ISSUE NO. 2023/34

भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

INSUNEWS - WEEKLY E-NEWSLETTER

19TH – 25TH AUGUST – 2023

QUOTE OF THE WEEK

"We identify in our experience a differentiation between what we do and what happens to us."

ALAN WATTS

Insurance Term for the Week

Actual Cash Value

There are a few ways your policy can be set up that impact the amount you are paid when filing a claim. Actual cash value is one such method, and it is calculated by subtracting the amount of depreciation from the initial cost of the property. Depreciation is usually calculated by subtracting a certain percentage from the property per year. However, not every insurance company calculates depreciation the same.

In most cases, actual cash value coverage is a less-expensive insurance option. Another (often more expensive) alternative is called "replacement cost coverage," which we will cover later on.

INSIDE THE ISSUE

INSURANCE INDUSTRY

Democratising Indian Insurance Sector – Businessworld – 23rd August 2023

When Ankit Agrawal and Ish Babbar founded InsuranceDekho in 2016, their main aim was to simplify the insurance buying experience and serve customers with the most holistic offerings at one platform.

Now, with the insurance industry in India on the verge of explosive growth, thanks to government initiatives, and increasing public awareness, InsuranceDekho is well-positioned to meet the insurance needs of every Indian.

For Bharat
Earlier in February this year, InsuranceDekho raised $150 million in Series A funding consisting of a mix of equity and debt. The equity round was led by Goldman Sachs Asset Management and TVS Capital Funds with participation from Investcorp, Avataar Ventures and LeapFrog Investments. Since its inception, the company has witnessed significant premium growth.

According to Babbar, Co-founder and CTO, InsuranceDekho, the latest funding will be used to scale up InsuranceDekho's product and technology functions, expand to new markets and launch new innovative products in the health and life categories.

The Big Picture
Agrawal, CEO and Co-founder, InsuranceDekho says, "We need to go beyond the urban regions when it comes to insurance penetration in the country. To realise our goal of democratising insurance for the general public, we are expanding our reach."

By the end of this calendar year, InsuranceDekho aims to have more than 200,000 insurance advisors active on its platform. Typically, most InsuranceDekho insurance advisors observe a threefold increase in total household income within six months of being associated with the company. Babbar says, "There will be a phygital world that will lead India. People will depend on the right advisory and information available to make the best insurance choice."

Next Phase of Growth
As to when InsuranceDekho will become a unicorn, Babbar says, "The unicorn tag should come soon. Even in the current tough environment, there is enough capital if one is building the business on the right fundamentals." Already, the Insurance Regulatory and Development Authority of India (IRDAI), according to its chairman Debasish Panda, is working on a three-pronged approach -- availability, accessibility and affordability -- to ensure 'Insurance for all by 2047'. Lauding the nation's goal, Babbar asserts that InsuranceDekho is on the right track to meet the target. According to media reports, InsuranceDekho is looking to raise more than $50 million in Series-B funding, from new and existing investors in the next two-three months at a $650-700 million valuation

(The writer is Resham Suhail.)

TOP

Over 947mn cyberattacks blocked in India out of 1.1bn worldwide in Q2: Report – The Statesman – 22nd August 2023

More than 947 million cyberattacks blocked in India, out of a global total of 1.1 billion in the second quarter (Q2) of 2023, a new report showed on Monday. According to the Tata Capital-funded company Indusface, this figure reflects a sharp escalation of 90 per cent in the frequency of cyberattacks on Indian websites during Q2, as compared to Q1, which recorded 500 million attacks.

"The India story is an exciting one and looks like even the bad actors have noticed it. While we track the growth in attacks worldwide, no other major geography saw an increase of 90 per cent on attacks," said Ashish Tandon, CEO of Indusface. Banking and insurance and healthcare were the particularly targeted sectors that were heavily affected as each website in this sector faced bot attacks.

The majority of bot attacks increased by 48 per cent in Q2 (88 million attacks) compared to Q1, 2023 (59 million attacks), underlining the pervasive nature of this threat. DDoS (Distributed Denial-of-Service) attacks also increased significantly, seeing a 75 per cent upswing from the previous quarter globally. Following India, the countries from which the most attacks originated were the US and the UK, according to the report.

"DDoS continues to be the #1 threat vector. Enterprises continue to prioritise application availability for legitimate users and risk DDoS attacks as the implications of false positives are significant. This is because most methods to combat DDoS don't adapt well enough especially when there are bursts in traffic on legitimate use cases such as a year-end tax return filing," Tandon said. In addition, the report mentioned that the total number of DDoS attacks globally reached 8,72,105,826, while bot attacks amounted to 88,186,868, emphasising the scale of the cyber threat landscape.

TOP

Don't Leave Women Behind: Accelerating Progress in Financial Literacy - The Economic Times - 20th August 2023

It is estimated that more than 70 percent of adults in India[1] and Southeast Asia[2] are financially illiterate, representing one of the lowest financial literacy rates in the world. According to the OECD, an individual who is financially illiterate would lack the knowledge, skills, attitude, and behaviour to make sound financial decisions and achieve individual financial wellbeing.

From a macro-perspective, low levels of financial literacy across the population could also mean lacklustre growth for the economy since research has shown that emerging markets cannot reach their full potential should half their working age population continue to lack financial know-how.

Barriers to Financial Literacy for Asian Women

The severity of the problem is not the same across genders. Worldwide, 35 per cent of men are financially literate, compared to only 30 per cent of women. The financial literacy gender gap is even wider in developing economies. For example, 27 per cent of men in India are financially literate, but only 20% of women are.

This can be attributed to patriarchal mindsets that are especially prevalent in conservative Asia, where women are often relegated to the role of caregivers and homemakers. With men as breadwinners, women are simply not expected to be involved in financial decision-making, resulting in an unspoken understanding that women need not be as financially savvy as their male counterparts.

Survey conducted to understand Financial Awareness Among Women by Tata AIA in the Indian subcontinent, while there has been a noticeable increase in the proportion of women in the workforce, Indian women still shy away from making independent financial decisions. According to the survey findings, for most women being financially independent does not necessarily mean they have the freedom to make their finance related decisions. Among the working women, 59% do not independently take decisions on their finances. The ratio is higher in tier 3 markets, where 65% of working women do not take independent financial decisions.

This behaviour is despite the intense narrative of women empowerment and gender equality that has been extensively deliberated over the decades. Laws against women have also been strengthened, and a positive shift has taken place over the years regarding the position of women in society. Yet when it comes to financial planning, women do not get to call the shots.

Implications of Financial Ignorance

The problem is compounded as financially illiterate women in Asia are exceptionally vulnerable to economic hardship and financial exploitation – more so than their male counterparts. With lower levels of education and deeply entrenched gender stereotypes, it follows that women are generally less employable than men in Asia. This is not only the case in developing economies.

The World Economic Forum reported that even in developed economies such as Singapore, women are still approximately 20 per cent less likely to be able to have the same level of economic participation and opportunity as men.

It is imperative to equip women with financial literacy so that they can accumulate financial reserves. This is an important safeguard against unfortunate and unforeseen circumstances such as widowhood or divorce, and especially critical in Asia, where more than half the population lack social protection coverage, due to a lack of public investment in a social safety net.

Where informal employment is usually associated with low wages, no benefits, and no job security, empowering women with financial literacy can therefore put them in a better position to negotiate employment terms and be less susceptible to instances of employer exploitation – ranging from being forced to work in unsafe conditions to being vulnerable to debt bondage.

Financial Literacy Key to Advancing Sustainable and Inclusive Prosperity

Digitalisation is one of the most influential global megatrends of today and governments worldwide are making strides at increasing financial inclusion by boosting access to digital bank accounts and other digital financial services. However, without financial literacy, these opportunities might lead to defaults, debts, and financial hardships. Financial literacy is thus the first step towards advancing financial inclusion, and a big step towards advancing the global agenda to economically empower women.

As the old African proverb saying goes, “If you educate a woman, you educate a family”. When mothers possess higher levels of financial knowledge, their children also tend to learn and absorb this knowledge from them. This holds especially true in Asia where women continue to be the primary caregivers at home. Equipping women with financial literacy can thus drive multi-generational progress and bring about sustainable and inclusive prosperity.

(The writers are Amita Chaudhury & Venky Iyer.)

TOP

How AI, Blockchain technology are taking India’s insurance industry to next level – The Economic Times – 20th August 2023

We live in a VUCA world which stands for volatility, uncertainty, complexity, and ambiguity -- no industry is safe from the uncertainties it brings. One must always seek a different approach to harness the organization’s potential to survive and thrive in this evolving world. Insurance is also no exception to this VUCA world and must constantly adapt and embrace changes.

As a sector, insurance has long followed the traditional business models, which involved largely manual processes. Though the model has been quite robust, the insurance industry is reinventing itself to new heights where it is going through a profound change and transformation primarily driven by technological advancements focusing on enhancing the customer experience at each touchpoint. Insurance companies are leveraging their industry experience and the new age of innovative advancements to provide their customers with more personalized and customizable product solutions and related services.

Technological Advancements: Reshaping the Insurance Landscape

Advancements in the technology field have taken the world by storm and emerged as a powerful tool that is reshaping the insurance industry. The insurance business has long been a conversational sale, but with digitalization, it has moved towards a hybrid model – the 'phygital' model. Standard and vital insurance processes like policy issuance, claim settlement, pre-medical check-up, and the like, which were predominantly paper-based, are now being augmented with digital integration to ensure a seamless customer experience and streamline processes. In the insurance sector, it has been a game changer in redesigning the customer experience.

Technologies like machine learning, artificial intelligence, automation, and data analytics have played a significant role in digitizing insurance processes. Through AI-Powered chatbots and virtual assistance, insurance companies are instantly providing personalized customer service especially in claim management, renewal process, and even customer grievances.

AI algorithms, combined with machine learning models, are being used to make underwriting, an essential process in the insurance industry, more efficient and accurate, enabling insurers to tailor products based on the customer's risk profile. With process automation, manual processes like policy issuance, claim process, and query resolutions are being addressed on the go, giving customers a hassle-free experience while increasing productivity and operational efficiency. From a strategic point of view, advanced analytics and AI have helped in data-driven decision-making and product innovation, which in the larger scheme of events has helped bring customer-centricity.

Collaborative Environment: Initiatives for Accessibility

To reach every household, there must be a collaboration between the government, the regulator, insurance companies, insurtech/ fintech companies, and external agencies, driven by technology. Governing and regulatory bodies are stepping up their initiatives in line with the digital revolution to take insurance products to every corner of the country.

Initiatives like Bima Sugam and ABHA are a step towards making insurance and related services accessible to everyone and ensuring they are adequately covered. ABHA (Ayushman Bharat Health Account) is an initiative to help take health insurance to every nook and corner of the country powered by technology.

ABHA paves the way for implementing the health claim exchange, which will integrate the whole healthcare ecosystem, i.e. the hospitals, insurers, healthcare service providers, and TPAs, into a single platform to ensure a seamless exchange of information and data and hence will help reduce the TAT of the claim process, eliminate or lower fraud, and bring uniformity, making the whole process digitized and hassle-free.

