ISSUE NO. 2024/04

भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

INSUNEWS - WEEKLY E-NEWSLETTER

20TH – 26TH JANUARY 2024

QUOTE OF THE WEEK

"The aim of education is the knowledge, not of facts, but of values."

WILLIAM S. BURROUGHS

Insurance Term for the Week

Loss Settlement Clauses

Reinsurance contracts may be proportional or non-proportional. Loss settlement clauses are observed in both types. The main purpose of loss settlement clauses is to record what the parties to a reinsurance contract have agreed as to how the reinsured may prove its loss in order to claim under its reinsurance.

The usual intention, if the reinsurer has sufficient faith in its cedant to settle inwards losses properly, is to mitigate the burden on the reinsured of having to prove its loss to the standard required by the common law and to minimise the need for reinsurers to reinvestigate underlying losses. Some loss settlement clauses also impose express safeguards or provisos to ensure that the bargain struck by the reinsurer is not undermined by binding loss settlements that are beyond the scope of cover provided.

INSIDE THE ISSUE

CATEGORY	PAGE NO.
Insurance Industry	1
Insurance Regulation	4
Life Insurance	4
General Insurance	11
Health Insurance	15
Crop Insurance	18
Survey	18
Insurance cases	21
Pension	23
IRDAI Circular	27
Global News	27
COI Training Program	30
Certificate Course / PG Diploma	31

INSURANCE INDUSTRY

India: Point of Sales personnel reshape insurance ecosystem – Asia Insurance Review

The number of Point of Sales Person (PoSPs) has soared exponentially to over 1.4m since this distribution model was introduced by the IRDAI in 2015. This number is just 15% lower than the combined size of general and health insurance agent networks as of 2022, says Mr Susheel Tejuja, managing director of Landmark Insurance Brokers. In an article written for The Financial Express, he says that the PoSP model is democratising insurance accessibility given its ability to empower individuals from diverse backgrounds. With minimal training, PoSPs extend their reach to every family, aligning with IRDAI's ambitious goal of insuring every Indian by 2047.

PoSPs sell basic and pre-underwritten insurance products, operating on a transactional level thereby meeting the insurance needs of a large section of the Indian population. This inclusive model creates an additional income stream for individuals from diverse backgrounds, including small shopkeepers, housewives, and unemployed individuals, fostering economic inclusion and entrepreneurial spirit. The impact is dual-fold: a boost to the economy and a surge in insurance penetration.

TOP

Insurers' intermediaries get I-T notices under benami law over alleged fund routing violations - The Economic Times (Delhi edition) – 22nd January 2024

After run-ins with income and service tax authorities last year, insurers and their agents will now have a brush with the harsh benami law.

Over the past one week, some companies acting as agents and marketing intermediaries of insurance companies have received notices under the Benami Transactions (Prohibition) Amendment Act, 2016, for allegedly routing funds to sidestep regulations.

Two persons aware of the development said that at least half a dozen firms have been served the notices, seeking details of transactions with certain parties under section 19 of the Benami Act.

A benami deal is a transaction or an arrangement where a property or assets like stocks or funds is "transferred" to or is "held" by a person but the consideration of such property has been provided or paid by another person. In other words, the holder of the asset (the front) is not its true beneficial owner. Thus, the benami angle is being probed by the Income Tax (I-T) department amid suspicion that certain intermediaries were used as conduits in passing on inflated commission from the insurance companies to their official agents.

Last year, insurance companies jostling for market share in a fiercely competitive business came under the glare for paying commission to agents beyond what was allowed under insurance regulations. "The recent notices from the I-T department under the Benami Property Act were sent to assessees who have already been assessed u/68 of the Act on the said amount. Now, the question that crops up and has to be dealt with is whether the amount can be treated as 'Benami' as per definition 2(a) of Act and whether there has been a transfer of property," said Rajesh PShah, partner at CA firm Jayantilal Thakkar and Company.

Here's what is being suspected: an insurer which could not have paid more than Rs X to an agent, makes an additional payment of Rs Y to another intermediary, which, net of handling charges, passes on bulk of the amount Rs Y received to the agent. It's about finding a way to bypass regulations to reward an agent over and above that's permissible to push the company's products. The intermediary, acting as the go-between, is the 'benamidar'; the agent is the 'real beneficiary' while insurers, having initiated the transactions, may not be able to escape the heat.

GST Probe
Earlier, the I-T department had questioned the deduction of the 'surplus or illegal' commission while the office of the Goods and Services Tax (GST) questioned the input credit claimed by the insurers. Input tax credit (ITC) allows businesses to lower their tax liability on sale by claiming credit to the extent of GST paid on purchases. GST is paid by consumers and remitted to the government by the businesses selling the goods and services. The I-T and GST cases are at various stages of adjudication. The income tax department probe, according to an ET report last August, "uncovered evasion of more than Rs 15,000 crore", and covered more than 25 insurers and over 250 businesses that were used to route commissions to agents. "Benami is a law which entails financial and other consequences. Interpretation of some provisions as well as robust documentation and justification in support of the payments would be key considerations in these proceedings," said Ashish Mehta, partner at law firm Khaitan & Co. The benami twist, with the penal provision of the law, may complicate matters for various parties entangled in the disputes. These deals, challenged by tax and benami laws, were cut before 2023. Under the IRDAI (Payment of Commission) Regulations, 2023 which were notified on March 26, 2023, the earlier individual cap on commission payments on insurance products was replaced with an overall cap on expenses of management of insurers.

(The writer is Sugata Ghosh.)

