standardising products, and leveraging technology to improve distribution efficiency. India's economic growth, which reached 8.2% in FY 2024 due to government infrastructure spending and increased household consumption, is expected to further benefit the non-life insurance segment. However, signs of an economic slowdown have emerged, although monetary and fiscal policies are anticipated to support future growth. Indian non-life insurers have benefitted from favourable investment conditions, with the Reserve Bank of India maintaining the repo rate at 6.5% since February 2023.

The IRDAI's updated "expenses of management" regulation, introduced in March 2023, seeks to improve cost efficiency and underwriting discipline by imposing stricter expense limits. Whilst the industry has yet to fully comply, these measures are expected to enhance operational sustainability and competitiveness over the medium term. Despite premium growth, the sector faces persistent underwriting losses due to pricing discipline issues, fraud, and intense market competition, particularly in health and motor insurance. The recent liberalisation of tariff wordings, effective 1 April 2024, allows insurers to amend policy terms for certain business lines, enabling product innovation and better risk management for experienced players. However, in the short term, this flexibility may lead to looser underwriting practices and increased pricing pressure in an already competitive market.

TOP

Insurance industry pivotal, says GIC Chairman - The Pioneer – 20th January 2025

The insurance industry, which safeguards millions of lives and businesses, often faces unwarranted criticism fueled by isolated grievances and sensationalism. Despite these perceptions, its contributions are pivotal. In FY 23-24 alone, the industry settled claims worth Rs 1.72 lakh crore, including Rs 80,000 crore for health insurance, with a claim settlement ratio exceeding 80 percent. In this regard, Tapan Singhel, Chairman, General Insurance Council and MD & CEO, Bajaj Allianz General Insurance, said that, as per the IRDAI annual report, last year, the General Insurance industry settled crores of claims worth Rs 1.72 lakh crore, out of which it paid more than Rs 80,000 crore towards health insurance.

"Yet those who benefit rarely make the news. On the flip side, isolated grievances and odd bad experiences become the face of the industry. Social safety nets like Ayushman Bharat, covering 55 crore beneficiaries, and the Pradhan Mantri Fasal Bima Yojana, which disbursed Rs 1.64 lakh crore in claims over eight years, prevent poverty and support vulnerable populations. Without the insurance industry's support, the scheme would not be in place or effective in states adopting an insurance or hybrid model. Insurance also underpins critical sectors, mitigating financial risks in agriculture, motor, and disaster recovery, and ensuring economic resilience," said Singhel. Notably, Singhel mentioned the industry boasts an impressively low grievance ratio of 0.003 percent against 2.96 billion policies and actively combats fraud, detecting Rs 1.73 lakh crore in fraudulent claims over five years.

"Contrary to the belief that insurers generate massive profits, the industry operates at a loss, with a combined ratio of 115 percent, paying Rs 115 for every Rs 100 earned in premiums. Employing over 6 million people, insurance is a cornerstone of economic growth. While improvements are possible, insurance remains essential for societal progress, demanding constructive engagement rather than destructive criticism. Without it, the social and economic consequences would be dire," added Singhel.

TOP

HEALTH INSURANCE

Bring people under private insurance and Ayushman Bharat to tackle the burden of non-communicable diseases: Health experts - Deccan Herald - 22nd January 2025

Bengaluru: We must insist on annual health check-ups for people, and consider bringing them under the coverage of private health insurance and Ayushman Bharat to tackle the burden of non-communicable diseases in India, suggested Kris Gopalakrishnan, co-founder, Infosys, on Wednesday.

"We (Indian government) give nearly 800 million people free rice. If we give them free health check-ups over free rice, I believe that will be a healthier option," he said.

He was speaking on the occasion of a virtual release of a white paper titled 'Healthy India 2047: Lifestyle Medicine for a Sustainable Future' organised by the Association of Healthcare Providers India (AHPI) and Christian Medical College, Vellore.

The paper outlines strategies to the government and stakeholders to address the rising burden of preventable non-communicable diseases (NCDs) and rising healthcare costs in India through lifestyle medicine.

Authored by a committee of experts, it recommends an evidence-based approach through nutrition, physical activity, mental and spiritual wellbeing, relationships and social connections, restorative sleep and environmental health. Cross-sectoral collaboration, strengthened by digital tools, public awareness campaigns, and integration with national policies will help India reduce its NCD burden as part of Vision 2047 goals.

Divya Alexander, research consultant and convenor of the recommendations committee, noted that promoting plant-based diets, integrating nutrition education into schools, encouraging physical exercise in schools and workplaces, and introducing mindfulness programs are some scalable recommendations that can be implemented even in rural settings. The paper also advocates better sleep practices, stronger social support systems and policies to cut tobacco use and environmental pollution.

While cardiac surgeon Dr Devi Shetty called for a relook at disease and patient management and advocated annual health check-ups from 18 years of age so diseases can be diagnosed early, Dr Srinath Reddy, one of the chairs of the committee, pushed healthcare practitioners to empower each patient with knowledge about healthy practices, calling lifestyle medicine a "potent instrument" to improve the health conditions in the country.

Dr Vinod Paul, Member, NITI Aayog called for a 'Jan Andolan' for India's average life expectancy to touch 85 years by 2047. He urged committee members to examine existing government policies to identify gaps and opportunities for multi-sectoral, multi-agency collaboration to promote these recommendations in both the public and private sector.The writer is Udbhavi Balakrishna.