Similarly, active collaboration has already taken place with IIB (Insurance Information Bureau), a data repository and analytics body for the insurance sector in India, and this could potentially address the issue of under-penetration, NCB leakages, and fraudulent claims, among others. IRDAI is also developing new means to enhance customer experience by bringing in 100% cashless claim settlement through common empanelment and interoperability with hospitals. This will also benefit the insurance industry and the nation to take the insurance penetration leaps and bounds.

Leveraging advanced technologies with the integration between the stakeholders will help detect anomalies, patterns, and suspicious activities and hence help detect and prevent fraud. It will also pave the way for comprehensive risk assessment models that will help better understand risk and therefore underwrite risk accurately, fostering product innovation and customization, pricing optimization, and centralized information-sharing, hence improving accuracy and efficiency, which will, in turn, help serve the customer better.

Making Insurance Inclusive: Bridging the Insurance Gap

When one thinks of the insurance industry 2.0, many restrict themselves to technology to enhance customer experience. But what about the people who are outside the insurance ecosystem? Insurance industry 2.0 goes beyond technological advancements making insurance inclusive, available, and accessible to every household in the country. It is about reach!

Historically, insurance accessibility has been primarily limited to larger towns and cities and has comparatively made a lower impact in tier 2/ tier 3 locations. This is due to a lack of awareness, limited distribution network, and infrastructure to service claims. It is an unspoken truth that insurance penetration in India is relatively low, and not every individual is adequately covered.

India has approximately less than 1% non-life insurance penetration, which is significantly lower than the industry average of roughly 4%, and insurance companies must address this enormous protection gap. And bridging this gap is not impossible with the improved digital infrastructure and the rise in mobile connectivity, which will help increase the awareness around insurance; hence the right product, service, and effective distribution system will allow us to tap the untapped.

We must foray into our country's tier 2 and tier 3 locations to reach every household. Digitally equipping physical offices in these locations will help cater to the insurance needs of the people. Virtual Sales Offices, ideated by our company, Bajaj Allianz, are already helping us surpass the geographical barriers, as insurance company employees act as “one-man-offices” to reach remote locations and help people with their insurance-related needs.

Initiatives like Bima Sugam, a centralized online marketplace that will facilitate sales, servicing and management of claims of insurance policies in a single platform, will help provide customer-friendly products and enhance convenience to the policyholders. Additionally, Bima Vahak and Bima Vistaar will be crucial in providing last-mile connectivity for insurers and improving the availability, accessibility and insurance penetration to every part of the country. These initiatives will also lead to job generation across these locations, playing a role both in financial protection and economic growth.

It is equally essential that the service being provided is also at par. Increasing the number of hospital tie-ups, motor garage tie-ups, and the like across the country will help improve the service footprint. The extensive bank branch network already allows us to reach the tier 2/ tier 3 locations through Bancassurance and provide products and services.

Increasing the bank tie-ups will further enable us to reach the people and provide access to insurance products and services. Also, similar to the banking sector, where banking correspondents help reach the unbanked sectors in a region, the industry can leverage this business model in conjunction with POS retailers to provide insurance services to the country’s untapped markets, which will help bring more financial inclusion.

CSC or Common Service Centres will be crucial in delivering services and help in amplifying the insurance industry’s service footprint. This will enhance customer experience at each touch point and help generate employment, especially in rural India, boosting the economy.

What does the future hold?

Insurance 2.0 is all about evolving and reinventing ourselves to provide better products and service and make insurance accessible to all as the dynamics of the insurance landscape keeps changing. So what is the future?

The way new-age technologies are reshaping all industries alike, it is only time that it will also be integrated into the system to make the insurance life-cycle smooth. The pace at which conversational AI has taken the world by storm, in our insurance industry, it can provide interactive human-like conversations that help address customer queries, guide them through policy purchases, and assist them in claim intimation, thereby simplifying the insurance life cycle.

Predictive analytics, which will help in forecasting risks and the probability of events, will play a crucial role in underwriting risks accurately. Blockchain technology can facilitate secure transactions along with policy management and claim settlement. Apart from advanced technology, integrated smartphones, higher collaborative ecosystems will play a significant role in defining the future of the insurance landscape.

As we move towards a society that is becoming more aware, they are looking for a wide range of innovative protection-based products and alternatives but aren't spoilt for any. India has roughly 60 insurance firms, where more than 25 of them are general insurance companies, catering to the billions of people in this country. But we need many more insurers in the market; the more, the merrier! The competition will lead to better product innovations, enhanced customer service, wider reach, and niche areas being serviced, which will pave the path for strong, agile companies to flourish and give customers multiple choices.

It will drive insurance penetration across India, ensuring every household is financially secure during unforeseen difficulties and providing them with the opportunity to live a life of dignity. 'Insurance for All' by 2047, a vision by the IRDAI, will soon be a reality! It will start with increasing awareness; we all have to pick up the mantel and start sparking conversations about insurance.

Also, the amalgamation of technological advancements with human expertise will ensure customer-centric products and services, higher customer satisfaction, and a competitive edge for insurance companies. With the right mix of physical strategies, current technologies, along with collaboration within the industry and implementation of new-age technologies, the robust insurance sector is well prepared to cater to the customer's needs and help improve the country's financial stability as it moves towards a new dawn of the age.

(The writer is Tapan Singhel.)

INSURANCE REGULATION

IRDAI cuts capital for foreign reinsurance branches for Rs 50 cr – The India Express – 25th August 2023

Aimed at attracting more foreign reinsurers to establish operations in India, the Insurance Regulatory and Development Authority of India (IRDAI) has slashed the minimum capital requirement for foreign reinsurance branches (FRBs) from Rs 100 crore to Rs 50 crore with the provision to repatriate any excess assigned capital.

The format for reinsurance programmes has been simplified, and regulatory reporting requirements have been rationalized for increased clarity and effectiveness, IRDAI said on Thursday. A critical aspect of these amendments is their alignment with the broader goal of positioning India as a global reinsurance hub, it said

IRDAI approved a series of amendments to the reinsurance regulations during its meeting recently. "The overarching objective of these amendments is to harmonize and streamline the existing regulations that apply to Indian insurers, Indian reinsurers, Foreign Reinsurance Branches (FRBs) and International Financial Services Centre Insurance Offices (IIOs). "This comprehensive regulatory overhaul is strategically designed to position India as a prominent global reinsurance hub," IRDAI said.

The key focus areas of these amendments revolve around several crucial aspects, it said. Firstly, there is a concerted effort to increase the overall capacity of the reinsurance sector, which can help accommodate growing demand and manage larger risks. Additionally, these amendments seek to enhance technical expertise within the industry, fostering an environment of excellence and innovation, the regulator said.

The order of preference in giving business to reinsurers, previously spanning six levels, has been streamlined to four levels. By working in tandem with the International Financial Services Centres Authority (IFSCA), IRDAI aims to cultivate an environment conducive to the growth of reinsurance activities, both within and outside the conventional Indian market, it said.

The regulatory framework for IIOs has been aligned with IFSCA regulations with the intent to remove dual compliance, thereby promoting a seamless integration of these entities into the larger financial ecosystem. "The revised order of preference for IIOs, coupled with simplified regulations and improved placement alongside FRBs, fosters a more competitive environment," IRDAI said.

IRDAI has already put restrictions on the operations of over 200 cross border reinsurers (CBRs) which are active in the Indian reinsurance market. Among other things, CBRs will have to retain a minimum 50 per cent premium by way of premium deposit with the clients. It will be the responsibility of the insurers to maintain this premium in a separate designated or escrow account as well as to invest such amount into Government of India securities.

CBRs don't have any offices in India and just have to register with the IRDAI to get business through brokers. They normally offer cheaper pricing than other reinsurers. Among other things, CBRs will have to retain a minimum 50 per cent premium by way of premium deposit with the clients. It will be the responsibility of the insurers to maintain this premium in a separate designated or escrow account as well as to invest such amount into Government of India securities.

According to insurance industry observers, by putting more restrictions on the activities of CRBs and by relaxing norms for Indian FRBs, the IRDA wants these CRBs to set up operations in the country or at the IFSC. In the order of preference with which Indian general insurers can reinsure the business, CBRs are almost placed at the bottom. Before giving business to them, an insurer has to be declined by Indian reinsurers like GIC Re, foreign reinsurance branches (FRBs) and Lloyd's and reinsurers who are present in IFSC (Gift City). IRDAI said maximum overall cession limits allowed per CBR will be 10 per cent for CBRs with BBB rating, 17.5 per cent for rating BBB+ and up to A+ and 25 per cent for rating above A+.

Subhrajit Mukhopadhyay, Executive Director, Edelweiss Tokio Life Insurance, said, "Steps like lowering the capital requirement for foreign reinsurance branches and rationalising the order of preference will bring in ease of business for reinsurers and will make India an attractive business destination. The reduction of compliance burden is also a pragmatic move. It will not only ease the operational complexities but will also enhance the sector's overall efficiency."

These changes, along with the adoption of international standards, will boost India's reinsurance industry's technical know-how and innovation potential, Mukhopadhyay said. In a global context, this signals India's ambition to be a serious contender in the reinsurance market. As these amendments take root and the industry evolves, we can anticipate a surge in market growth, greater international recognition, and the development of a more resilient and competitive insurance ecosystem within India, insurance sources said.

(The writer is George Mathew.)

TOP

IRDAI approves amendments to reinsurance regulations – The Hindu – 24th August 2023

A clutch of amendments to reinsurance regulations, including one halving minimum capital requirement for Foreign Reinsurance Branches (FRBs) from ₹100 crore to ₹50 crore with the provision to repatriate any excess assigned capital, has been approved by the Insurance Regulatory and Development Authority of India (IRDAI).

The format for reinsurance programmes has been simplified and regulatory reporting requirements have been rationalised for increased clarity and effectiveness. The order of preference for insurers has been streamlined from the previous six levels to four, the insurance regulator said on Thursday on amendments approved at its 123rd Authority Meeting recently.

The focus is to increase capacity of the reinsurance sector towards helping accommodate growing demand and manage larger risks as well as to enhance technical expertise within the industry. Reduction of compliance burden on various entities operating in the sector and allowing them to navigate the regulatory landscape more efficiently is another aspect of the amendments, IRDAI said.

The overarching objective is to harmonise and streamline existing regulations that apply to Indian insurers, Indian reinsurers, FRBs and International Financial Services Centre Insurance Offices (IIOs). The regulatory framework for IIOs has been aligned with IFSCA regulations with the intent to remove dual compliance.

"This comprehensive regulatory overhaul is strategically designed to position India as a prominent global reinsurance hub. By working in tandem with the International Financial Services Centres Authority (IFSCA), IRDAI aims to cultivate an environment conducive to the growth of reinsurance activities, both within and outside the conventional Indian market," the regulator said. As the amendments take effect and the reinsurance market in the country evolves, the insurance sector is poised to witness accelerated growth, increased international recognition and a more robust ecosystem, it said in a release.

(The writer is N. Ravi Kumar.)