TOP

Democratising insurance: PoSP model's impact on penetration, economy and employment in India - Financial Express – 21st January 2023

The insurance landscape in India has witnessed significant transformation in the last two decades, driven by government initiatives and increased awareness. A pivotal move in this evolution was the introduction of the Point of Sales Person (PoSP) model by the Insurance Regulatory and Development Authority of India (IRDAI) in 2015. The PoSP model framework is democratising insurance accessibility by introducing a novel avenue to enhance nationwide insurance penetration. In the insurance industry, the PoSP model stands as a formidable force, boasting a total network of over 14 lakh plus agents—merely 15% lower than the combined size of general and health insurer agent networks, as of 2022.

How PoSP is Fueling Economic Growth
One of the remarkable achievements of the PoSP model lies in its ability to empower individuals from diverse backgrounds. With minimal training, even undergraduates can pursue careers as PoSPs; not just creating jobs but also fueling the nation's economic growth. Serving as catalysts, these PoSP agents extend their reach to every family, aligning with IRDAI's ambitious goal of insuring every Indian by 2047. The true merit of the PoSP model lies in its user-friendly design, fostering a seamless dissemination of pre-underwritten insurance products. The simplicity and accessibility not only enhance the outreach of insurance offerings but also improve the overall efficacy and servicing of insurance policies. The PoSP framework represents a significant leap toward democratizing access to insurance services, acting as a launching pad for aspirants to embark on a rewarding career journey in the dynamic and growing insurance industry.

Rapid Growth
In just eight years, the number of PoSP agents has soared exponentially, trailing the combined general and health insurer agent network size by a mere 15% and outpacing them in growth. The PoSP model has proven to be not only resilient but also highly adaptive to the changing dynamics of the insurance ecosystem.

PoSPs sell basic and pre-underwritten insurance products, operating on a transactional level thereby meeting the insurance needs of a large section of the Indian population. When partnered with brokers, PoSPs become advocates for policyholders, offering personalized attention and prioritizing their interests. The PoSP model introduces flexibility through partnerships with insurers or intermediaries, granting PoSPs the autonomy to offer insurance plans based on policyholder preferences and needs. This not only enhances customer satisfaction but also relieves brokers of the burden of fixed operational costs and employee expenses.

Crucial Role in Economic Inclusion

The PoSP framework's low entry barriers open doors for individuals in Tier II cities and beyond, accelerating insurance penetration. This inclusive model creates an additional income stream for individuals from diverse backgrounds, including small shopkeepers, housewives, and unemployed individuals, fostering economic inclusion and entrepreneurial spirit. The impact is dual-fold: a boost to the economy and a simultaneous surge in insurance penetration.

Conclusion

As we reflect on the journey of the PoSP model since its inception in 2015, it is evident that it has played a pivotal role in reshaping India's insurance ecosystem. Beyond democratizing insurance access, PoSP has empowered individuals from varied backgrounds, becoming a catalyst for economic growth. To ensure the continued progress of the insurance sector, it is crucial to recognize the importance of the PoSP model and strengthen it.

(The writer is Susheel Tejuja.)

TOP

Companies rush for cyber insurance on data laws, digitization – The Economic Times – 19th January 2024

Insurance is generally difficult to sell, but for a product like cyber insurance, the coin has flipped. The market is at a point where demand is growing fast and insurance companies might not be prepared to meet it yet, say industry insiders. Multiple insurance brokers ET spoke to said that over the last couple of years, the demand for cyber insurance is steadily climbing and is expected to climb further now that India has formulated its own data protection law. But cases of high claims and the complexity of the product make it such that insurance companies are wary of selling one. And also, for startups to qualify for a good cover is very difficult. "Demand for cyber insurance has been increasing steadily… the market is currently valued at $50-60 million and has been growing at a compound annual growth rate of 27-30 percent over the past three years," said Dhirendra Mahayavanshi, CEO, insurance broking startup Turtlemint. He further added that over the next few years, demand for cyber insurance is expected to grow by around 30 percent in India.

Recently licensed insurance broking startup Bimakavach is betting big on this space. Tejas Jain, founder of Bimakavach, said that he is building an entire suite of insurance products that new-age small- and medium-sized businesses will need to keep their operations safe and cyber insurance is a key product in that stack. "Companies like fintechs, software service providers hold on to a lot of data, but historically hardly took the right insurance covers, but now even their investors are pushing them to get covered," Jain added. Products like cyber insurance, fraud cover, including both insider and third party fraud, directors and officers liability all these are being taken by new generation companies. "A lot of conversations are happening around cyber insurance covers in the wake of India enacting the data protection law too," Jain added.

(The writer is Pratik Bhakta.)

TOP

INSURANCE REGULATION

IRDAI notifies consolidated expenses of management regulations – The Hindu Business Line – 24th January 2024

Insurance regulator IRDAI has notified consolidated comprehensive regulation on Expenses of Management (EOM) of insurance companies. The newly notified regulation also covers payment of commissions to intermediaries. IRDAI had on November 14 last year released an exposure draft EOM Regulations 2023.

The latest regulation has also prescribed a reporting format for insurance companies as regards expenses of management and payment of commission. Under the new consolidated regulation, in case of an insurer having actual expenses of management more than the allowable expenses of management for FY2023-24, the IRDAI can having regard to the business model of the insurer, grant forbearance subject to confirmation by the Board that it would bring its actual expenses within allowable limits within a period of two years. i.e by end of FY'2025-26.

TOP

LIFE INSURANCE

'Pandemic lent boost to life insurance' – The Hindu – 23rd January 2024

Life insurance is one industry segment that was not adversely affected by Covid and the sector has actually been witnessing a spurt in demand since the pandemic, said Kotak Mahindra Life Insurance Company.

"Life insurance segment industry has been posting a quantum growth over the years, including during last year, even after the pandemic. We expect the industry to continue to grow in the mid-teens. Covid has only increased awareness as people increasingly felt the need for life insurance and health insurance covers," the company told The Hindu.