TOP

Tailored insurance products needed to bridge middle-class coverage gap, says NIACL Actuary – Moneycontrol – 22nd January 2025

The current state of insurance products lack customisation for the middle class, said Sharad Ramnarayanan, Appointed Actuary at The New India Company Assurance Co. Ltd (NIACL). Speaking at the 18th IR India Rendezvous 2025, Ramnarayanan critiqued the current state of insurance products, saying the middle class represents a vast untapped market needing innovative, tailored insurance solutions to bridge the gap between existing products and their financial aspirations.

The government provides health insurance coverage up to Rs 5 lakh for the economically weakest sections through schemes like Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (AB-PMJAY). However, he noted a significant drop in coverage for the middle class, with typical policies offering only Rs 1 lakh, described by him as "often insufficient given the rising medical costs in India."

This discrepancy leaves a vast segment of the population underserved, pointing to a "substantial unaddressed market," he said. Meanwhile, the upper-middle class, thanks to their ability to afford higher premiums, "secures more comprehensive coverage through private insurers."

Bima Sugam is a pivotal step in this direction, he said, potentially leading to "increased coverage, reducing the middle class's economic risks, and boosting overall penetration in India. Bima Sugam is a digital platform in India aimed at transforming the insurance sector by offering a one-stop solution for all insurance needs. Modeled to be the "UPI for insurance," Bima Sugam has promised to increase insurance penetration by making products more accessible. Referencing an ICICI Lombard report, Ramnarayanan notes, "insured losses only cover 5-6 percent of economic losses," underscoring the vulnerability of individuals to financial ruin due to unforeseen crises. This statistic highlights the critical need for broader insurance coverage, he added.

Ramnarayanan said that insurance markets tend to become highly competitive when insurance providers can directly reach the end customer. However, as markets mature, he notes that competition might wane, leading to more stable pricing but at the cost of less innovation in product offerings. This stabilisation, while beneficial for affordability, could stifle the industry's evolution, he added.

(The writer is Malvika Sundaresan.)

TOP

Transforming health insurance: The tech-driven shift toward integrated ecosystems - IBS Intelligence – 20th January 2025

The health insurance industry in India is experiencing a paradigm shift, transitioning from traditional, closed, isolated, reactive models to integrated ecosystems designed to meet the evolving and complex needs of policyholders. Historically, the sector has been primarily focused on providing financial coverage for medical expenses, with policies reimbursing hospital bills or covering surgery and treatment costs. This transactional approach, while essential, has often fallen short of addressing broader aspects of health, such as preventive care, wellness, mental health support, and the need for proactive customer engagement. This shift in focus is essential as India faces an increasingly complex healthcare landscape. According to the Insurance Regulatory and Development Authority of India (IRDAI), the health insurance sector is expected to grow at a compound annual growth rate (CAGR) of 12.8% through 2028, driven by factors such as rising healthcare costs, an ageing population, and growing awareness of the importance of health insurance.

The market size is projected to reach USD 35 billion by 2028, up from USD 14 billion in 2023. This rapid growth is being fueled not only by the expanding middle class but also by increasing concerns over health-related risks, which is spurring demand for more comprehensive coverage.

To drive the growth of the industry, emerging technologies such as data analytics, traditional ML models, conversational AI, and blockchain will play a pivotal role. These innovations will enable insurers to provide seamless, personalised, and proactive healthcare solutions, positioning themselves as active partners in holistic health management rather than mere financial intermediaries.

Data: The Cornerstone of Integration

Data analytics lies at the heart of this transformation, offering insurers deep insights into customer behaviour, health patterns, and risk profiles. By harnessing the power of artificial intelligence and machine learning, insurers are not only personalising policy offerings but also predicting and preventing health issues and ensuring part of the curated journey to ensure overall well-being for the customers. This approach enables proactive customer engagement, reduces claim-related inefficiencies, and provides a better quality of life for customers, which, in fact, decreases the trust deficit with the insurers. For example, the ability to analyse real-time data from wearable devices helps insurers promote wellness and intervene early in case of health concerns, lowering overall healthcare costs.

Conversational AI: Transforming Customer Engagement

Conversational AI is enhancing how insurers interact with customers. Tools like chatbots and virtual assistants are revolutionising claims processing, policy renewals, and health consultations to give customers a better buying experience. These AI-driven platforms provide round-the-clock support, ensuring a seamless experience while addressing customer queries. The technology's ability to integrate with telemedicine services and wellness apps further enriches the ecosystem, fostering a holistic approach to health management.

Expanding Beyond Insurance
In response to evolving consumer needs, insurers are broadening their scope to include services like telemedicine, fitness tracking, and chronic disease management. These services are often delivered through strategic partnerships with healthcare providers, wellness platforms, and technology companies. Such collaborations allow insurers to offer value-added solutions, creating a unified ecosystem that goes beyond financial coverage to focus on comprehensive health and well-being.

The Role of Regulation and Market Growth
Significant government initiatives and regulatory frameworks shape India's health insurance landscape. Programs like Ayushman Bharat have bolstered insurance penetration, emphasising the importance of ecosystem integration to handle a growing insured population. Additionally, the private health insurance segment is growing at a rapid CAGR of 15.5%, driven by innovative policies and collaborations with global insurers.