TOP

LIFE INSURANCE

How to choose a term insurance policy for working women and homemakers – Financial Express – 23rd August 2023

The path to financial security begins with securing one's future against unseen setbacks, and what better a way to ward off these setbacks than to invest in a robust term insurance plan. Irrespective of gender, everyone needs a term plan to secure their dependents beyond their lifetime. While India is home to 48.4% female population, historically men have assumed the role of financial planner in a family.

In recent years, the role of women in India has undergone an evolution. Women have emerged as strong pillars of society, seamlessly juggling multiple roles. Amid these multifaceted responsibilities, the need for securing one's financial future through astute decisions has never been more apparent.

It's often presumed that only the onus of women making monetary contributions to buy a term insurance plan. The reality is homemakers are also equal contributors in a household – whether or not that can be measured in monetary terms. Keeping up with the changing norms, the insurance industry continues to build products that can adequately cater to women's dynamic needs. As more women become primary earners or contribute significantly to household income, having a term insurance policy becomes paramount. It guarantees that in the unfortunate event of the policyholder's demise, her dependents will have the financial resources to maintain their quality of life and pursue their aspirations.

Here's how women can ensure they have adequate term insurance coverage:

Evaluating coverage
In India's socio-cultural environment, conversations around death are still a taboo. In this case, evaluating coverage or, in a way, attaching a price to life might get even more difficult. While nothing can replace the loss of life, a strong financial backing can surely take care of the economic adversities for the dependents. Women should evaluate their financial responsibilities and obligations, and also take into account factors like outstanding loans, children's education and marriage, etc.

With rising inflation, the coverage should adequately provide for the family needs to maintain the family's lifestyle and safeguard their future. Whether you are a working woman or a homemaker, you must opt for a range of Rs 1 crore to Rs 5 crore to accommodate the future financial needs. It is also important to note that the premiums for women buyers are up to 30% cheaper when compared to males for the same term cover.

Independent term plan for homemakers

The role of homemakers was traditionally perceived to be adding no financial value to a household. However, this problematic perception couldn't be farther from the truth. In reality, a homemaker's efforts in maintaining and running a household immensely contribute to the family's finances. The recent launch of independent term plans for homemakers is a thoughtful and monumental step in ensuring equality in financial protection. Earlier, homemakers had to depend on their spouse's term policy. Now, they can independently secure the future of their dependents basis the household income, without having to rely on their spouse's term policy. The coverage ranges from Rs 50 lakh to 1 crore and all they need is to have a household annual income of Rs 3 lakh and a 10th or 12th pass educational qualification of the homemaker to make the plan more inclusive. Homemakers must empower their dependents with this term plan.

Assessing your stage of life

Term plan needs evolve with every stage of life. So, it helps to decide the coverage accordingly. For instance, when you are 25-30 and single, you can opt for a Rs 50 lakh coverage. However, you must remember to opt for Life Stage Benefit rider to make sure you can increase the coverage in the future as your responsibilities increase. Similarly, once you're more settled in life at 35-40 years, having at least Rs 1 crore coverage is a must. One must also remember to follow the rule of having a coverage of 10 times the annual income. If you're someone nearing retirement age and thinking your premiums go to waste if you survive the term, it's not necessarily the case. Now, term plans come with a one-time exit option that allows you to surrender your policy and get all the premiums back excluding GST. What makes these plans attractive is that they are priced the same as regular term plans and hence, value for money, whether you end up using the coverage or not.

Research and comparison

It's crucial to conduct your share of research before closing in on any plan. Online aggregators have made it far easier and transparent to compare features, benefits and exclusions and make the best suitable choice. Online tools also come in handy to calculate important parameters like human life value to accurately gauge the coverage you need.

Riders to cover against critical illnesses like Cancer

With the changing lifestyle, women are becoming more prone to certain major illnesses like cancer. Critical Illness riders provide an additional sum assured cover in case you are diagnosed with a critical ailment. This helps provide coverage for immediate medical expenses and helps cover financial loss due to possible loss of income.

Term insurance plays a pivotal role in women's life and financial planning. By selecting a policy that aligns with their life goals, women can protect their aspirations and ensure that these dreams are realized even in their absence.

TOP

Prioritise insurance policies with higher maturity for tax exemption – Businessworld – 22nd August 2023

A new circular issued by the Income-Tax (I-T) Department provides greater clarity on the taxability of non-unit-linked (basically, traditional) life insurance policies. Prior to Budget 2023, a payout from any life insurance policy (other than Ulips) was exempt from taxation, provided a few specifications were met. Says Pallav Pradyumn Narang, partner, CNK: "According to Section 10(10D), amended in the Finance Act of 2023, there is no tax exemption for life insurance policies issued on or after April 1, 2023, if the premium exceeds Rs 5 lakh." An additional condition, which has been there for a long time, is that there is no exemption if the premium exceeds 10 percent of sum insured. Under the old rules, maturity benefits enjoyed tax exemption irrespective of the premium amount. While the goal was to promote insurance penetration, these policies ended up becoming a tax-avoidance tool for high net worth individuals (HNIs) who bought high-value policies with hefty premiums. Says Ankit Jain, partner, Ved Jain & Associates: “Affluent individuals were drawn to these plans due to their guaranteed, tax-free maturity benefits coupled with insurance coverage. Observing this, the government introduced these amendments.”

If the aggregate premium of more than one policy exceeds Rs 5 lakh, only the policies with a combined annual premium of up to Rs 5 lakh will be exempt. Investors can choose the policies whose proceeds they want exempted. Narang clarifies that Goods and Services Tax (GST) applied on the premiums will not count towards the Rs 5 lakh limit. Suppose that a new policy is purchased, say, on April 1, 2028, after the premium-paying term of an earlier policy has ended. The annual premium of the two policies exceeds Rs 5 lakh. Says Jigar Patel, member, Association of Registered Investment Advisors (ARIA): “The earlier policy may not have matured. Nonetheless, the maturity benefit received from both will be exempt. The key is that the annual premium paid on multiple policies should not exceed Rs 5 lakh.”

Term policies don’t make any payout if the insured survives the policy term. The premium of a term policy will not be counted towards the Rs 5 lakh limit. Jain points out that any payout made to the nominee upon the policyholder’s death continues to be tax exempt. This is regardless of the nature of the plan. How will tax be calculated in the case of policies where the payout is not exempt? Says Patel: “The premium paid can be deducted from the maturity benefit. However, indexation benefit is not available.” The net amount shall be taxed as income from other sources. Says Sandeep Bajaj, advocate, Supreme Court of India: “These revisions provide lucid directives for claiming exemptions on eligible life insurance policies.” The Rs 5 lakh threshold is reasonably high, so these changes will mostly affect HNIs. Post April 1, 2023, taxpayers should be mindful while investing in traditional policies for tax-free returns. Says Archit Gupta, chief executive officer, Clear: “Make sure you do not cross the Rs 5 lakh premium threshold.” He adds that where the proceeds become taxable, the post-tax returns are likely to be sub-optimal. The pre-tax returns from these plans anyway don’t exceed 4-6 percent. Taxation at slab rate will make their post-tax returns even less attractive.

If you are planning to change your payment frequency, think again. Says Bajaj: “If an individual alters her premium payment frequency within the policy term, such as shifting from annual to semi-annual or quarterly payment, resulting in the premium exceeding Rs 5 lakh, the maturity benefits of the policy will become taxable.” Experts have always warned against mixing insurance and investment. Says Patel: “Buy term insurance for protection.” For investment, go with products like fixed deposits, mutual funds, etc. For Ulips, the government had imposed a cap on the premium even earlier. So, ensure that for Ulips purchased on or after February 1, 2021, the aggregate annual premium does not exceed Rs 2.5 lakh. Offer the traditional policies with higher maturity proceeds first for exemption and let the policies with lower maturity proceeds be subject to taxation. Suppose that a policyholder has five policies with annual premium of Rs 1 lakh (A), Rs 1.5 lakh (B), Rs 2 lakh (C), Rs 3 lakh (D) and Rs 4.75 lakh (E). In this case, the investor may choose policy E for exemption (as premium is below Rs 5 lakh). However, he should select policies C and D for exemption, as the maturity benefit from them is likely to be higher than from E.

(The writer is Bindisha Sarang.)

TOP

GENERAL INSURANCE

Should students buy Travel insurance policy or health cover before flying abroad for studies? – Financial Express – 23rd August 2023

We are living in an era of globalisation and an interconnected world, and therefore studying abroad is no longer a preserve of just a select few in India. According to a report using data from the Ministry of External Affairs, over 1.3 million students from India were pursuing their education in 79 countries in 2022. According to a report, Australia, Canada, the UAE and the US are the most popular choices for Indian students looking for educational degrees outside the country.

While students want to venture overseas to achieve their dreams, a rounded student travel insurance policy is vital. It gives students and their families peace of mind to focus on their academic pursuits and cultural experiences, knowing they are protected against medical and trip-related unforeseen circumstances during their study abroad.

High healthcare costs, university-specific requirements coupled with the recent spike in healthcare expenses due to COVID-19 have become key reasons that drive students travelling abroad to secure their trip with the right student travel insurance.

Some of the critical tips a student and parents should remember while choosing insurance coverage are:

Make the most with specialised insurance
Very frequently student or their parents tend to get confused about whether to buy international travel insurance coverage exclusively meant for students or leisure travel insurance which is of short-term duration.

Considering the risks posed to the students abroad and the duration of study courses extending beyond 1 year, it is pertinent that one should go for a specialized student travel insurance policy.

Students face unique challenges, like health emergencies, unexpected trip delays, loss/delay of baggage and even legal issues can disrupt their educational experience, that warrant specialised insurance coverage.

Standard domestic insurance offered by players in the destination countries might not provide the necessary protection there and hence a dedicated student travel insurance cover comes into play.

Apart from providing coverage against the usual needs like lost baggage and medical emergencies, a travel insurance policy also reimburses costs if one is forced to interrupt studies due to a medical emergency. Also, in terms of premiums, Indian insurers offering such student travel insurance policies are more reasonable.

Choose wisely on a comprehensive plan that will cater to your concerns, rather than the usual coverage, according to your specialised needs, with a customised cover.

Travel insurance or health? Get the best of both worlds
When choosing between international student health insurance and travel insurance, a student travel insurance policy purchased from India is recommended. Such a policy combines medical and non-medical covers for trips, baggage and other contingencies, providing better holistic coverage and benefits.

Benefits of student travel insurance
Student travel insurance offers advantages designed for specific needs, encompassing protection in case of study interruptions, personal liability including property damage, emergency evacuation, trip delays, etc.

Unlike standard travel policies intended for leisure or business purposes, which have a maximum coverage period of 180 days, student travel policies provide coverage beyond 1year.

It is advisable to secure an appropriate level of coverage that aligns with the length of one’s stay, ensuring adequate protection during the time abroad.

Indian Insurance packages over the general university packages
With Indian student travel insurance plans, students can clearly understand the scope of coverage they will receive, ensuring no surprises or misunderstandings during the claim settlement process.

Another significant advantage of opting for an insurance policy from India is its comprehensive coverage. While university plans may only cover medical and related expenses, Indian insurance plans provide additional benefits such as trip and baggage-related covers. It is always advisable to check insurance requirements meeting the needs of the university where one intends to pursue studies abroad.