Kotak Mahindra Life Insurance Company has so far insured the lives of 5 crore people in the country and the company currently manages assets worth over ₹70,000 crore. It also has 1.10 lakh insurance advisors across the country. The life insurance firm also had a gross return premium of ₹10,200 crore in the nine month's period as on December 31, 2023, it said.

Commenting on the company's focus on the southern market, an official said the brand has deeply penetrated in the region, especially Karnataka after Kotak's acquisition of Bengaluru-based ING Vysya, and has a market share of 10%.

"We have a deep presence in the South. Karnataka is one of our large businesses and we are very well penetrated in Andhra, Telangana and Tamil Nadu with each state accounting for 10% of business while we have bank assurance relationships in Kerala," he added.

Kotak's new TULIP, Term with Unit Linked Insurance Plan, offers life cover upto 100 times of the annual premium while giving customers the opportunity to earn return like a unit linked insurance plan (ULIP). It also provides additional protection against critical illness and accidental death, according to the company.

"Customer centricity has always been the DNA at Kotak Life. TULIP offers customers comprehensive protection like a term plan and also the opportunity to grow their wealth like a ULIP," said Mahesh Balasubramanian, Managing Director, Kotak Mahindra Life Insurance Company.

(The writer is Mini Tejaswi.)

TOP

Budget 2024: 'Separate exemption category for term insurance, GST rates on premium...' - Insurance industry's expectations - ET Now New – 23rd January 2023

Budget 2024: Amrit Kaal's first budget – Budget 2023 - was practically perfect in many ways, with the financial services industry named as one of the top seven objectives. It was suggested to make the IFSC a more desirable location, exempt certain NBFCs from thin capitalization, and provide investors with relief by maintaining the current capital gains system. The life insurance industry was, on the other hand, in for a rude awakening. To prevent India's wealthy individuals from misusing life insurance as an investment vehicle, FM Nirmala Sitharaman announced the levy of taxed on maturity benefits if the aggregate annual premium for all policy purchases above Rs 5 lakh, which came into effect from April 1, 2023.

In the upcoming interim budget, there are several expectations from the insurance sector. Some of these include a revisit of GST rates on insurance premiums. The insurance sector anticipates and strongly endorses an increased limit of tax benefits to stimulate the penetration of insurance in India.

Insurance Sector Expectations from Interim Budget
GST Rates of Insurance Premium - "A relook at the GST rates on insurance premiums is a reasonable expectation from the budget. Social security measures are still evolving in the country. Insurance for all is the need of the hour to protect oneself and dependents from hardships arising from unexpected circumstances," said Asha Murali, Partner, Actuarial Services, BDO India. "While tax incentives act as positive nudges to take the right decisions, over the past several years the orientation has been towards simplification of the tax structure and reduction of incentives," Murali added.

Separate Exemption Category for Term Insurance - The taxation system regarding insurance needs to be reconsidered in order to achieve a fair balance. Currently, the maximum deduction limit of Rs 1,50,000 under Section 80 C is often exceeded due to other allowable expenses like PPF and loans. A separate exemption category dedicated to term insurance should be established to address this issue, said Santosh Agarwal, Chief Business Officer – Life Insurance, Policybazaar.com.

Tax-Free Annuity Income to Boost Retirement Planning – According to Santosh, it's important to ensure that pension products receive the same tax treatment as the National Pension Scheme (NPS) to address this issue. "This would create a level playing field and make these products more attractive for long-term financial planning."

"We suggest considering a tax-free status for annuity income derived from these products. This would incentivise people to secure their retirement and align pension products with prevailing tax norms."

Enhancing Benefits Under Section 80D for Health Insurance – He also bet for improving benefits for health insurance. "One possible solution is to increase the maximum deduction limit for individuals, spouses, and dependent children to Rs 50,000, and for senior citizen parents to Rs 1,00,000," Agarwal added.

(The writer is Himanshi Singh.)

TOP

Life insurers seek extension of income tax benefits to annuities, lowering of GST rates - The Telegraph – 23rd January 2024

Extension of income tax benefits to annuities and the lowering of GST rates to increase affordability are topmost on the wish list of budget proposals of insurance companies. At present investments under the National Pension Scheme (NPS) attract an additional Rs 50,000 tax exemption under section 80CCD(1B) of the Income Tax Act, which is over and above the Rs 1.5 lakh limit under section 80C. In annuities of LIC or other insurers, specifically set up for pension, there is a deduction available under section 80CCC, but with a catch.

The aggregate amount of deduction available under sections 80C, 80CCC and 80CCD (notified government pension schemes) of the Income Tax Act is limited to Rs 1.5 lakh as per section 80CCE of the Act. With 80C already including a wide gamut of options such as provident fund, small savings schemes, equity-linked savings scheme and home loan principal among others, the limit is most often exhausted by taxpayers. "Many Indians don't save enough for their post-retirement life, and there remains a huge gap between the funds available and the funds needed for a peaceful retirement," Prashant Tripathy, MD and CEO, Max Life Insurance, said.

"It is proposed to the government to consider extending the application of the current Rs 50,000 tax exemption for the National Pension Scheme under section 80CCD(1B) to pension and annuity plans of insurance companies to provide a more level playing field for such similar products." "The government may consider extending the tax benefit of Rs 50,000 offered on NPS under section 80CCD(1B), which is over and above Rs 1.5 lakh limit of 80C, to annuities. They are the only solution, which provides complete protection from the perspective of living longer by providing a regular flow of income throughout one's lifetime," said Sumit Rai, MD and CEO, Edelweiss Tokio Life Insurance.