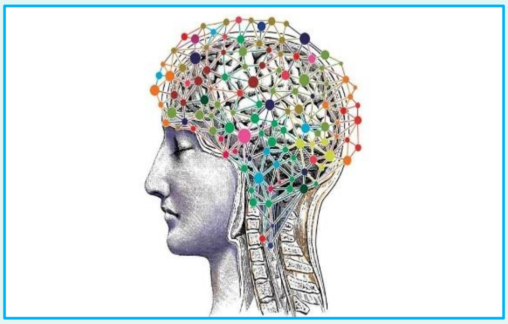
Challenges and Future Outlook
Despite the potential, challenges like data privacy, interoperability, and rising healthcare costs persist. Insurers must navigate these hurdles while ensuring compliance with regulatory standards. Investments in secure and scalable technology platforms will be key to overcoming these challenges and achieving sustainable growth.

The integration of emerging technologies in the health insurance sector is not just an operational upgrade but a strategic shift. By focusing on ecosystem integration, insurers can provide proactive, personalised, and comprehensive solutions, transforming health insurance from a transactional product to a cornerstone of holistic health management.

(The writer is Harish Ramarao.)

TOP

Insurance barriers restrict patients' access to mental health treatment - The New India Express - 18th January 2025



Insurance companies are increasingly using patients' mental health treatment records to deny them claims for unrelated medical conditions. Treatments for conditions like depression or obsessive-compulsive disorder (OCD) are being used as reasons to reject insurance claims for procedures such as cataract or heart surgeries. The practice has sparked opposition, especially after actor Archana Kavi shared her own struggles with a claim denial. Hospitals known for mental health services are witnessing a wave of complaints from patients over claim denials, despite the fact that the Mental Healthcare Act, 2017, mandates equal treatment for mental and physical illnesses. The trend not only deepens the stigma surrounding psychiatric care but also discourages people from seeking help or disclosing their mental health struggles. While the Insurance Regulatory and Development Authority of India (IRDAI) mandated that all health insurance policies include coverage for mental health conditions starting November 2022, its implementation has been inconsistent. Ajinas, a resident of Ernakulam, was taken aback when his mother's cataract surgery claim was rejected.

"I took my mother for cataract surgery at a well-known hospital in Perinthalmanna. Since I was aware of the cashless claim process, I instructed the hospital's insurance team to notify the insurance company for approval. However, when they did, the firm responded with questions about my mother's depression history," Ajinas said. "They kept asking about her depression treatment and ultimately denied the claim. How can a cataract surgery be denied due to depression treatment? The two are unrelated. It feels like the insurance company is intentionally trying to avoid covering a legitimate claim," he said. Vivek Raj (name changed) from Alappuzha faced a similar battle when his claim was rejected due to his history of bipolar disorder. Even after approaching the IRDAI, he could not get a favourable ruling.

"Mental illness is still seen as a high-risk category, so insurance policies include specific clauses related to it. If people don't disclose their mental health history, it can lead to claim rejection during document verification," said Dr Ushus Kumar, director of Optimus Medical Services Pvt Ltd, which conducts third-party verification for several insurance companies.

New challenge
A new challenge has emerged as insurance companies, despite the legal obligation to cover mental health conditions on par with physical issues, have created policies that complicate matters for patients.

One such policy requires applicants to prove at least a 40% mental health disability to qualify for coverage. The clause has sparked criticism from health experts, as it contradicts the intent of providing equal coverage for mental health issues. "By linking the Mental Health Act with the Rights of Persons with Disabilities, the burden is placed on patients to obtain a certificate proving 40% disability. This is rare for mental health conditions. Patients with OCD, depression, or even stabilised schizophrenia would struggle to get such a certificate. The policy seems designed to make it difficult for people with mental health histories to access insurance coverage," said Dr C.J. John, senior psychiatrist at Medical Trust Hospital and a member of the State Mental Health Authority.

(The writer is Unnikrishnan S.)

TOP

NHA wants medical colleges and hospitals to register ABHA ID for all patients - Live Mint – 19th January 2025

The National Health Authority (NHA) has asked the National Medical Commission (NMC) to direct all medical colleges and government and private hospitals to register all patients for an Ayushman Bharat Digital Health Account (ABHA ID). To be sure, hospitals cannot deny treatment to a patient if they do not want an ABHA ID, as it is voluntary in nature. Digital health data privacy is covered under the Digital Personal Data Protection Act, 2023, the rules for which were notified on 3 January. As part of the plan, NHA has suggested to the medical education regulator that a joint mechanism be explored to review the progress of digitization through ABHA.

NHA has assured the NMC that it will provide all requisite technical support for the data collection for ABHA ID. ABHA health ID is a 14-digit number that allow patients to access their health records, prescriptions, and consultation details across healthcare providers.

"National Health Authority, the implementing body of the ABDM assures all requisite technical support to the officials engaged in ABHA/ABHA activities in the medical colleges and their attached medical colleges," said Kiran Gopal Vaska, Joint Secretary, NHA and Mission Director, ABDM in a letter to the NMC Secretary (Prof) Dr B. Srinivas. "It is also requested that if a joint mechanism may be built to review the progress of digitization through ABHA, it will be helpful in the actual implementation," Vaska said.

ABHA adoption
Currently, there are nearly 700 medical colleges (including both private and government) who have to implement ABHA ID for patients. "NMC is the regulator. It can keep a close watch on the medical colleges whether they are registering ABHA ID for patients. Has NMC sought any report from the hospitals?" said an official aware of the matter. Last year, NMC asked hospitals to register ABHA ID for the patients visiting hospitals in the OPD, IPD and emergency in addition to hospital registration. However, it has not been implemented.