Legal assistance and liability coverage
Student travel insurance often includes legal assistance, offering the policyholder with guidance on attorney for legal representation. Additionally, liability coverage can prove invaluable if a student is held responsible for accidental damage to property or injury to others.

Choosing the Right Policy
Selecting the right insurance policy demands careful consideration. While buying a student travel insurance policy, compare different plans offered by various insurers on the website of insurance aggregators. It will help one choose a plan that caters to specific needs and requirements and make the policy much more comprehensive by attaching required add-ons. Emphasis should be laid on the insurance coverage meeting the requirements as per university as mentioned above.

Also, assessing the insurance provider's claim-settlement ratio before finalising a plan is crucial, as a higher-than-average percentage could signify seamless and trouble-free claim processing. Additionally, consider location-specific factors, as the scope of travel insurance coverage differs from country to country.

Lastly, it is also important to give significant weightage to the brand of the insurer which has been dominant in the travel insurance space and also has a global footprint. Embarking on an international educational journey is an investment in one's future. Just as students invest time and effort into their studies, they should also invest in their safety and well-being by securing proper insurance coverage. As the saying goes, it's better to have it and not need it, than to need it and not have it – a sentiment that blends in with the essence of insurance.

(The writer is Dr. Santosh Puri.)

TOP

Safeguard yourself against massive vet bills with pet insurance policy – Business Standard – 19th August 2023

If you've added a dog or a cat to your family, the thought of buying pet insurance must have surely crossed your mind, especially after receiving a bill from your vet. Bajaj Allianz General Insurance recently introduced a pet insurance policy for cats, to supplement the cover for dogs it had launched earlier. Go Digit General Insurance has also announced a partnership with Vetina to offer comprehensive cover for dogs. As pet ownership rises and healthcare for pets become more expensive, interest in pet insurance to mitigate veterinary and other expenses is expected to rise. Pet insurance policies typically cover dogs and cats, but can also include horses, rabbits, and other animals. Says Kapil Mehta, co-founder and chief executive officer, (CEO), SecureNow: "Pet insurance, like human insurance, covers hospitalisation costs. It also covers the pre- and post-hospitalisation costs linked to the ailment the pet suffers from."

Pets have shorter lives than humans and are susceptible to many ailments and accidents. Says T A Ramalingam, chief technical officer, Bajaj Allianz General Insurance: "In case of illness, veterinary hospital expe-nses can run quite high. Pets can also get injured in accidents, resulting in unexpected medical costs." Adds Mehta: "Since there are only a few good veterinary hospitals, they tend to be expensive. That is where pet insurance comes in handy. Treating an illness or accident can easily cost Rs 10,000-30,000." A policy allows pet owners to handle such situations without undue financial strain. Besides hospitalisation, this policy also offers coverage for mortality, surgery, theft, and loss or straying. Says Naval Goel, founder and chief executive officer (CEO), PolicyX: "Pet insurance also helps when the pet dies or damages someone's property." Death due to accident or disease, terminal and long-term illness, and outpatient department (OPD) visits are also covered. Customers can choose coverage according to their preferences.

"The policy can be purchased for one month to three years. Customers can receive a multiple-pet discount by getting multiple pets covered under a single policy," says Ramalingam. Adds Goel: "On average these policies come with a tenure of seven weeks to eight years and a sum insured of Rs 30,000-50,000." Some policies offer a higher sum insured. The recent offering from GoDigit, for instance, offers a sum insured ranging from Rs 40,000 to Rs 1.5 lakh, and coverage for 12 weeks to 10 years. Bajaj Allianz, Future Generali, New India Assurance, and GoDigit offer this cover. Says Mehta: "This cover has not taken off due to limited awareness." This policy covers visits to the vet up to the sum insured. While both basic and specialised treatments are covered, cosmetic procedures, congenital health issues, spa visits and grooming are excluded. Says Mehta: "Some insurers exclude pre-existing con-d-itions for 12 months, others offer immediate coverage. Most insurers have a 10 percent co-pay, which means you have to bear 10 percent of the total cost out of your pocket." Some covers are conditional. In Oriental Insurance's dog insurance policy, for instance, partial and permanent disability of any nature, rabies, canine distemper, and leptospirosis are covered if preventive inoculation is done and a certificate to that effect is submitted.

Owning a pet, depending on its age and breed, can be costly. Annual routine healthcare expenses, such as deworming, tick treatment, and minor sicknesses, as well as vaccinations, can dig a hole in the pocket. Treatment of major illnesses such as cancer or heart disease can cost anywhere from a few thousand to several lakh. Insurance, on the other hand, costs only a few hundred to a few thousand. Says Goel: "You can get a cover of Rs 50,000 for a two-year Labrador by paying a premium of Rs 400–500 per year."The premium depends on the pedigree, age, breed, sum insured, and the plan. Says Goel: "Having a pet is a life-altering experience but it comes with a lot of responsibility. It is similar to adopting a baby. Buying an insurance policy will help both you and the pet in the long run."

(The writer is Bindisha Sarang.)

TOP

HEALTH INSURANCE

Popular health insurance policies that cover OPD and doctor consultation – Business Standard – 23rd August 2023

COVID-19 highlighted the necessity of introducing comprehensive health insurance policies in India that advance the healthcare safety net. One such policy is the OPD add-on cover, which helps policyholders cover medical costs that do not require hospitalization and do not drain their savings.

There are many health insurance policies in India that now offer OPD coverage as an in-built feature or can be bought as an add-on.

"OPD coverage allows policyholders to make claims for expenses related to medical diagnosis or treatment received outside of a hospital or daycare facility, as recommended by a medical professional. These claims can cover costs incurred during visits to clinics, hospitals, or similar locations, without requiring the patient to be admitted as an in-patient or daycare participant," said Siddharth Singhal, Business Head - Health Insurance, Policybazaar.com.

Additionally, policyholders can make claims for expenses beyond those incurred during hospitalisation with the help of OPD coverage. Singhal believes this is a must-have add-on in today's time that covers you extensively. The policy coverage varies among plans, so always check the details before choosing.

Some options for OPD coverage include Manipal Cigna Prime Advantage, Niva Bupa Smart Health Plus OPD rider, and Aditya Birla Activ Health Platinum Enhanced Plan. The range of sum insured for OPD coverage in these plans could be Rs 5,000-50,000, shows data analysed by Policybazaar.

ICICI Lombard offers an OPD insurance plan that covers expenses related to doctor consultations, diagnostic tests, and pharmacy bills. They also have a dental insurance plan that covers expenses for dental treatments such as fillings, root canal treatment, and extractions. Some plans also give the option to upgrade the coverage per policy and also provide worldwide coverage.
Polizybazaar has curated a list of the most ideal policies for a 35 year old.

Common expenses that are covered under OPD health covers:
Doctor consultations: A regular health insurance plan may not cover consultation fees for occasional visits to seek medical advice. However, by opting for an OPD add-on, you can ensure that this expense is covered by your policy. This add-on is especially useful in family plans that include coverage for children, as doctor visits are likely to be frequent.

Diagnostic tests: An OPD add-on covers the cost of diagnostic tests, even if you are not diagnosed with an ailment, as long as they are prescribed by your doctor.

Pharmacy expenses: Prescribed medicines expenses are not covered under regular health insurance plans, but with an OPD cover, these expenses are also covered by the policy.

Dental procedures and other aids: Routine health plans do not provide coverage for dental procedures such as tooth extraction, fillings, and root canal treatment. However, by choosing the OPD add-on cover, individuals can obtain financial protection against expenses incurred for such procedures, including the cost of dentures up to a set limit.

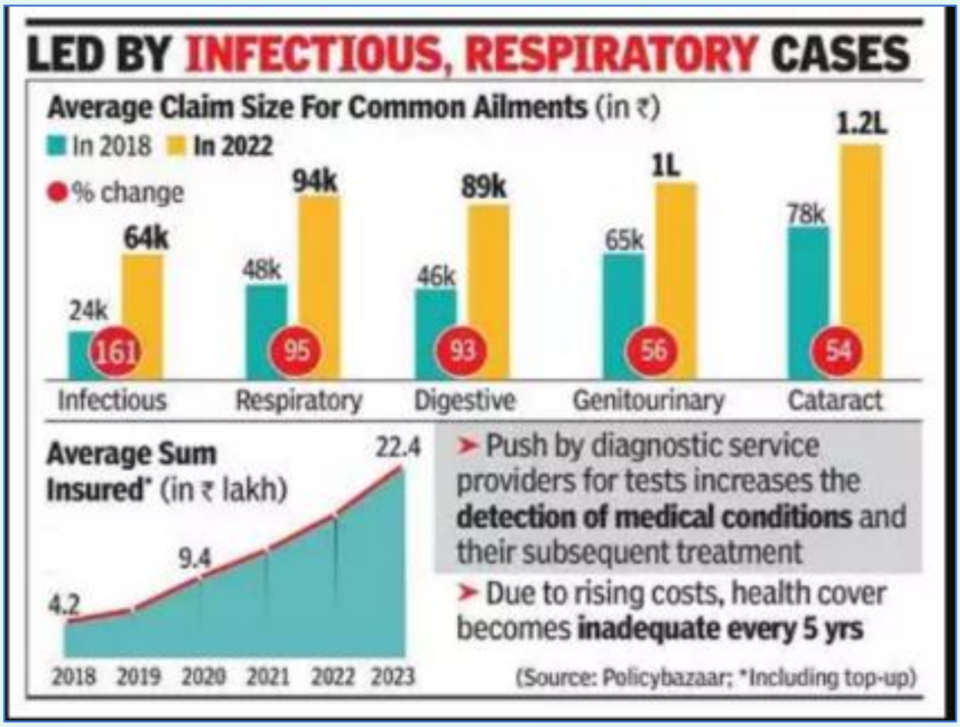
Moreover, the coverage extends to hearing aids and eyewear such as spectacles and contact lenses, with a predetermined maximum limit.

The OPD limit is generally defined in the policy wordings and is usually a part of the sum insured. Any claims or reimbursements filed under OPD are deducted from the overall sum insured.

(The writer is Sunainaa Chadha.)

TOP

Cost of treatment doubles in 5 years as medical inflation bites – The Times of India – 23rd August 2023



The cost of treatment for common ailments that require hospitalisation has more than doubled in five years, data from insurance claims show. Health insurance claims for infectious diseases and respiratory disorders have been growing faster than medical inflation — which at 14 percent is twice as high as retail inflation.

Average claim for infectious diseases rose to Rs 64,135 in 2022 from Rs 24,569 in 2018, which is an increase of over 160 percent and a compound annual growth rate (CAGR) of 26 percent (see graphic), data from Policybazaar showed. The amount is higher in metros like Mumbai, where average claim for infectious diseases rose to nearly Rs 80,000 from about Rs 30,000.

For respiratory disorders, average claim increased to Rs 94,245 from Rs 48,452 — a CAGR of 18 percent. In Mumbai, the cost rose to 1.7 lakh from nearly Rs 80,000. While Covid has driven up treatment costs, an inflationary trend was evident in the two years preceding the pandemic.