The insurers are also in favour of lowering GST rates both on life and health insurance policies. "It is suggested to consider zero rating of pension and annuity plans, i.e, setting GST rate at 0 per cent for the said plans, which will also help lessen the tax load for people receiving pensions and thus enhance financial security for more citizens," said Tripathy. "Penetration of health insurance continues to be very low. More than 50 per cent of healthcare expenses are met out of pocket. The industry would urge the government to consider a reduction in existing 18 per cent GST rate on retail health insurance products," Anand Roy, MD and CEO, Star Health and Allied Insurance.

"The life insurance industry has been requesting for a distinct tax deduction limit, specifically for life insurance, with special emphasis on term insurance category, apart from the existing 80C provisions. This would serve as an incentive for individuals to invest in life insurance products and promote a sense of long term security. There could be an opportunity to also re-look at the taxation framework surrounding pension and annuity products," Pankaj Gupta, MD and CEO, Pramerica Life Insurance.

TOP

Term cover for women cheaper, homemakers now picking up independent term insurance plans – Financial Express – 22nd January 2024

The Indian insurance industry has taken significant steps in recent years to enhance the accessibility and affordability of term insurance for women. Tailored solutions are continuously being developed to address the diverse needs of both homemakers as well as working women effectively.

Coming-of-age products
As homemakers add financial value to their households and the future of their dependents need to be secured, independent term plans are a big safety net for them. Historically, homemakers relied on their spouse’s financial standing for a life cover, often resulting in inadequate coverage. In absence of tangible financial income, homemakers’ chance at financial protection was a shared joint life cover taken by their spouse.

New-age independent term homemaker plans have eliminated this dependency, allowing homemakers to independently purchase coverage of up to Rs 1 crore with flexible prerequisites, such as an annual household income of Rs 5 lakh and a minimum educational qualification of 10th/12th pass.

Customised underwriting
New-age products demand new-age underwriting practices, which has been made possible by technological innovation. Understanding mortality and morbidity rates is essential, as they directly impact term insurance premiums. Women’s statistically longer life expectancy results in decreased policyholder mortality risk, translating into tangible benefits with significantly lower premiums. Given that women have lower mortality and morbidity rates compared to men, the premium is 30% cheaper.

Comprehensive protection
Insurance is a product that does not offer instant gratification. A term insurance being a pure protection product is often seen as a cost and not an investment. But term insurance plays a pivotal role in

empowering women economically and securing their family's financial future. New-age plans also grant them the ability to take financial matters into their own hands and leave a legacy behind.

The advent of more affordable plans tailored for women fosters higher insurance adoption rates among them. For instance, a term cover of Rs 1 crore for a 30-year-old, non-smoking, salaried woman starts from a monthly premium of Rs 677, while the same plan for a male will cost Rs 818. This affordability positively impacts a family's ability to sustain its quality of life, meet financial obligations, and pursue long-term objectives. Also, premiums paid towards term plans are eligible for tax exemptions under Section 80C of the Income Tax Act, and the death benefit pay-out is tax-free under Section 10(10D). This acts as a key motivator, paving the way for a more inclusive and empowered society where women confidently navigate their financial future.

TOP

Life insurance companies should be permitted to sell health plans – 21st January 2024

India's life insurance industry has come together to bridge the high protection gap—the difference between available insurance cover and actual needs in case of a policyholder 's death—by organizing awareness campaigns and offering more flexibility to customers in terms of coverage and mode of payment. In an interview, Mahesh Balasubramanian, managing director, Kotak Mahindra Life Insurance, says reinsurance support and additional health data of consumers that helps reduce friction around underwriting are equally important to increase protection in the country. Balasubramanian,who says that life insurers should start selling health plans, also talked about composite licence, individual risk-profiling, Bima Sugam and fraud prevention. Edited excerpts: from the interview:

How can awareness around term insurance plans be increased, given that the life insurance protection gap in India is 87 percent, as per a recent study by National Insurance Academy?
The industry needs to come together and start awareness campaigns where protection is a key theme so that customers can understand products and natural demand gets created and met. From a product availability perspective, it is quite adequate along with the flexibility at the customer level. Sachet products are available where insurance can be bought at minimal premium. Premium payments can happen monthly, quarterly or annually while policy can be bought for one, two or even five years in one go. Return of premium plans are popular because it caters to the customer segment which wants something back in case they survive the policy period. Our recently launched product Kotak TULIP is also aimed at providing high sum-assured to customers along with market-linked returns.

What we also need to do is reduce the friction around underwriting and increase the capacity from the reinsurer's side. So, better presence, products and awareness, and reducing the friction to purchase insurance are all enablers for the industry to focus far more on protection.

What is your outlook on composite licence? Should life insurance companies be allowed to sell health plans?
It has two aspects. One, everybody can do everything. It is certainly a solution to low penetration of insurance but we have to wait and watch as to when the regulations will be amended and implemented. A near-term solution can be worked out. Instead of manufacturing health plans, life insurers can at least be permitted to start selling it. We need to understand that insurance agent attrition is real. Their viability is not improving because the average commission does not suffice their decent sustenance. If they can offer more products to the same set of customers of the same or a complementary brand, it will help them meet their viability. So we should definitely allow distribution of health insurance products by life insurance companies.

What is the latest update on the insurance regulator irdai's proposal of increasing the surrender value for policyholders? What is your stance on it?
The industry has taken time till January-end to respond to the proposal. The Life Insurance Council, which consists of all the players in the life insurance sector, is compiling responses. While it is good that customers can get better surrender value, the entire concept needs to be understood from multiple angles—from products to risk management. A whole lot of things are there. The council will send its recommendations to the regulator.

What measures are you taking to increase insurance penetration in rural India? The latest Irdai report shows life insurance penetration reduced from 3.2 percent to 3 percent in FY23.
The insurance industry is trying to design a combined product bouquet being offered to rural India at ticket sizes easily taken by them and in multiple units. This product will have a combination of life, non-life and basic fire insurance, etc. It will be a package of insurance which meets basic insurance requirements of a customer across all product categories of what insurance companies can offer. Once the Bima trinity (Bima Sugam, Bima Vistaar, Bima Vahak) comes in, it will propel the reach of insurance. The implementation is not too far away. It will be a game changer.