The ABHA ID links all healthcare benefits from public health programs meto insurance schemes. Till date, NHA has issued 730 million ABHA ID numbers. Earlier, Mint reported that Centre had directed the state/UTs governments to link the health records of the beneficiaries of the different health schemes with ABHA ID to maximize the benefits of the digital health system and enable people to digitally access and share their health records.

(The writer is Priyanka Sharma.)

TOP

REINSURANCE

India\'s time on the world insurance stage has arrived - Asia Insurance Review - 22nd January 2025

Speakers at the opening session of the 18th India Rendezvous in Mumbai yesterday highlighted the huge potential in the Indian insurance market, as it embarks on the journey of becoming a developed nation by 2047.

GIC Re chairman & managing director Ramaswamy Narayanan, in his special welcome address at 18th India Rendezvous yesterday morning, said that the global insurance and reinsurance landscape is currently navigating challenging times. “The spectre of climate change looms large, amplifying the risks we underwrite. Simultaneously, geopolitical tensions are disrupting the global economic order and creating uncertainty,” he said. The world was marked by volatility, uncertainty, complexity and ambiguity and this is impacting the global financial markets, including reinsurance. Narayanan in order to overcome the challenges ahead, called for cooperation among stakeholders in the industry. “By fostering a spirit of cooperation across the industry, we can create a future where all stakeholders prosper and the insurance sector continues to play a vital role in our nation’s progress,” he said.

International Financial Services Centres Authority chairperson, K Rajaraman in his keynote address said that insurance for all will play a crucial role in the vision of the government of India to achieve a GDP of $30tr by 2047. Currently with insurance penetration at 3.7%, the IRDAI is actively pursuing initiatives to enhance insurance awareness and coverage nationwide to align with the goal of achieving ‘Insurance for All by 2047’ in India.

“There is a lot of value in the bottom of the pyramid and their contribution is expected to go up,” he said. GIFT City IFSC is emerging as a strategic platform to position India as a global financial powerhouse. GIFT City IFSC is rapidly becoming a preferred destination for global reinsurance business. With more than 14m Indians aboard, GIFT CITY IFSC enables insurers to offer customised insurance products to non-resident Indians.

Lloyd's chairman Bruce Carnegie-Brown in his international keynote address said that it is a good time to be in India, considering that there is no insurance market in the word that is growing as rapidly as the Indian market.

“India has reached this level of growth because of the regulatory support and the success of the past decade should underpin the market to grow into the next decade,” he said. He mentioned that insurance for all should not be only about life and health but must cover all insurance segments that impact businesses and livelihoods.

New India Assurance chairman-cum-managing director Girija Subramanian in her special address said that the nation must collectively envision a future where insurance is not just a safety net, but a cornerstone of India’s development into a full-fledged, global economic powerhouse.

"As the dynamic and transformative role of insurance in shaping a prosperous future for our nation develops our mission is clear – to build a comprehensive, inclusive and forward-thinking insurance ecosystem that safeguards lives, fosters enterprise, and drives economic growth across the country," she said.

She called on the global insurance industry present at the Rendezvous to share innovative ideas and strategies to ensure that by 2047, every individual, family, and business is financially empowered through access to robust and reliable insurance coverage. "Let us not only redefine insurance as a financial instrument but reimagine it as a societal safety net that empowers individuals, protects livelihoods and fosters hope," she said.

(The writer is Jimmy John.)

TOP

SURVEY AND REPORTS

Moody's slashes India's economic growth forecast to 7% for FY25, robust expansion to drive insurance premium growth - The Telegraph – 20th January 2025

Moody's Ratings on Monday projected the Indian economy to grow by 7 per cent in the current fiscal and said robust economic expansion will drive growth in insurance premiums.
Moody's expects Indian insurers to benefit from sustained premium growth, helped by India's robust economic expansion and rising demand for health insurance.

Higher premium income, driven also by an anticipated rise in prices as the government reforms the country's dominant state-owned insurance sector, will improve the industry's currently weak profitability.

India's private sector insurers continue to reinforce their solvency, but we expect some pressure on their capital adequacy because of increased underwriting exposure and regulatory changes, Moody's said. "We expect India's economy to grow by 7 per cent in FY 2024 (year to March 2025), down slightly from 8.2 per cent the previous year. India's GDP per capita at purchasing power parity is also growing, up 11 per cent year on year to USD 10,233 in FY2023," Moody's said.

As per National Statistics Office's (NSO) first Advance Estimates, the Indian economy is estimated to grow 6.4 per cent in the current fiscal ending March 2025. Higher average incomes coupled with consumers' increased risk awareness will support demand for insurance, particularly health cover. Total premiums grew by 16 per cent in the first eight months of 2024, outpacing the 8 per cent expansion achieved in FY 2023. We expect continued premium increases to bolster Indian insurers' revenue.

Moody's expects India's GDP to grow by 6.6 per cent in FY 2025 (2025-26).
India's insurance density (insurance premiums per capita) rose to USD 95 in FY 2023 from USD 92 in FY 2022, up from a historical average of below USD 80. However, the country's overall insurance penetration rate (insurance premiums as a share of GDP) was just 3.7 per cent in FY 2023, still far below-developed markets such as the UK (9.7 per cent) and the US (11.9 per cent).