"More than the cost of intervention, the cost of treatment has gone up. After Covid, there has been a significant increase in the share of consumables. These used to account for 3-4 percent of the bill, but now, at times, they make up 15 percent," said Amit Chhabra, chief business officer at Policybazaar. Cataract treatment saw slower growth (54 percent) in claim size — the average amount rose to Rs 1.2 lakh from Rs 78,325 — as stays at hospitals have become shorter.

Raksha TPA's CEO Pawan Bhalla said medical inflation outpaces the general rate as new medicines and processes, coupled with increased internet awareness, lead to more expensive treatment. "The increase in insurance penetration pushes up the demand and usage of health services, which escalates costs," said Bhalla. The push by diagnostic service providers for tests in the general population also increases the detection of medical conditions and their subsequent treatment.

Due to escalating treatment costs, health insurance coverage is inadequate every five years. "Those who depend on corporate covers are exposed, as corporates continue to buy group coverage with limits of Rs 3 lakh, despite the cost increase," said Chhabra. Consumers faced with rising premiums face a major dilemma. Without individual cover, they risk exclusion if they develop a condition.

"Employees who rely on corporate covers expect to buy individual policies later. However, if they are unfortunate enough to be affected by a chronic condition, they risk being excluded for life," said Chhabra. He emphasises that although the regulator permits porting of corporate policies, companies will still apply their underwriting standards during acceptance. Bhalla argues that medical protocols are needed, as growing high-value policies will increase demand for health services, potentially leading to further medical inflation.

(The writer is Mayur Shetty.)

TOP

PSU insurers review plans of captive health TPA – The Times of India – 22nd August 2023

Public sector insurers are relooking at their investment in Health Insurance TPA of India, a captive services company, for its inability to meet objectives.

Sources said a committee comprising former Oriental Insurance chairman Anjan Dey and other PSU officials has been set up to submit a road map. A TPA (third party administrator) is a company that undertakes back-office claims work in respect of health insurance. HITPA was incorporated in 2013 in Delhi with two key objectives — to enhance customer experience and increase efficiency in the PSUs' health insurance claims processing. Acorollary benefit would be to reduce the bleeding in the health insurance portfolio of public sector insurers.

HITPA is a joint venture of five public sector insurance companies — National Insurance, Oriental Insurance, New India Assurance, United India Insurance, and GIC of India. PSU insurers had put Rs 120 crore into the TPA, which went into building up the necessary infrastructure.

(The writer is Mayur Shetty.)

TOP

Over 98% senior citizens devoid of health insurance amid rising healthcare costs – The Economic Times – 21st August 2023

While, the need for comprehensive health coverage for senior citizens has become more apparent, the penetration continues to be a challenge. Almost 98 percent of India's senior citizen population remains devoid of h ealth insurance coverage, given the increasing cost of healthcare services, showed a recent report. As per census reports, India has 138 million elderly persons and is further expected to increase by around 56 million elderly persons in 2031. Health insurance premiums have risen sharply over the past few years, with the rise in health insurance claims.

According to the latest annual report of the insurance regulator, IRDAI, there is an uptick in incurred claims ratio (the proportion of claims paid by health insurance company against total premiums received) of health business—from 94 percent in 2020-21 to 109 percent in 2021-22. Insurance premiums for senior citizens are also higher because a large part of people in this segment typically suffer from some form of pre-existing disease. This is why some insurers are hesitant to offer seniors health insurance policies.

Ahead of World Senior Citizen Day on 21 August,2023, a study conducted by insurtech startup Plum, has found out that only 25% companies (out of Plum's 3500+ customer base) have parental covers. This leaves a yawning gap in coverage for senior citizens, including parents and in-laws. There has been a steady demand from employees around the need for coverage for the elderly. Medical coverage for parents and senior citizens often goes beyond basic protection, encompassing valuable supplementary benefits such as cashless hospitalisation, critical illness insurance, and targeted coverage for conditions like cancer and stroke.

According to the findings of the survey, 29% of employees feel that the organisation-sponsored health insurance is inadequate in terms of the sum insured, while 13% of employees availed super top-up as organisation-sponsored insurance doesn't cover parents and family.

"In the face of the silent crisis gripping our senior citizens, the company is committed to confronting this challenge head-on. The 98% of uninsured senior citizens is a stark reminder of the vulnerabilities they face," Abhishek Poddar, co-founder and CEO of Plum. He added that the ultimate goal is to contribute to the larger vision of 'Insurance for All by 2047', ensuring that every individual, regardless of their age or circumstances, can access the protection they deserve.

(The writer is Sheersh Kapoor.)

TOP

MOTOR INSURANCE

How data can transform the vehicle insurance space – The Hindu Business Line – 23rd August 2023

Both the Houses of Parliament have passed the Digital Personal Data Protection Bill, 2023, and it now awaits Presidential assent to become law. The objective of the Bill, quite rightly, is to ensure maximum protection against misuse of personal data (by provisioning heavy fines up to ₹250 crore). At the same time, it seeks to create an enabling environment for government and business organisations to harness data to enhance their respective value propositions. In its report 'India's trillion-dollar digital opportunity', the Government highlights a number of use cases across industries to reap the benefits of the 'Digital Economy'. For the insurance sector, the report says: "Insurance companies could use (..data..) to assess risk when calculating premiums." (Page No 156). The insurance industry is one of the earliest adopters of data and data forms the fulcrum of the business model of the industry. However, the industry appears to be stuck in a rut as usage of digital data and technology paradigms necessitates adapting to evolving business models. One of the areas where data is reasonably pervasive but the industry has not actively started using is in telematics. Telematics refers to the use of advanced communication technology to monitor and transmit real-time data about a vehicle's behaviour and the driving habits of the policyholder. This data is collected through various sensors and onboard devices installed in the insured vehicle. The information collected is then transmitted to the insurance company for analysis and risk assessment.

Driving usage, speed, acceleration and braking, cornering, location, type of roads, time of day, place of parking, etc., are all the different kinds of data that can be easily transmitted to the insurance company which can then be used to evaluate the risk and premiums charged on personalised risk evaluation. The same information can be used during claims settlement also, along with inputs from dashboard cameras. However, unfortunately, in India, usage is close to zero. In the initial discussions around adoption of telematics, the industry was hesitant. Mobile app-based programmes did not have sufficient safeguards. For instance, the mobile can be kept at home while using the car just to avoid mileage count. While the industry continues to talk about it and takes perfunctory steps, the external situation has dramatically changed. Today's vehicles come with hundreds of chips and are already communicating the required data. There is no need to install any new device to get the information. However, in the new scenario, it is the car manufacturers who have custody of the data. Aggregators like Ola and Uber also have custody of the data that the insurance industry needs. All drivers on aggregator platforms are permanently connected to the back-end through the apps and a subset of information can be collected through the apps.

Therefore, when it comes to cars and taxis (and, increasingly two-wheelers), data is already being collected without any additional effort. Usage of this technology amongst fleet owners of passenger and goods vehicles will only become ubiquitous in the near future, if it is already not. The question is: Why would car manufacturers and aggregators share the data with insurance companies? Many of them already have a presence in the financial services space or have aspirations of getting into the space. It is reasonable to expect them to obtain licences — either as intermediaries or as underwriters. There can be a plethora of benefits for the end-customer. Renewing the policy every year is a pain for any customer. The need to get the vehicle inspected in case of break in insurance is harassment. Being "connected" with the vehicle at all times, the necessity of renewal itself can be obviated. Imagine if the insurance is linked to the road-worthiness of the vehicle and the premium is built into the on-road price of the vehicle. The limit of innovation is imagination.

Car manufacturers and aggregators can offer these seamlessly along with their other services. Disputes of "wear and tear", depreciation, etc., which are rampant during claims settlement can significantly be reduced as required data is available. Probably not. It requires them to innovate not just their offerings but also their business models. A good example for this will be the "Drive Safe and Save" programme jointly driven by State Farm Insurance and Ford in the US. All 2020 or newer Ford or Lincoln vehicles are eligible to join the programme and discounts up to 30 percent is offered based on driving behaviour. The connected car will automatically provide information including mileage and driving behaviours that will be used to calculate discounts and savings. This is a tripartite relationship between the manufacturer, insurer and end-customer. This is a potential template for the future. The writer is an independent IT consultant specialising in insurance. He was earlier with New India Assurance, Wipro Technologies and IBM

(The writer is M Madhava.)

TOP

Two-wheeler insurance: Is It a one-year affair or a long-term commitment? – The Hindu Business Line – 22nd August 2023

Your health and well-being are no one's responsibility but yours. This principle applies to the upkeep of your two-wheeler too! Over the years, there has been an increasing demand for two-wheelers owing to their affordability and convenience. The statistics are proof enough – the domestic two-wheeler industry in India clocked 15.86 million units in 2022-23, up 17% from 13.57 million in the previous year.

Like everything else, owning a two-wheeler also brings with it a risk of accidents. That's exactly why it is important to invest in a credible two-wheeler insurance policy that financially protects you in case of any accidental damage or loss. Additionally, it also takes care of any person who has been hurt in an incident caused by your two-wheeler, if you invest in a third-party two-wheeler insurance plan.

In the current scenario, it is a legal mandate to buy third-party two-wheeler insurance under the Motor Vehicles Act, 1988. However, many vehicle owners shy away from getting insurance, even when they know that not buying one can attract a hefty fine and imprisonment for three months.

Before we understand all the details around two-wheeler insurance, let's first break down what it really is.

What is two-wheeler insurance?
As the name suggests, this type of insurance involves a contract between an insurance company and an individual, where the former offers coverage to the policyholder in case of damages caused to the bike – be it in the case of an accident, theft or collision. The kind of coverage offered depends on the type of plan chosen by the policyholder.

All in all, two-wheeler insurance doesn't just help you stay on track legally but also ensures that your vehicle is safeguarded from any financial loss, in case of accident. This also holds true if your two-wheeler is impacted by any natural calamity, including landslides, floods, earthquakes and so on, if it is covered by your insurance policy and what type of policy you have.

Benefits of a two-wheeler insurance
There are several reasons why two-wheeler insurance is beneficial for vehicle owners:

- Covers damages caused by a natural calamity.
- Ensures coverage to third-party in case of an accident, avoiding any legal complications or financial losses.
- Offers (optional) personal accident cover to the two-wheeler owner in the face of an injury caused by accidents.
- Extends coverage in case of man-made disasters like theft, riots, terrorist activity or damage in transit by road, rail, lift or more.

Once you've decided to invest in two-wheeler insurance, you have two options before you – to zero in on a single-year insurance policy or a multi-year renewal plan.

Understanding single-year and multi-year two-wheeler insurance
A single-year two-wheeler insurance policy offers coverage for a single year. In this case, an individual has to constantly renew the plan to ensure the coverage is extended. It may be a little tedious to do this every year, but it allows policyholders the freedom and flexibility to switch to another insurance provider in case they are unhappy with their current one.

On the other hand, a multi-year plan is a long-term commitment that is valid for three years. The Insurance Regulatory and Development Authority of India (IRDAI) has set a mandate for all new two-wheelers in the country to register for multi-year third-party policies. But here's what you need to remember – these insurance plans are far higher than single-year plans since the benefits are applicable for multiple years.