Apart from insurers, brokers, agents and other ecosystem players such as UIDAI, Insurance Information Bureau (IIB) and credit bureaus will also join the platform. So wherever data is available, the idea is to leverage the data to get adequate information about the customer so that we can service the customer better. It will essentially be a gigantic platform where the entire fraternity which caters to insurance in various forms and shapes will all be available on a single platform. Of course, the products and services that we offer will all be curated, and will be expanded over a period of time. One can't say that everything will be available on day one. The idea is to make sure that the basic stuff is available and all the players in the ecosystem start participating. In state level insurance, all insurers have been assigned states to work on insurance penetration. They're all talking to their respective state governments to popularize these products. The insurance industry is happy to embrace the entire account aggregator framework also. One needs to see to what extent the account aggregator framework succeeds in terms of having more customers enrolled and all the banks providing more and more information after a customer's consent. Over the next couple of years, you will definitely see a remarkable improvement in the penetration of insurance products in rural India as these initiatives get off the ground.

What is the industry doing to create a centralized database for risk management and prevent fraud?
The typical frauds which keep happening are substandard lives entering our system and immediately lodging a claim. Insurance is a probability industry. We can't battle against somebody who's coming in with certainty that he is going to die in three or six months. Usurious entities are getting created. There are so many cases where a person's entire entity has been faked. All of us are working with the insurance information bureau (IIB) and other data repositories where we are able to go and check fraudsters. The way credit bureaus provide credit scores, insurable scores can also be calculated. We just need more data. Bima Sugam is a solution to frauds also. Once we reduce frauds, the benefit will be passed on to consumers.

The Irdai chief has talked about having an individual risk-profiling in premiums and not the group average. How will it be done?
It is like having a personal designer. We need a lot of information for individual risk-profiling such as demographics data, the customer's lifestyle, his other purchases. Where is he working? What is his income? How many children does he have? What are the existing policies that he has? The more information we have about the customer, the better underwriting that can be done and customized products offered. For example, if you have never had a health claim for the last 10 years, it means I'm dealing with a healthy life. If you are participating in marathons, that information tells me a lot about your health. We already have a dynamic risk model in which we score customers on different parameters. For now, we use it to seek additional information for underwriting, but tomorrow it can be used for individual risk profiling.

(The writer is Aprajita Sharma.)

TOP

Term insurance riders: Weigh the relevant add-ons and premiums – The Hindu Business Line – 20th January 2024

The importance of term insurance in the personal finance of retail investors is generally well understood. A term policy covers the financial risk — loans, money goals, expenses and the like — for the surviving family members if the primary earner were to pass away unexpectedly. However, apart from the plain-vanilla option of a regular cover, there are many add-ons to augment the basic term policy. Some of the riders taken with term insurance include accidental permanent disability, accidental death, critical illness and waiver of premium. Each of these riders comes with specific conditions and there are limits on the sum insured and payout. Read on for more on whether you would need these riders with your term insurance cover and the costs involved, so that you can take an informed call. Most life insurers offer riders to policyholders. ICICI Prudential Life, HDFC Life, SBI Life, PNB Metlife, Tata AIA, Max Life and Aditya Birla offer term covers with 3-6 riders. Some are variants of the riders mentioned earlier and a few more are newer ones. Accidental death rider, as the name implies, is an add-on that comes into force if a policyholder unfortunately dies in an accident. The nominee would get an additional sum assured with the regular term cover payout. Typically, on a ₹1-crore term insurance base cover, the accidental death rider would give ₹5 lakh to ₹10 lakh more.

For those who travel constantly on work by various modes to different cities or towns (in addition to regular work commute), this rider may be a good option. The next add-on is the accidental disability. This rider applies when the policyholder suffers permanent disability due to any accident and is thus unable to continue his work or profession. In such cases, the rider benefit would be paid out depending on the severity. Usually, the amount paid is up to ₹10 lakh for a ₹1 crore term cover. Some insurers pay the rider sum as monthly instalments for a period of 10 years. As an add-on, one of the most important riders is the one relating to critical illnesses. This rider is offered by many companies as a part of health and term insurance policies. In a term insurance policy, the critical illness (cancer, multiple organ failure, heart and kidney ailments, etc.) rider works in a couple of ways. There are term covers that pay the full sum insured to the policyholder upon diagnosis of a major ailment — depending on the stage of illness. In most cases, the policy is usually closed after this payment. This type of rider comes without any additional payment. The other option is to take a paid critical illness rider that gives out a sum of ₹5 lakh or ₹10 lakh usually upon diagnosis of a critical illness at a specified stage — advanced, initial, etc. This sum is in addition to the money that will be paid out later in case of unfortunate death, which would be the full term cover amount. Given the increasing prevalence of critical illnesses due to poor lifestyle habits, it would be safe to shield yourself from such ailments. This rider is useful for all types of policyholders. But most critical illnesses are covered under medical insurance covers itself and are paid out as lump-sums. You can choose to opt for a rider via the term insurance route as well.