This indicates that the Indian insurance industry still has ample growth potential, Moody's said.

TOP

PENSION

EPF members can use Digilocker to submit JD request - Outlook India – 22nd January 2025

The Employees' Provident Fund Organisation (EPFO) has announced some NEW guidelines to streamline the 'Joint Declaration' process for its 70 million subscribers. In a circular dated January 16, 2025, the organisation has listed guidelines aimed at reducing paperwork, approval timelines, and human intervention. Union Minister Mansukh Mandaviya unveiled the changes on Saturday (January 18), emphasising that these revisions would make life easier for EPFO members and employers. These new directives replace the previous Standard Operating Procedure (SOP) issued in July 2014 and introduce a fresh approach to ensure faster and more accurate claim processing. Correction Of EPFO Details And Filing Of Transfer Claims To Become Much Faster And Easier.

What is New in the Joint Declaration Process?
The new guidelines focus on categorising EPF members based on their Universal Account Number (UAN) generation date and the status of Aadhar linked to the same. This classification is supposed to allow EPFO to process requests more efficiently.

Here's a breakdown of all the changes EPF subscribers need to know. The process is simplified based on the classification of members as below;

1) Member ID linked with UAN generated based on Aadhaar after 1st October 2017: These members can submit their JD request online.

2) Member with UANs generated before (or on) October 1, 2017, with validated Aaadhar details: The JD request of members whose name, date of birth, gender, and Aadhaar are validated by UIDAI - will be handled online.

3) Members without Aadhaar-validated UANs or deceased Members: For Member ID having UAN but not Aadhaar validated by UIDAI or without any UAN or belonging to deceased members - JD request will be filed in physical mode by member/claimant

Key changes in the process;
Document Submissions: Now, the members can upload documents through DigiLocker for a seamless experience. If DigiLocker is not feasible, a single PDF with at least two supporting documents (or one document through DigiLocker) will be enough. In cases where employees themselves can execute changes, no documents need to be uploaded.

Employer Support: If a request cannot be submitted online, employers will now file JD requests on behalf of members or claimants, including deceased members by uploading physical documents.

What to do if your previous company is closed? If the company is no longer operational, claimants can submit physically attested JD requests to the EPFO's public relations officer, following the guidelines in Annexure III of the directive.

Deceased Members: The new format allows any eligible claimant, as per the EPF Scheme 1952 to submit a physical JD. Aadhaar matching is not mandatory for these cases.

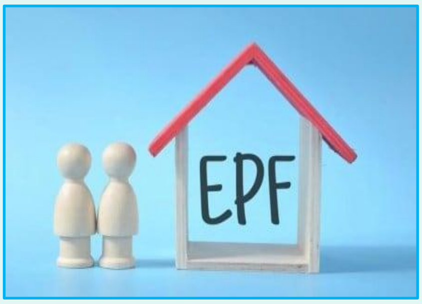
These changes are expected to reduce the dependency on physical documents and in-person submissions, making the process simpler for EPFO subscribers. ELI Scheme: Activate Your UAN on EPFO Website by Today.

TOP

EPFO eases pension disbursement process for members - Financial Express – 23rd January 2025

In a bid to ease the pension disbursement process for Employees' Pension Scheme (EPS) members, the Employees' Provident Fund Organisation (EPFO) recently rolled out the Centralised Pension Payment System (CPPS). The CPPS is a paradigm shift from the existing pension disbursement system that is decentralized, with each zonal, regional office of the EPFO maintaining separate agreements with only 3-4 banks.

The retirement fund body has enabled all Regional Offices (ROs) to process pension claims through any branch of any scheduled commercial bank across India, regardless of geographical jurisdiction or existing pension disbursement agreements. The initiative is aimed at streamlining pension disbursements by the EPFO. In this write-up, we will discuss how this CPPS initiative will have a significant impact on EPS pensioners after the CPPS facility roll-out.



Centralised Pension Payment System key highlights:
EPFO's ROs will now process pension claims with any bank account, eliminating the need for transferring Pension Payment Orders (PPOs) between offices based on branch location. The organisation instructed ROs to update new bank branches in the system, ensuring the inclusion of IFSC codes and other necessary data fields. Pension claimants may use the same bank account linked to their Universal Account Number (UAN) for PF claims. This is intended to reduce errors and failures in payments due to incorrect bank details. For claims processed under CPPS, PPOs will be sent directly to the pensioners, not to bank branches. Pensioners are required to submit an undertaking in a specified format within one month of receiving their PPO. For offline claims, such as death cases, the undertaking must accompany the claim itself.

Aadhaar details must be seeded into the system for all beneficiaries before pension disbursement. This will simplify future processes, such as the submission of the Digital Life Certificate (DLC). In cases of PPO revisions, including those related to Permanent and Total Disablement Pension (POHW), the original issuing RO will retain responsibility for processing revisions and disbursements. Effective January 1, 2025, ROs will not transfer PPOs to other offices. For claims erroneously transferred after this date, the receiving office must return the claims to the original RO for processing. Pending claims from the decentralised system up to December 2024 must be resolved promptly.

Reconciliation and corrective measures
EPFO ROs must expedite reconciliation tasks from the earlier decentralised system, including addressing failed transactions and processing corrective actions in subsequent payment cycles. The EPFO emphasised the importance of accuracy in entering bank and IFSC details during claim processing to avoid errors. Additionally, the organisation urged ROs to act swiftly on reconciliation reports and ensure a smooth transition to the CPPS framework. This implementation marks a major milestone in the EPFO's efforts to modernise pension disbursements, ensuring efficiency and uniformity across the country.