Here's how the two differ:
- Renewal of policy: A single-year two-wheeler insurance must be renewed every year, while multi-year two-wheeler insurance plans are valid for three years, offering peace of mind to the policyholder.
- Add-ons: Every insurance provider offers individuals add-ons to strengthen their policy. For single-year two-wheeler plans, policyholders have to add or remove add-ons every time they renew a policy. In the case of multi-year plans, whatever add-ons are chosen during signing up for a policy stay on for three years.
- Discounts in buying plans: As per the IRDAI, the premiums for third-party two-wheeler insurance plans are updated each year. This means that if you have a single-year two-wheeler plan, you may have to

incur a higher financial cost. With a multi-year two-wheeler insurance policy, it isn't the case because the same premium is locked in for a period of three years. All in all, this helps in long-term savings.

Which one should you buy?
As mentioned earlier, all new two-wheeler vehicles must be covered by third-party multi-year two-wheeler insurance. However, once you renew it – you can take your pick from either single-year or multi-year insurance. Looking at both policies, it is advisable to go for multi-year two-wheeler insurance if savings are on your mind. If flexibility is your priority, it is essential to go for a single-year two-wheeler plan.

But with so many insurance providers today, who should you go for?

Two-wheeler insurance, with Bajaj Allianz General Insurance
Bajaj Allianz General Insurance, a credible name in insurance offers both single-year and multi-year two-wheeler insurance, with various plans to cater to all kinds of two-wheeler owners:

- There's a comprehensive two-wheeler insurance policy, where the rider, their vehicle, and the third party are insured in case of an accident. The add-ons can be purchased at an extra cost.

- The third-party two-wheeler insurance policy, as the name suggests, only covers the third party in case of damage in the face of an accident. This is crucial to avert any legal complications for the rider.
- One can also go for standalone two-wheeler insurance that only extends coverage to the policyholder in the case of an accident, theft, natural, or man-made disasters. This policy can be clubbed with comprehensive two-wheeler insurance or third-party two-wheeler insurance.
- The best option is to choose a long-term two-wheeler insurance policy that offers coverage for up to two to three years. Whether it's a minor scratch or major damage, this policy covers individuals for any claim arising from third-party liability and cost of damage, due to natural calamities or accidents. Plus, it also covers the third party in case of any incident. Coverages may differ with each policy coverage and vary as per Underwriting guidelines of each company. In a nutshell, policyholders can ensure long-term savings since the premium cost doesn't fluctuate every year, beating inflation.

Now that you know it all, invest in a long-term two-wheeler insurance policy from Bajaj Allianz General Insurance today. It is a relationship that is for keeps!

***Standard T&C apply**
Insurance is the subject matter of solicitation. For more details on benefits, exclusions, limitations, terms, and conditions, please read the sales brochure/policy wording carefully before concluding a sale.

TOP

Analysing Car Insurance Renewal Prices – Web India 123 – 21st August 2023

Car insurance is an essential aspect of vehicle ownership, providing financial protection against unforeseen accidents and damages. As the year 2023 unfolds, car owners in India find themselves facing fluctuating insurance renewal prices. Read on to delve into the factors influencing car insurance prices, regional variations, and the implications for Indian consumers.

Factors Influencing Car Insurance Renewal Prices
In 2023, car insurance renewal prices in India have been subject to dynamic shifts influenced by various market factors. Both insurance companies and policyholders are keenly observing these changes to make informed decisions about coverage and pricing.

a. Regulatory Changes: Any alterations in insurance regulations or policies set by the Insurance Regulatory and Development Authority of India (IRDAI) can impact car insurance pricing.
b. Economic Conditions: India's economic climate, inflation rates, and currency fluctuations play a role in shaping insurance premiums.
c. Claim Frequencies and Severity: The frequency and severity of car insurance claims can influence renewal prices. Higher claim rates may result in increased premiums to cover the insurer's costs.
d. Market Competition: The level of competition among insurance providers in India can lead to price variations to attract and retain customers.
e. Technological Advancements: The integration of technology in insurance, such as telematics and usage-based insurance, can impact renewal prices based on driving behaviour.
f. Vehicle Safety Features: The presence of advanced safety features in a car can lead to lower insurance costs, as it reduces the risk of accidents.

Car Insurance Renewal
* Regional Variations in Car Insurance Renewal Prices
India's diverse geography and demographics contribute to significant regional variations in car insurance renewal prices. Urban areas with higher traffic density and accident rates often witness steeper premiums compared to rural regions with lower risks.

* Customer Perception of Car Insurance Prices
Customer perception plays a vital role in determining the competitiveness of insurance providers. Insurers that offer transparent pricing and superior coverage options are likely to attract more policyholders.

* Rise of Online Insurance Aggregators

The rise of online insurance aggregators has provided consumers with easy access to compare car insurance prices from multiple providers. This has increased competition among insurers and compelled them to offer more competitive renewal prices.

Compare Car Insurance Renewal Prices Online in IndiaHeres how you can compare the car insurance renewal prices online in India:
* Note down your car's make, model, and year of manufacture.
* Identify the type of car insurance policy you currently have (Third-Party, Comprehensive, etc.).
* Record your current policy's coverage details, such as IDV (Insured Declared Value), add-ons, and deductibles.
* Open your preferred insurance comparison website in your web browser.
* Fill in the necessary information about your vehicle, including the make, model, and year of manufacture.
* Provide details about your current insurance policy, such as the policy number and coverage details.
* After entering your vehicle and policy details, the website will display quotes from different insurance companies.
* Carefully review the quotes, considering factors like premium amount, coverage, add-ons, and deductibles.
* While comparing prices, also look for any additional benefits or discounts offered by the insurance providers, such as No Claim Bonus (NCB) discounts, cashback offers, or loyalty rewards.
* To get a better understanding of the customer experience with each insurance company, read reviews and ratings provided by other policyholders.
* Once you've compared car insurance renewal prices and reviewed the benefits, select the policy that best suits your needs and budget.
* After choosing a policy, you can visit the insurer's website directly to get more details and initiate the renewal process.

Navigating Price Fluctuations: Tips for Policyholders
Here are a few tips you can use to navigate through the car insurance renewal price fluctuations:
a. Review Coverage Needs: Assess your car's current value, usage patterns, and individual requirements to determine the appropriate coverage level.

b. Compare Multiple Providers: Utilise online aggregators and platforms to compare renewal prices from various insurance companies.
c. Utilise No Claim Bonus (NCB): Maintain a good claim record to avail of NCB discounts, reducing the overall renewal cost.
d. Opt for Voluntary Deductibles: Choosing a higher voluntary deductible can lead to lower premiums, but it increases out-of-pocket expenses in case of a claim.
e. Consider Bundling Insurance Policies: Some insurers offer discounts if you purchase multiple policies, such as car and home insurance, from the same company.

Conclusion
As the car insurance industry in India evolves in 2023, analysing the renewal prices becomes crucial for consumers seeking cost-effective and comprehensive coverage. Understanding the underlying factors and regional variations empowers car owners to make informed decisions and secure their vehicles with the best possible insurance plans. It is advised that policyholders regularly review their insurance needs and explore available options to make the most of the dynamic market landscape.

TOP

SURVEY AND REPORTS

Fixed Deposit, not Mutual Fund SIP or NPS, considered more suitable for retirement planning: Study – Financial Express – 24th August 2023

More people consider keeping money in banks through Fixed Deposit (FD) or Recurring Deposit (RD) as a suitable option for retirement planning compared to investing in mutual funds or NPS, according to a study. According to the India Retirement Index Study (IRIS) by Max Life Insurance in partnership with KANTAR, a marketing data and analytics company, Life Insurance is considered as the most suitable option for retirement by a majority of the respondents. Life Insurance is followed by Bank FD/RD, Health Insurance, Mutual Fund SIP and National Pension System (NPS).

The study found that awareness of Life insurance (LI) is the highest among respondents, followed by FD/RD, Health Insurance, Mutual Fund/SIP and NPS. With respect to retirement planning, 2 in 3 consider LI to be the most suitable product, the study found. However, respondents, who participated in the survey, have also shown a rising preference towards investments in real estate, gold, and NPS. The survey assessed urban India's preparedness to live a healthy, peaceful, and financially secure retired life. For the digital study, as many as 2,093 respondents were surveyed across 28 cities in India. The study revealed that urban India's retirement index (on a scale of 0 to 100) has risen to 47, a significant upward movement from 44 witnessed across the past two editions. The retirement index comprises three sub-indices mapping – health, finance, and emotion, and indicates an uptick across all three parameters. The improvement in retirement preparedness comes at the back of a significant rise in health awareness that has moved 3 points to 44 in IRIS 3.0, from 41 in IRIS 2.0.

"This edition shows progress in India's retirement preparedness, which also signals the country's stronger economic resilience. Today's working population will be tomorrow's large, retired population. And it is imperative to register the urgency to plan for our retirement years as India manages its aging population and embraces longer lifespans," said Prashant Tripathy, Managing Director & CEO, Max Life.

India's Outlook towards Retirement
IRIS 3.0 reveals that urban Indians increasingly equate retirement with a stress-free life. Viewing retirement as a harbinger of positive life change, the retirement sentiment in Urban India has increased to 73 (+3 from IRIS 2.0).

Today, 7 of 10 people associate retirement with positive emotions such as 'time for family', 'tension-free life', 'more independence', and 'greater prospects of luxury/travel', while the remaining associate the phase with negative sentiments of 'unhealthy lifestyle', 'uninteresting life phase', 'lessened savings', and 'lack of purpose'.

Corroborating the positive outlook, 59% of Indians continue to prioritize health while planning for retirement, with only 33% considering 'finances' as an important lever, and 8% regarding 'emotional support' as the most crucial aspect.

Is India financially prepared for Retirement?

The IRIS 3.0 study reveals that nearly 1 in 3 urban Indians are worried about their savings depleting within five years of retired life. Equally alarming is that 2 out of 5 individuals have not started investing for retirement yet. A significant majority believe that they have enough family wealth, and/or be taken care of by their children, which poses a disproportionate barrier to retirement planning. In fact, as high as 9 out of 10 respondents above the age of 50 years regret not starting savings earlier for retirement.

However, as a silver lining, 1 in 2 urban Indians favour prioritizing long-term savings planning at the start of their working careers. Also, a majority of respondents (38%) believe that one should start retirement planning before 35 years of age. As investment preferences for retirement goals, life insurance products lead the way with 95% awareness and 75% ownership levels. Additionally, the IRIS 3.0 study revealed that while 64% of urban Indians are familiar with NPS, only 16% invest by making contributions.

TOP

INSURANCE CASES

Pay Rs 34 lakh to mishap victim, insurance firm, car driver told – The Tribune – 24th August 2023

The Motor Accident Claims Tribunal (MACT), Chandigarh, has directed an insurance company and the driver of a car to pay Rs 34.57 lakh compensation to Maman Chand Sharma (56) of Dera Bassi who was injured in a road accident. Sharma, in his petition, said on December 23, 2017, he was coming from Zirakpur on his Activa when a car driven on the wrong side hit him in front of an eatery in Zirakpur. The car was being driven in a rash and negligent manner, he alleged.