Waiver of premium is a common option offered by most life insurers. Some offer it for free as a part of the base policy itself. Others charge an additional amount to the premium for taking waivers upon diagnosis of critical illness, accidental disability, etc. Most policyholders must opt for the rider, with or without the additional rider premium payment. The costs depend on the sum assured of the main term cover. For a ₹1 crore term cover given to a 35-year-old male non-smoker, the following charges would usually apply, according to data from Policybazaar. Some insurers charge for the waiver of premium rider. This amount ranges from ₹560 to ₹960 a year. A few insurers have different charges for waiver of premiums asked for varying purposes — disability, critical illness, etc. The accidental disability rider would cost policyholders an additional ₹170 to ₹370 a year. In the case of accidental death add-on, the extra premium to be paid would be ₹560 to ₹960 annually. Critical illness rider is the most expensive of the lot. Charges range from ₹2,000 to ₹3,500 depending on the number of critical illnesses covered. Some insurers club the critical illness rider and waiver of premium and charge up to ₹11,000 for the add-on, as they would give a much larger sum assured. If all the riders are taken, the total add-on premium for a ₹1 crore term cover with the demographic described earlier would be in excess of one-fourth the premium paid for the base cover. So, ₹5,000-6,000 would be the add-on premium charged for over and above ₹19,000 to ₹21,000 base premium.

(The writer is Venkatasubramanian K.)

TOP

Unlocking India's Lucrative Investment Landscape for NRIs - The Economic Times – 20th January 2024

In today's global investment landscape, Non-Resident Indians (NRIs) are rekindling their interest in India, drawn by its robust economic growth. With a steady annual growth rate of 5-6%, India is poised to emerge as a global manufacturing hub, potentially outpacing even China. This progress is further evident in poverty reduction, increased per capita income, and a surge in savings rates. The global confidence in India's economic potential is also improving as reflected in the consistent flow of funds from Foreign Portfolio Investors (FPIs). As per RBI's recent data, nearly Rs. 95,000 crores have been invested in Indian equities so far this calendar year. In fact, most institutions are bullish on India, with Morgan Stanley recently saying India is on a trajectory to become the world's third-largest economy by 2027, surpassing Japan and Germany.

So, investing in India is a no-brainer for NRIs looking to maximize their wealth multiplication potential. NRIs navigating the Indian investment landscape get numerous options. While there's no one-size-fits-all strategy, a sound financial plan for NRIs should include mix of assets. Diversification is the Bedrock of sound financial planning. Constructing a portfolio that spans various asset classes including insurance, mutual funds, equities, stocks, and real estate. It not only boosts potential longterm returns but also safeguards against the risks of being too reliant on a single asset class.

Compelling Proposition for NRI's to invest in India:
India offers higher interest rates, typically around 6-7%, surpassing those in countries like China, US, and Canada, which offer rates in the range of 3-4%. This makes India an attractive destination for NRIs seeking fixed or guaranteed return investments.

Moreover, the Indian equity market consistently outperforms global counterparts, providing impressive, annualized returns of 10 -12% over the past 15 years, surpassing even the US and China. In 2023, FPIs have shown a strong interest in Indian stocks, propelling benchmark indices to record highs, driven by robust corporate earnings and strong economic growth.

For NRIs who don't want too much risk, mutual funds and Unit Linked Insurance Plans (ULIPs) are a good option. They are easy to manage and can be easily turned into cash and are cost-effective. But if you want both insurance and investment, you can consider ULIPs. ULIP returns in India are at par with equity markets. With ULIPs you get flexibility to change funds based on how much risk you want to take. This is good for NRIs who want to invest in low-risk funds but get returns as per equity growth.
Optimizing Wealth-Building Beyond Equities:

1. Guaranteed Insurance Products: In the world of wealth-building, products like savings plans and Child Plans tailored for NRIs are often overlooked but hold immense potential. These plans offer the assurance of consistent and reliable returns, making them a smart choice for those seeking long-term financial security. NRIs can customize these plans to align with their unique financial goals and obligations, safeguarding their family's future. These insurance products not only provide guaranteed returns but also allow investors to capitalize on India's promising economic landscape while enjoying the peace of mind that comes with financial security.

2. Retirement Planning with a Purpose: A significant portion of NRIs plan to return to India in their later years (mostly retirement years), aiming to maintain their desired lifestyle and financial dignity in retirement. To achieve this goal, proactive planning is crucial. Investing in the Pension Plans for NRIs can be a strategic move to meet post-retirement financial needs. These plans are customisable based on one's goals, and financial aspirations, offering higher returns and financial security. They serve a dual purpose by providing financial protection and creating a retirement fund. NRIs can also explore Annuity products to generate regular income for their parents in India, with the flexibility to choose payout frequency.

Lastly, understanding tax implications and Double Tax Avoidance Agreements (DTAA) is crucial for effective NRI investment planning. NRIs investing in Indian can benefit from lower tax rates compared to their home countries, with Long-Term Capital Gains (LTCG) taxed at only 10%, subject to DTAA agreements.

In summary, India's economic strength, potential for high returns, and diverse investment opportunities present a compelling case for NRIs. Investing in one's homeland not only holds sentimental value but also offers solid financial security. With its promising growth rates, strong economic fundamentals, and a dynamic investment environment, India stands as a promising destination for NRIs seeking to grow their wealth across borders. The future looks bright for those who choose to invest in the land of their roots.

(The writer is Anup Seth.)

TOP

GENERAL INSURANCE

Cashless treatment facility to be available across hospitals, says GIC – Business Standard – 25th January 2024

The General Insurance Council on Wednesday announced the launch of the 'Cashless Everywhere' facility, under which policyholders can get treated in any hospital and avail a cashless facility. This initiative will aid in easing the burden of policyholders who get treated in a hospital not in the network of the insurance company, and it will be available across hospitals in India.

Currently, the option for cashless treatment is only available at hospitals where the insurance company has an agreement. In the absence of such an agreement, the policyholder has to opt for a reimbursement, delaying the claim process.

Under the 'Cashless Everywhere' initiative, the customer should intimate the insurance company 48 hours before admission for both emergency treatment and elective procedures. The claim should be admissible as per the operating guidelines of the insurance company. Currently, only 63 per cent of customers avail cashless treatment, whereas the remaining 47 per cent opt for reimbursement claims. Speaking at the event, Tapan Singhel, MD & CEO of Bajaj Allianz General Insurance and Chairman of the General Insurance Council, said, "Today, if you see, only about 63 per cent of customers opt for cashless claims while the others have to apply for reimbursement claims as they might be admitted to hospitals that are outside their Insurer/TPA network. We feel this puts a significant amount of stress on their finances and makes the process long and cumbersome."