(The writer is Mithilesh Jha.)

TOP

EPFO adds 14.63 lakh net members during November 2024 - The Tribune – 22nd January 2025

The Employees' Provident Fund Organisation (EPFO) on Tuesday released provisional payroll data for November 2024, indicating a net addition of 14.63 lakh members. An increase of 9.07 percent has been registered in net member addition during the current month as compared to the previous month of October 2024, the Ministry of Labour and Employment added in a release. Additionally, the year-over-year data shows a 4.88 percent rise in net member additions from November 2023. Citing the reason behind the growth in additions, the Ministry stated that the figures indicate more job possibilities and greater knowledge of employee benefits, both of which are supported by EPFO's successful outreach efforts. EPFO enrolled around 8.74 lakh new members in November 2024. The new members' addition shows an increase of 16.58 percent when compared with previous month of October 2024. Further, year on year analysis reveals a growth of 18.80 percent in the new member's addition from the previous year in November 2023. This surge in new memberships can be attributed to growing employment opportunities, increased awareness of employee benefits, and EPFO's successful outreach programs, the Ministry added.

A noticeable aspect of the data is the dominance of the 18-25 age group, 4.81 lakh new members added in the 18-25 age group constituting a significant 54.97 per cent of the total new members added in November 2024. New members added in the month from 18-25 age group shows an increase of 9.56 per cent compared with previous month of October 2024 and a growth of 13.99 per cent from the previous year in November 2023.

In addition, the net payroll data for the age group 18-25 for November 2024 is approximately 5.86 lakh reflecting an increase of 7.96 per cent compared to the previous month of October 2024. This is in consonance with the earlier trend which indicates that most individuals joining the organized workforce are youth, primarily first-time job seekers, the Ministry said. The payroll data highlights that approximately 14.39 lakh members exited and subsequently rejoined EPFO. This figure represents 11.47 per cent increase compared to the previous month of October 2024. It also depicts a significant year-over-year growth of 34.75 per cent compared to November 2023. Gender-wise analysis of payroll data unveils that out of the new members added during the month, around 2.40 lakhs are new female members. The comparison with the previous month of October 2024 shows an increase of 14.94 per cent. This figure also exhibits significant year-over-year growth of 23.62 per cent compared to November 2023. The net female member addition during the month stood at around 3.13 lakh reflecting an increase of approximately 12.16 per cent compared to the previous month of October 2024. It also reflects a year over year growth of 11.75 per cent compared to November 2023.

State-wise analysis of payroll data denotes that net member addition in the top five states/ UTs constitutes around 59.42 per cent of net member addition, adding a total around 8.69 lakh net members during the month. Of all the states, Maharashtra is leading by adding 20.86 per cent of net members during the month.

The states/UTs of Maharashtra, Karnataka, Tamil Nadu, Haryana, Gujarat, Delhi, Telangana and Uttar Pradesh individually added more than 5 per cent of the total net members during the month. (ANI)

TOP

Video KYC for NPS from home - The Economic Times - 21st January 2025

Opening a National Pension System (NPS) account can be done without visiting banks, Points of Presence (POP), or nodal officers. Since 2020, the Pension Fund Regulatory and Development Authority (PFRDA) has allowed Video Customer Identification Process (V-CIP) for NPS account operations. This process addresses challenges like remote accessibility and limited mobility, streamlining tasks such as account opening, exits and other service requests. With subscriber verification conducted remotely, there is no need for physical presence, significantly reducing turnaround times and enhancing convenience.

How to open Aadhaar-based eNPS NRI Account

PFRDA, via a circular dated October 6, 2020, had given intermediaries permission to use the Video Based Customer Identification Process (VCIP) for any NPS-related services, including onboarding and exit.
Video-Based Customer Identification Process (VCIP) for NPS

How VCIP works

A customer allows location access on their smartphone. The customer selects an account type (there are different types of NPS accounts) and enters their information. The customer uploads a clean photograph of their PAN card and signature. A bank worker makes a video call to the customer. The bank agent asks basic questions to verify the customer's identity. The bank agent may ask the customer's to hold up their original PAN and Aadhaar cards during the video call. This process may change depending on the banks, POPs.

Basic features of VCIP under NPS, according to the NPS circular dated October 6, 2020
The Video-Based Customer Identification Process (VCIP) under NPS, as per the circular dated October 6, 2020, takes care of both mobile application-based and non-mobile application-based implementations.

NPS rule changes in 2024: Partial withdrawal rule change to NPS Vatsalya; check key changes here
Mobile Application-Based VCIP

1. POPs implement their own mobile application for undertaking VCIP.
2. This application is required to facilitate taking of a photograph, scanning of documents, upload of OVD (Officially Valid Document) through Digilocker/other OVDs as specified by PFRDA and capturing the signature during VCIP in live environment.
3. The usage of the application is allowed only by authorized person of the PoP and not by any 3rd party.
4. The application is also required to have features of random action initiation for Subscriber's response to establish that the interactions are not pre-recorded. Further, the application should have time stamping and geo-location tagging to ensure physical location in India etc.
5. PoPs have to ensure that the process is seamless , real-time, secured, end-to-end encrypted audio-visual interaction with the subscriber and the quality of the communication is adequate to allow for establishing the identity of the customer beyond doubt.
6. PoPs have to carry out a liveliness check in order to guard against spoofing and other fraudulent manipulations. POPs also have to carry out software and security audit and validation of their App performing the VCIP.
7. PoPs can add additional safety and security features, other than prescribed above.
8. PoPs are required to ensure Instant bank account verification through penny drop. Verification of the beneficiary’s bank details is mandatory.
9. The photo/signature of the subscriber is to be uploaded during VCIP while on-boarding.