The car ran over his leg and he suffered multiple injuries. His scooter was damaged. He was operated upon twice at a private hospital where he had to shell out Rs 5.47 lakh. Sharma maintained that he was still under treatment and was on leave without pay since 2017. He was working as a manager with a contractor and was earning Rs 20,000 per month. But he was permanently disabled and unable to earn. He demanded a compensation of Rs 50 lakh with interest.

The driver denied the charge and the insurance company claimed the car was driven by the driver without a valid licence. After hearing the arguments, the tribunal said the claimant suffered permanent disability and directed the respondents to pay Rs 34.57 lakh to the claimant.

Negligent driving

Maman Chand Sharma of Dera Bassi was injured after a car driven rashly on wrong side hit his Activa. He paid Rs 5.47 lakh on his treatment and was disabled

TOP

Pay Rs 15L to mishap victim's kin, car owner, insurance firm told – The Tribune – 23rd August 2023

The Motor Accident Claims Tribunal (MACT), Chandigarh, has directed the insurance company and owner of the car to pay Rs 15.65 lakh to the widow of a 43-year-old Himachal man who died in an accident last year. Claimants included widow, minor son and mother of the victim, Kuldeep Chauhan. They had filed a claim under Section 166 of the Motor Vehicles Act 1988, through advocate Navdeep Arora.

All residents of a village in Shimla district, the claimants said Kuldeep along with two other persons was travelling in a car being driven by one Devinder. They were going from Samoli village to Bholar village. Around 11 pm, Devinder failed to control the vehicle, which fell 100 m down the hill near a school at Chhupari. All car occupants died.

An FIR under Sections 279 and 304-A of the IPC was registered at Rohru police station. The claimants said Chauhan was a labourer and was earning Rs 20,000 per month. The widow of the car owner denied the charge of negligent driving. The insurance company said the driver did not have a valid licence.

The Tribunal said it had been proved that the car was being driven negligently. It said of the award, minor son would receive Rs 2 lakh and mother Rs 3 lakh and the widow Rs 10.65 lakh.

(The writer is Ramkrishan Upadhyay.)

TOP

Reliance life insurance asked to pay rs1 crore with 9% interest to nominee of the deceased – Money Life – 22nd August 2023

Rejecting the contention of Reliance Life Insurance Company on concealed material evidence by the insured, the national consumer disputes redressal commission (NCDRC) directed the insurance company to pay the claim amount of Rs1 crore with an interest of 9% and Rs50,000 litigation cost to the nominee of the deceased life assured (DLA).

In an order, the NCDRC bench of Subhash Chandra (presiding member) says, "While it may be Reliance Life Insurance's case that the DLA did not disclose the fact of hospitalisation as required in the proposal form, the medical examination of the proposed insurer is regarding pre-existing illness or diseases. Hospitalisation on account of a motor vehicle accident not reported in the form need not be held against the DLA as this does not amount to concealment of any pre-existing illness or disease, and specifically, since another insurance company, the Life Insurance Corporation of India (LIC) had cleared his claim without objection on this ground. Therefore, it cannot be said that the DLA concealed material evidence while obtaining the policy for which grounds the policy itself was considered void and the claim repudiated by Reliance Life Insurance."

The bench directed Reliance Life Insurance to pay, within two months, to the nominee of the DLA the amount of insurance for which he was eligible (Rs1 crore or 10 times the annualised premium or 105% of the premium paid as of the date of death) along with interest at 9% per annum from the date of submission of the claim. On 14 October 2015, Moradabad-based Vijay Kumar Verma, an employee of Oriental Bank of Commerce (OBC), bought a life insurance policy for Rs1 crore from Reliance Life Insurance. The insurance policy was issued after a medical fitness examination conducted by the insurer.

On 27 October 2015, Mr Verma met with a road accident while riding a two-wheeler. He was found lying injured on the road in an unconscious state due to head injuries. He was taken to the government hospital in Karnal and was provided first aid, followed by admission to Arvinda Hospital in Karnal. Subsequently, he was shifted to Medanta Hospital in Gurgaon, where he expired on 9 November 2015.

His nominee Nirmala Devi informed Reliance Life Insurance about Mr Verma's death and submitted an insurance claim. However, on 7 May 2016, the insurer rejected the claim stating that Mr Verma had not disclosed that he had met with an accident one year before obtaining the policy in the proposal form and had suffered a concussion injury to the head.

Mr Verma was also covered by other policies, and without any objection, LIC settled the insurance claim filed by Ms Devi. She then approached NCDRC, claiming Rs2 crore for accidental death insurance, Rs50,000 for harassment and Rs51,000 towards litigation costs.

During the hearing, Reliance Life Insurance contended that the insurance claim was within one month and seven days from the commencing of the policy and, therefore, under Section 45 of the Insurance Act, 1938, it was mandated to investigate the genuineness of the claim. Further, it says that Mr Verma's past medical history of head injury due to a road accident one year before the policy was a material fact that had not been disclosed in the proposal form.

In addition, the insurance company contended that under the life insurance policy, a nominee is not a beneficiary and, hence, Ms Nirmala Devi is not a consumer under the Consumer Protection Act. Submitting a certificate from Dr Vineet Bhai from Arvind Hospital, Reliance Life Insurance contended Mr Verma was admitted to the hospital from 31 July 2014 to 1 August 2016 for a head concussion injury. Further, Mr Verma had taken sick leave from 31 July 2014 to 9 August 2014.

The counsel for Ms Devi argued that Reliance Life Insurance had approved and issued the policy after a medical examination by doctors in its panel. The repudiation of the claim was because previous head injuries had not been disclosed in the proposal form and was stated to be not relevant to the repudiation since a first information report (FIR) had been lodged about the accident in the police station at Civil Lines in Karnal, he added.

After hearing both sides, the NCDRC bench says the insurance company's contention that Ms Devi be non-suited as she is not a 'consumer' under the Act cannot be considered valid. "A nominee under a policy of insurance is the rightful claimant of the benefits under the policy, which is a contract between the insured and the insurer. Under the Insurance Act, the nominee is recognised as a beneficiary for all benefits which the policy provides subject to various stipulations."

Commenting on Reliance Life Insurance's contention of not disclosing previous injury in the proposal form, Mr Chandra from NCDRC observed that there is nothing in the medical discharge certificate of the hospital relied upon by the opposite party to suggest that the DLA had been advised not to ride a two-wheeler on medical grounds on account of the concussion head injury suffered by him earlier. "Except for the fact that he had been advised rest for 10 days for which purpose the DLA (Mr Verma) obtained leave from his employees, in the absence of any documents that would indicate that the DLA was driving a two-wheeler against medical advice, no other evidence to attribute the cause of the road accident has been brought on record."

“It would be most unjust to consider the repudiation of the claim by the nominee of the DLA to be not acceptable,” the bench says, adding, “The repudiation of the claim for the reasons stated in the repudiation letter dated 7 May 2016 is not considered to be based on a judicious appreciation of the facts and circumstances of this case.” NCDRC then directed to pay Rs1 crore, the amount of insurance for which Mr Verma was eligible, along with an interest of 9% and Rs50,000 as litigation cost.

(Consumer Case No1725 of 2016 Date: 8 August 2023)

TOP

Third-party insurance claim doesn’t cover family of policy holder: AP HC – Law Trend – 21st August 2023

On 21st July 2023, Andhra Pradesh HC delivered a landmark judgment in a motor accident compensation case. The judgment, rendered on July 21, 2023, centers around a compensation claim filed by a petitioner who sought redressal for injuries sustained in a motor vehicle accident that took place on June 3, 2008. The aggrieved petitioner appealed the decision of the Motor Accident Claims Tribunal, which had awarded Rs.1,13,550/- as compensation against the petitioner’s claim of Rs.10,00,000/-. The focal point of the appeal was the exoneration of the 2nd respondent, an insurance company, from payment of compensation.

The court, in its meticulous analysis of the case, noted that the petitioner had been employed as a cleaner in a lorry owned by the 1st respondent. The petitioner contended that the accident occurred due to the rash and negligent driving of the lorry owned by the 1st respondent. In his judgment, Justice V. Gopala Krishna Rao stated, “The material on record reveals that the risk of the claimant is not covered under Ex.B.1-policy, the claimant is not a third party and he is none other than the son of the owner of the offending vehicle/1st respondent. Therefore, the 2nd respondent cannot fasten the liability of the 1st respondent.”

Supreme Court Allows Lecturer's Claim For Pay Protection Holding That Tenure Post & Appointment Made On Regular Post On Tenure Basis Are Different Sufficient Material Must be Available on Record to Summon Publisher/Editor in Defamation Case: J&K&L HC Painful That Victim has to Suffer for 20 Years- Allahabad HC Imposes ₹ 5 Lakh Cost on Insurance Company
Third Person Cannot File Application for Correction or Cancellation of Entries in Marriage Registration Certificate : Kerala HC

The court's judgment highlighted the insurance policy, marked as Ex.B.1, which indicated that only third-party risks were covered. The legal principle was cited that an insurance company is not liable to compensate a claimant who is not a third party as defined by the policy terms. The court referred to legal precedents, including the decision in New India Assurance Co. Ltd. Vs. Sadanand Mukhi, to support its position.

The judgment concluded that the petitioner had not successfully proven that he was a third party with a protected interest under the insurance policy. As a result, the insurance company was not held liable for compensation. The responsibility to compensate the petitioner was placed solely on the 1st respondent.

Case No.: M.A.C.M.A.No. 1759 of 2012
Bench: Justice V. Gopala Krishna Rao
Order dated: 21.07.2023

(The writer is Saloni Jain.)

TOP

Twelve state insurance corp employees booked for embezzling ₹12.21L – Hindustan Times – 21st August 2023

Twelve employees of the Employees' State Insurance Corporation (ESIC) were on Tuesday booked for allegedly embezzling ₹12.21 lakh intended to provide maternity benefits to insured individuals. The accused allegedly authorised and transferred funds to 33 fake policy-holders, absconding with the money.

A first information report (FIR) was registered following the complaint of Sunil ESI Corporation deputy director administration Kumar Yadav who uncovered the fraudulent scheme. The accused have been identified as Lakhveer Singh from Gujjarwal village, Gurmeet Singh from Dehlon village, Shahsi Kumar from Mundian Kalan, Lal Singh from Khanpur village, Vijay Kumar from Delhi, Minakshi, Satinder Singh from Phase 2 of Dugri, Avtar Singh, Parveen Kumar, Mandhir Singh, Manhis Passeza, and Ludhiana branch manager Jaswant Singh.

In his complaint, Yadav said an audit uncovered that between April 1, 2016, and March 31, 2019, a total of ₹12.21 lakh meant for maternity benefits had been disbursed to 33 fraudulent individuals. The embezzlers utilised fake IDs and accounts to transfer the funds. The complaint was initially filed with the police on August 28, 2020, followed by another complaint on September 9, 2020.