Singhel also added that it "will not just improve the policyholders' experience but will build greater trust in the system. This we feel will encourage more customers to opt for health insurance. We also see this as a step towards reducing in the long run, eliminating fraud, which has been plaguing the industry in a big way and reducing trust in the system." During the Global Fintech Festival (GFF) held in September 2023, IRDAI Chairman Debasish Panda had said the regulator is working with health insurance providers to launch 100 per cent cashless settlement claims at the earliest.

(The writer is Aathira Varier.)

TOP

Road ministry to come up with cashless treatment for accident victims – The Economic Times – 24th January 2024

The government will soon come up with a cashless treatment facility for all road accident victims at the Ayushman Bharat hospitals while work is on to rectify about 5,000 remaining black spots in the country by May 2025 as the aim is to reduce road accident related death and injuries by half by 2030, road secretary Anurag Jain said.

“We plan to introduce cashless medical treatment for all injured road accident victims across the nation within the next three to four months,” Jain said while addressing the International Road Federation (IRF) conference on ‘Vision Zero, Targeting road safety by 5E’s with innovative technologies’, organised in association with the ministry of road transport and highways and Maruti Suzuki.

According to Jain, the nationwide scheme, to be introduced by the ministry, will be merged with the final scheme to be launched by the ministry of health and family welfare at the later stage. Talking about eliminating all black spots on the national highways, Jain said about 4000 accident prone engineering faults have been rectified till date and the concerned authorities have been asked to prepare a detailed project report (DPR) of the remaining 5,000 black spots within the next three months. “All DPRs will be prepared within three months and we hope to sanction all projects in one go as we aim to rectify all engineering defects by May 2025,” he said.

According to Jain, the road safety audit of all national highways in the entire country will be achieved soon and the ministry of road transport plans to launch zero complaints for road maintenance making all highways fully maintained by the concerned highway authorities. Jain further said that the road ministry has formulated a multi-pronged strategy based on 5E’s of road safety to address the issue of road safety based on education, engineering (both of roads and vehicles), enforcement and emergency Care.

“The electronic Detailed Accident Report (e-DAR) Project has been initiated to establish a central repository for reporting, management and analysis of road accidents data across the country,” he said.

“The successful implementation of the 5 E's in road safety results in increased awareness, safer road infrastructure, better compliance with traffic laws, encouragement of responsible behavior, and continuous refinement of safety measures. The ultimate outcome is a significant reduction in road accidents, injuries, and fatalities, creating a safer and more secure road environment for everyone” K K Kapila, president, emeritus, International Road Federation (IRF) said. IRF is a Geneva-based global road safety body working for better and safer roads worldwide.

As per the IRF, India accounts for more than 11% of global fatal road accidents, highest in the world. The International Road Federation has taken up safe road construction projects in seven states including Tamil Nadu, Kerala, Madhya Pradesh, Rajasthan, Uttar Pradesh and Karnataka where all the 5E’s have been implemented at the same time, making these roads almost accident free.

(The writer is Yogima Seth Sharma.)

TOP

Didn't buy travel insurance? Some premium cards cover overseas medical emergencies - Business Standard – 23rd January 2024

Thirty-five year old Arjun Singh decided to head to Thailand last minute when the country announced a waiver on visas for Indians till June 2024. Since it was a spur-of-the-moment decision, Arjun had forgotten to opt for an overseas travel insurance plan. During the trip, Singh had an allergic reaction to lobster and had to be rushed to the hospital and was admitted overnight at the Bangkok Hospital. His wife, however, was not very worried about the huge medical bill because she had a Platinum credit card from American Express, which also covered any emergency medical hospitalisation anywhere in the world. The only condition was that the card company had to be notified at the time of hospital admission, and all the hospital documents had to be emailed to the company within 30 days of hospitalisation.

While travelling, there's always the chance of a lot of things going wrong. This is why it's always a good idea to purchase travel insurance online beforehand to provide a safety net to fall back on in case of any unforeseen incidents such as theft of luggage, injury caused due to any risky adventure activity, etc. In India, Currently, not all credit cards offer travel insurance. While some do offer basic coverage, their benefits are often limited as compared to traditional travel insurance policies available online.Credit card insurance policies usually tend to cover the expenses of only the cardholder, whereas, travel insurance policies bought online have the option to provide coverage to other co-travellers under the policy.

"Complimentary insurance cover for overseas medical emergency hospitalisation is generally offered with premium credit cards and covers any kind of bodily injury or sudden unexpected illness during international travel. This feature can only be availed by primary cardholders and that too only when the flight booking for that trip has been made using the same card. Card providers may also impose other eligibility conditions. For example, the card should have been used at least once in the past 30 days or the medical emergency should fall within 7 days of the international trip," cautioned Rohit Chhibbar, Head of Credit Cards Business, Paisabazaar.

In most cases, the cardholder is required to directly contact the partner insurance company to register their insurance claim within the given timeline after the incident. The claim procedure and conditions vary depending upon the credit card provider and the card type you own.

Here are some credit cards that do cover medical emergencies too:
HDFC Bank Diners Club Black Credit Card
Annual Fees: Rs. 10,000 (Waived off on annual spend of Rs. 5 lakh)
Emergency overseas hospitalisation cover of Rs 50 lakh
The card covers any medical expenses because of any Bodily Injury or sudden unexpected sickness only for international travel outside India. Medical expenses incurred due to any pre-existing illness will not be covered. Claim payment to the customer will be made in INR as per applicable exchange rate as on the date of payment to hospital / medical establishment.