During exit, the withdrawal document along with KYC needs to be uploaded for the purpose of issuing annuity by Annuity Service Providers. The soft copies of CSRF need to be generated and shared with CRA and the subscribers. For the rest of the services, the subscribers can upload required documents for verification by PoPs through VCIP.

Non Mobile Application Based VCIP:

1. PoPs through their authorized official, specifically trained for this purpose, may undertake live VCIP of an individual subscriber/applicant, after obtaining their informed consent. The activity log along with the credentials of the person performing the VCIP shall be stored securely along with time stamping for easy retrieval and scrutiny.
2. The VCIP has to be shall be done only in a live environment.
3. The VCIP has to be be clear and undisturbed. Further, the NPS subscriber/applicant in the video has to be easily re-cognizable and should not cover their face in any manner.
4. The VCIP process has to include random question and response from the NPS subscriber/applicant including displaying the OVD as specified by PFRDA in its CSRF/Exit Form/Service request forms.
5. PoPs are required to ensure that the photograph of the subscriber provided in KYC documents/PRAN card/CSRF, as the case may be, matches with the sSubscriber during VCIP.

6. Video call must be from the domain of the concerned PoP and not from a third-party source.
7. PoPs are required to ensure Instant bank account verification through penny drop. Verification of the beneficiary's bank details is mandatory.
8. PoPs can add additional safety and security features, other than prescribed above.
9. The photo/signature of the subscriber is to be uploaded during VCIP while on-boarding.

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(The writer is Sneha Kulkarni.)

TOP

EPFO head office flags concerns over delay in finalising higher pension cases - The Indian Express – 21st January 2025

The Employees' Provident Fund Organisation (EPFO) head office has written to its field formations expressing concern over "substantial delays" in finalising cases of pension on higher wages under the Employees' Pension Scheme. In a letter to EPFO's field offices, Central Provident Fund Commissioner (CPFC) Ramesh Krishnamurthi has stated that despite issuance of several circulars and clarifications by the EPFO head office to facilitate the prompt disposal of higher pension applications, the "overall progress remains below expectations due to delays in disposal of applications".

"This is a matter of serious concern, especially since the Supreme Court has set a clear timeline for concluding this exercise," Krishnamurthi said in a letter dated January 17. The EPFO head office has now set fresh deadlines of January 24 and February 7 for its field offices to complete processing of the higher pension applications. "For offices having less than 5,000 applications with joint options, the final deadline for completing the examination of all pending applications will be January 25, 2025. For all other offices the deadline is set for February 7, 2025. All clear cases for PPO (Pension Payment Order) issuance should be completed at all offices by January 24, 2025," the EPFO chief said in his letter.

Union Minister of Labour and Employment Mansukh Mandaviya has been taking regular meetings with EPFO officials to review the status of higher pension cases. Pending applications of over 1 lakh cases have been examined in the past month and 21,000 demand letters have been issued, the EPF's Executive Committee had discussed in a meeting on Saturday. "The disposal of cases has increased by approximately 58, 000," the Ministry of Labour and Employment said in a statement after the meeting.

The EPF Executive Committee under the Ministry has recommended holding regular video conferences with employers to speed up the correction in reverted cases and their submission of joint options for which the last date is January 31, 2025. "It was directed to complete maximum work within the approved framework by the end of the current fiscal year. Cases involving high amounts pertaining to PSUs were directed to be expedited as well," it said.

The EPFO head office in its latest letter said the progress in disposal of pension on higher wages has been reviewed, and it is disappointing to note that, with few exceptions, most offices are "significantly lagging in finalising cases". "A recent performance review conducted by the pension division, particularly for offices handling fewer than 5,000 applications with joint options, revealed substantial delays. The missed deadline of January 10 by many offices is particularly concerning," the letter stated. The letter also said that the delays in finalising higher pension cases is the "lack of setting appropriate priority to this area". "It is made clear that this area of work must be accorded highest priority along with the task of activation of UANs. Raising repeated frivolous issues, which could be addressed by RPFCs or Zonal ACCS, should be avoided. Officers must actively engage with their Zonal Commissioners to resolve such issues promptly," it said.

Pro rata pension formula
Meanwhile, in another set of clarifications, EPFO has stated that it will use the pro rata method for calculation of pension on higher wages. "The pro-rata calculation of pension is provided in Para 12 of the EPS and is equitable, treating both categories of pensioners i.e. pensioners under wage ceiling and those with higher wages on an equal footing. Further, the Hon'ble Supreme Court had also not found the same ultra-virés. Accordingly, MoL&E has agreed with the computation of pension on pro-rata basis for the pension on higher wages cases," it said.

As per the EPFO, there is no separate formula in EPS, 1995 for calculation of pension on higher wages and ordinary EPS members. Therefore, the pension formula, which calculates the pensionable salary by multiplying the pensionable service by the salary, divided by 70 will be calculated separately for the period prior to September 1, 2014 and post that.