Sharing further details, sub-inspector Jaspal Singh said an FIR under Sections 409 (criminal breach of trust by a public servant) and 120-B (criminal conspiracy) of the Indian Penal Code was registered after an initial probe. He added that the investigation is underway and a hunt is on for the arrest of the accused.

TOP

Gujarat High Court dismisses PIL related to commission rate of insurance company – India Legal – 19th August 2023

The Gujarat High Court dismissed a Public Interest Litigation (PIL) filed raising the issue with regard to the decision taken by the insurance company (respondent no.2) to reduce the rate of commission to 5% on the premise that the commission as low as 5% has been fixed for those agents whose Incurred Claim Ratio (ICR) is more than 90% for three consecutive years.

Notification dated 28.02.2020 which provides for reduction in the rate of commission is sought to be challenged by means of this Public Interest Litigation. The Division Bench of Chief Justice Sunita Agarwal and Justice N.V. Anjaria found it a wholly misconceived Public Interest Litigation filed by a registered association of insurance agents of the insurance company. On perusal of the record the Bench noted that Special Civil Application of 2020 had been moved by the petitioner herein to challenge the Notification dated 28.02.2020.

Further, Special Civil Application of 2012 has been dismissed and a Letters Patent Appeal of 2021 challenging the order of the Single Judge dated 24.06.2019 has also been dismissed on 23.09.2021. One of the members of the petitioner Association approached the Apex Court by filing Special Leave to Appeal of 2021, which has also been dismissed on 29.10.2021. In the said scenario, challenge to the Notification/Circular dated 28.02.2022 in the shape of Public Interest Litigation is found to be misconceived. "It is settled that Public Interest Litigation cannot be maintained to raise personal grievances", the Court said.

TOP

PENSION

Want a good pension? Stay put for 30 years or more in NPS – The Times of India – 21st August 2023

The concern among government employees over not getting 50 percent of their last salary as pension under the National Payment System (NPS) stems from the initial set of people leaving the scheme. For those who have exited the NPS already, the maximum service is a little over 18 years, while the median works out to nine years.

HOW MUCH PENSION CAN NPS FETCH

	After 18 years	After 37 years	After 18 years	After 37 years
Date of birth	Jan 1, 1981	Jan 1, 2000	Jan 1, 1981	Jan 1, 2000
Salary (Rs/month)	20,000	20,000	70,000	70,000
Contribution (Rs/month)	4800	4800	16,800	16,800
Total investment (Rs)	10.4 lakh	21.3 lakh	36.3 lakh	74.6 lakh
Return (%)	9	9	9	9
Corpus (Rs)	25.9 lakh	1.7 cr	90.8 lakh	6 cr
Annuity return (%)	5	5	5	5
Annuitised (% of corpus)	40	40	40	40
Pension (Rs/month)	4,323	28,579	15,130	1,00,066
Annuitised (% of corpus)	100	100	100	100
Pension (Rs/month)	10,807	71,447	37,826	2,50,066

Calculations based on NPS Trust calculator

In several cases, such as Himachal Pradesh and other states, contractual workers were absorbed as full-time government employees much later during their service and did not see full accumulation from NPS at the time of exit, government sources said.

A large chunk of employees who take up a government job do so before turning 30 and contribute for three decades - which includes 10 percent of their basic salary as their contribution and 14 percent comes from the employer. But there are several who join later, some of whom do not get the full play, following court orders. Under the old pension scheme, some of these employees would not even have been eligible for pension, an official pointed out.

Ideally, for a good retirement benefit, an individual should stay invested for 30 years or more, government officials said. The committee under finance secretary T V Somanathan is working out a formula to secure the interest of employees as well as the governments at the Centre and the states.

An analysis on the NPS Trust website showed how the tenure and the amount of annuity a contributor opts for can make a world of difference even with a fixed contribution for the entire service period (see graphic). So far, the Centre has ruled out any return to the Old Pension Scheme (OPS) despite demand and a reversal in some of the states, with several ruled by the Opposition parties taking the populist route.

Under OPS, there was no employee contribution and the government forked out 50% of the last pay drawn as pension, adjusting it for inflation twice a year and synching it with the pay commission award every 10 years. With the government not making an annual budgetary allocation towards expected retiral benefits for all employees and pensioners, it results in what prudent policymakers and economists call an unfunded pension liability that limits the ability to undertake welfare and development spending for all citizens.

"Where is the noise coming from? It is largely from those who have exited the scheme already, without completing even 20 years. A large part of the gain comes because of the compounding over a long period," explained an official. The Centre mandated NPS for all employees joining government service from January 2004. Almost all states followed suit a few years later during the Manmohan Singh government's tenure. Between the three fund managers running the government NPS, the returns hover between 9.37% and 9.6%. Government sources said that a lot of the government employees who have exited have done so by using only 40% of the corpus for purchase of annuities which reduces their monthly income. Also, several of them have opted for annuities with return of purchase price that offers the lowest returns given that the initial corpus is returned to the survivor. This contrasts with OPS, where there is a pension and a family pension (of 50% full pension) for the spouse and therefore does not involve return of capital.

(The writer is Sidhartha.)

TOP

IRDAI CIRCULAR

Topic	*Reference*
IRDAI Reinsurance (Amendment) Regulation, 2023	https://irdai.gov.in/web/guest/document-detail?documentId=3791151

TOP

GLOBAL NEWS

Taiwan: Fall in life insurance premiums expected to slow in next 12-18 months – Asia Insurance Review

The premium decline in Taiwan's life industry is expected to moderate in the coming 12-18 months due to an already-low base, says Fitch Ratings. In a report titled "Taiwan Life Insurance Dashboard: August 2023", Fitch says that this follows a challenging few years, demonstrated by plunging premiums from the 2019 level and net income amid US interest rate hikes. The decline in premiums slowed to 11% in 1H2023, after a 21% plunge in 2022, with market sentiment weakening in volatile financial market conditions and also due to a shift away from unprofitable savings-type products amid tighter regulation.

New business from foreign currency-denominated policies also fell due to the appreciation of the US dollar, which raised policy prices. However, health insurance expanded on Taiwan's rapidly ageing population, rising awareness of health risks and healthcare needs. Life insurers' sales focus is likely to shift to health and accident policies, away from saving products, over the next two years to improve profitability.

Domestic life insurers are preparing to implement Taiwan's Insurance Capital Standard in 2026, a new localised solvency framework that aims to better reflect risks. However, an unfavourable economic environment has weakened insurers' organic capital growth. This has led life insurers to issue subordinated debt to rebuild their equity base, as Fitch Ratings believes many insurers will face capital pressure under the more stringent solvency regime.

TOP

Top 20 global reinsurers can ride out unrealised losses - S&P – Asia Insurance Review

While sharp rate rises in the past 18 months will benefit reinsurers' investment income in 2023 and beyond, they also led to a material decline in the fair valuation of fixed income investments held on their balance sheets and, in turn, their shareholders' equity positions, points out S&P Global Ratings (S&P).

In a report, titled "Top 20 Global Reinsurers Can Ride Out Unrealised Losses", S&P says that for the top 20 reinsurers globally, shareholders' equity dropped by 20% at year-end 2022 compared with a year earlier, reflecting in part the imbalanced accounting treatment between the valuation of assets and liabilities. "While these valuation changes look like they could be a cause for concern, we do not view them as posing a material risk for the top 20 reinsurers because of the reinsurers' approach to cash flow management," S&P credit analyst Mr Charles-Marie Delpuech said.

"Along with robust liquidity, this limits the risk that the losses will have to be realized. We will monitor changes in rates and any unexpected liquidity stress, because these could bring unexpected challenges to reinsurers' balance sheets," he added. He also said, "We generally observe robust levels of liquidity for the top 20, with a high proportion having S&P Global Ratings-calculated liquidity ratios exceeding 200%. "We expect that the long-term focus on underwriting prowess will remain key for reinsurers, with potential better investment income unlikely to divert their attention away from demonstrating their sound underwriting focus."

TOP

Bangladesh: Regulator set to establish insurance sandbox – Asia Insurance Review

The insurance regulator of Bangladesh has finalised a framework to help tech startups to innovate insurance products, their distribution and other related processes. With the sandbox, the Insurance Development and Regulatory Authority (IDRA) aims to promote insurance through digital platforms, streamlined claim management, and personalised policies, reported the newspaper The Daily Star.

Under the sandbox guidelines, tech startups will be able to apply to develop insurance products, market the policies, provide settlement services, and facilitate underwriting and other insurance processes. The registered startup has to apply to the authority with an eligibility certificate from the Bangladesh Association of Software and Information Services (BASIS). The startup will also have to sign a deal with an insurance company.

"We have introduced this sandbox to increase the use of IT in the insurance sector and foster innovation in the process," Mohammad Zainul Bari, IDRA chairman told The Daily Star.

TOP

COI Training Programs

Mumbai – Training Programs – September-October – 2023

Sr. No	Program Name	Program Start Date	Program End Date	Details	Registration Link
15	International Program -Excellence in Insurance Technical - Non Life	04-Sept-23	15-Sept-23	ClickHere	Non-Life
16	Reinsurance Treaty Designing - CT	03-Oct-23	04-Oct-23	ClickHere	Register
17	Bankers Indemnity: Focus Cyber Security and Computer Crime-CVT	06-Oct-23	06-Oct-23	ClickHere	Register
18	Crop Insurance – Focus: Horticulture, Floriculture, Plantations and Vegetable Insurance - CT	09-Oct-23	10-Oct-23	ClickHere	Register
19	Health Insurance: Medical Management and Fraud Control-CT(Mumbai)	26-Oct-23	27-Oct-23	ClickHere	Register
20	Equity Research and Valuation - CVT	06-Oct-23	06-Oct-23	ClickHere	Register

21	Insurtech and Digital Marketing-CT	30-Oct-23	31-Oct-23	ClickHere	Register
22	Customer Service-Engagement – Retention & Customer Experience- CT	03-Oct-23	04-Oct-23	ClickHere	Register
23	Accounting Standards for Insurance Companies (Ind-AS)-CT	05-Oct-23	06-Oct-23	ClickHere	Register
24	Enhancing the Productivity of Specified/Authorized Persons of Banks, other Corporate Agents and Brokers-CVT (Mumbai)	12-Oct-23	12-Oct-23	ClickHere	Register
25	Exclusive Module for Principal Officers of Corporate Agents- Banks - CT	12-Oct-23	13-Oct-23	ClickHere	Register
26	Environmental, Social, and Governance (ESG) in Life Insurance Companies-CVT	13-Oct-23	13-Oct-23	ClickHere	Register

Kolkata – Training Programs – September – 2023

Sr. No	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Managing Cyber Risk & Insurance - CT Kolkata	05-Sept-23	06-Sept-23	ClickHere	Register
2	Managing Cyber Risk & Insurance - CVT Kolkata	05-Sept-23	06-Sept-23	ClickHere	Register
3	Managing Project & Engineering Insurance - Underwriting and Claims - CT-Kolkata	25-Sept-23	27-Sept-23	ClickHere	Register
4	Managing Project & Engineering Insurance - Underwriting and Claims - CVT-Kolkata	25-Sept-23	27-Sept-23	ClickHere	Register

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