For pensionable service prior to September 1, 2014, pro-rata pensionable salary will be the highest monthly salary prior to the date, or 60 months average of salary preceding the date of exit from the membership of the pension fund, whichever be less. For pensionable service post September 1, 2014, pro-rata pensionable salary will be the highest monthly salary post that date or 60 months average of salary preceding the date of exit from the membership of the pension fund, whichever be less.

(The writer is Aanchal Magazine.)

TOP

Corrections in EPFO portal, account transfers simplified - Financial Express - 19th January 2025

In a bid to ease the burden of subscribers, the Employees' Provident Fund Organisation (EPFO) has simplified the process of correcting any member's personal details on the EPF portal, and eased the way through which PF accounts are transferred during change of job. Sources said EPF members with fully compliant e-KYC accounts can file their online transfer claims now with Aadhaar-OTP directly with EPFO without any need for intervention from the employer. Earlier, any online request for transfer of PF account in case of any change of job had to be verified by the employer before submitting to EPFO. The verification by the employer took about two weeks, which delayed the process. During the past nine months, almost 2 million claims remained pending with employers for more than 15 days, said the sources. "If the number of claims filed (13 million) during FY25 is considered, more than 94% claims will instantly reach EPFO," an official said.

The turnaround time of transfer claim processing will be considerably reduced since it does not require approval by the employer. Moreover, if any member has already filed his transfer claim which is pending with the employer, the member can delete the already filed request and submit a fresh claim directly with EPFO, said sources. The internal processes of EPFO are also being simplified for transfer claim processing within this month, which will further smoothen this process, they said. Additionally, the EPFO has eased the process of 'joint declaration' on the portal by allowing employee to self-correct most common errors in his personal details, like name, date of birth, gender, nationality, etc, without any verification by employer or approval by EPFO, if the universal account number (UAN) was issued after October 1, 2017 (when Aadhaar matching was made mandatory). No supporting document is required in such cases, said the sources.

If the UAN was issued prior to October 1, 2017, any correction can be made by the employer without the EPFO approval, and the requirement of supporting documents has also been simplified for such cases, they said. In cases, where UAN is not linked with Aadhaar, any correction would have to be submitted physically to the employer, and after verification forwarded to EPFO for approval. At present, around 27% of the grievances filed by the members relate to member profile/KYC issues which would significantly reduce now, said the sources.

(The writer is Priyansh Verma.)

TOP

GLOBAL NEWS

Australia: Government committed to best possible value for health insurance policyholders – Asia Insurance Review

Australia minister for health and aged care Mark Butler has said the Australian government is committed to ensure that the health insurance members get value. He was addressing a press conference on 19 January 2025 and responding to a query about private health insurance in the country.

Mr Butler said, "My overarching priority is to make sure I get value for health insurance members. Obviously, we need to make sure that the industry is viable, underpinning the important private hospital industry and other parts of the health system. But what I really want to make sure of is that consumers or health insurance members get the best possible value."

He said the 29 private health insurers had made their submissions with a more reasonable premium increase by the 2 January 2025, however, we had to ask some of them to have a relook on their proposals as the government felt that these did not provide value to the policyholders.

The minister said, "I haven't yet got advice about those resubmissions. I expect to get that very soon, because I recognise that I need to make this decision as soon as practical. But again, the overarching priority is to make sure I get the decision right for the millions of Australia to put their hard-earned money into the private health insurance industry."

A new data analysis published by the Catholic Health Australia (CHA) in December 2024 had revealed that corporate health insurers are pricing Australians out of quality private health insurance amidst a cost-of-living crisis.

While the average indexation approved in the 2024 premium round was 3.03%, data analysis of the major insurers shows some 'Gold' products increased by more than 12% between 2023 and 2024, said CHA in a media release.

"'Gold' products give customers cover for essential services such as maternity and mental health. This dramatic increase is making it unaffordable for patients to access this level of insurance," said CHA director of health policy Katharine Bassett.

"Despite these hikes, insurers are returning less to patients in terms of benefits, while private hospitals are struggling to remain viable."

A new report by the Commonwealth Ombudsman has suggested insurers are also putting up prices by closing products and opening nearly identical ones in a practice known as phoenixing. This is a behaviour CHA highlighted in its recent submission to the government on the annual private health insurance premium round.

"Our analysis finds large increases in the same gold products over time. In addition to that, insurers are also using phoenixing to push up prices even further," said Dr Bassett.

"With over 25,000 health insurance products available, the landscape is increasingly complex and confusing for consumers."

Recent government data demonstrates that more Australians now hold Silver products than Gold products, undercutting the value of health insurance to the community.

TOP

COI TRAINING PROGRAMS

Mumbai – February 2025

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Motor Insurance Claims-OD and TP Losses	17-Feb-2025	18-Feb-2025	ClickHere	Register
2	Appreciation of International Classification of Diseases for Insurance (ICD) and Health Insurance	27-Feb-2025	28-Feb-2025	ClickHere	Register
3	Workshop on Soft Skills for team leaders	20-Feb-2025	21-Feb-2025	ClickHere	Register
4	Comprehensive Financial Planning – Focus Insurance Planning	24-Feb-2025	25-Feb-2025	ClickHere	Register

Kolkata – February 2025

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Inspiring Role of Women in Leadership	20-Feb-2025	20-Feb-2025	ClickHere	Register
2	Financial & Investment Management in Life Offices	20-Feb-2025	20-Feb-2025	ClickHere	Register