American Express Platinum Card
Joining Fee: Rs. 60,000
Overseas medical insurance of $50,000 for the first 7 days of the trip
Puneet Bhatia, Vice President, Acquisition and Product Management, American Express Banking Corp explains the insurance benefits that come with the card:
Platinum Charge
Air Accident Insurance Cover of 5 Cr.

Card Members can use their card with confidence the world over, knowing they have the powerful backing of American Express no matter where they are 24x7. The American Express Platinum Card Membership gives protection to Card Members when they travel and also saves them travel insurance premiums. Under Air Accident Cover, the primary card is insured with the sum of Rs 50,000,000 when the ticket is purchased on their card.

Overseas Medical Insurance of $50,000
Medical Insurance: Complimentary* Overseas Medical Insurance for US$ 50,000 for the first seven days of the trip, when travelling abroad with tickets purchased with Platinum Card
Cover against inconveniences like Loss or delay of Baggage, Loss of Passport
Purchase Protection: Rs 5 Lacs
Cover your belongings like Consumer Durables for any loss or damage even in residential premises for the first 90 days
Platinum Reserve
Air Accident Insurance Cover of 1 Cr
Card Members are automatically insured against loss of life in an air accident for up to Rs.1 crore when they purchase their air ticket with Platinum Reserve Credit Card.

Standard Chartered Ultimate Credit Card
Joining Fee: Rs 5000
Emergency medical expenses coverage of up to $25,000 with a deductible of $100

Marriott Bonvoy HDFC Bank Credit Card
Joining Fee: Rs. 3,000
Emergency medical expenses cover of up to $18,750

HDFC Regalia Gold Credit Card
Joining Fee: Rs. 2,500 (Waived off on annual spend of Rs 4 lakh)
Emergency overseas hospitalisation cover of up to Rs. 15 lakh
There are various shortcomings when it comes to the sort of coverage offered by credit card travel insurance when compared to traditional travel insurance offered online. Trip cancellation policies offered under credit card insurance are often limited to certain circumstances such as injury or death. Death due to any pre-existing health condition is not covered unlike that offered under a travel insurance plan.

"Reimbursement of expenses incurred due to any unforeseen accident too is limited under the terms and conditions. Injuries caused by adventure activities such as kayaking, horse riding, etc are not covered under such plans. Credit card insurance policies usually tend to cover the expenses of only the cardholder, whereas, travel insurance policies bought online have the option to provide coverage to other co-travellers under the policy.The geographical range of protection offered under credit card insurance is often limited when compared to online travel insurance," according to HDFC Ergo.

"Generally, high-end credit cards from Axis Bank, Amex, and HDFC come with Travel Insurance inbuilt where they have partnered with the insurers and cover the same benefits. Terms and coverages are generally similar to what is being offered by the normal retail product with benefits such as coverage for trip cancellations, delays, medical expenses, missed connections, and loss of checked-in baggage. However, it is always recommended to travel overseas with appropriate travel insurance that covers you comprehensively," said Manas Kapoor, Business Head - Travel Insurance, Policybazaar.

"Reimbursement of expenses incurred due to any unforeseen accident too is limited under the terms and conditions. Injuries caused by adventure activities such as kayaking, horse riding, etc are not covered under such plans. Credit card insurance policies usually tend to cover the expenses of only the cardholder, whereas, travel insurance policies bought online have the option to provide coverage to other co-travellers under the policy.The geographical range of protection offered under credit card insurance is often limited when compared to online travel insurance," according to HDFC Ergo.

"Generally, high-end credit cards from Axis Bank, Amex, and HDFC come with Travel Insurance inbuilt where they have partnered with the insurers and cover the same benefits. Terms and coverages are generally similar to what is being offered by the normal retail product with benefits such as coverage for trip cancellations, delays, medical expenses, missed connections, and loss of checked-in baggage. However, it is always recommended to travel overseas with appropriate travel insurance that covers you comprehensively," said Manas Kapoor, Business Head - Travel Insurance, Policybazaar.

Theft or loss of high-value goods such as jewellery and electronics among other belongings might also not be covered under credit card travel insurance. It is more than likely that one's credit card insurance will only cover the purchases made with the credit card during the period of travel. "If you're specifically looking for health insurance coverage in India, you should consider purchasing a separate health insurance policy. Health insurance policies are designed to cover medical expenses, including hospitalization, surgery, and other related costs. However, relying solely on credit card benefits for medical coverage may not be sufficient. It's advisable to have a dedicated health insurance policy for comprehensive coverage," said Adhil Shetty, CEO, Bankbazaar.com

(The writer is Sunainaa Chadha.)

TOP

HEALTH INSURANCE

Income tax relief: Medical cost doubles in 5 years, will Budget 2024 increase Section 80D limit for health insurance? - The Economic Times – 24th January 2024

Section 80D of the Income-tax Act, 1961 allows you to claim tax deductions for paying premiums for health insurance policies and select health-related expenses. You can claim a tax deduction of up to Rs 25,000 if you are below 60 years of age. For senior citizens, the tax deduction limit can go up to Rs 50,000 for health insurance premiums under Section 80D. Further, you can claim a tax deduction of up to Rs 5,000 for preventive health check-ups. This tax break incentivises health insurance and yearly medical check-ups for preventive care. Medical inflation doubles in five years; is Rs 25,000 tax deduction under Section 80D enough to cover healthcare costs?

Now, the question is whether Rs 25,000 is enough to purchase adequate health insurance that will cover your medical emergencies and needs. Is the Rs 50,000 tax deduction enough for senior citizens?

It was the 2015 Budget that increased the limit of deduction under section 80D from Rs 15,000 to Rs 25,000 and it has been nine years since then with no increase in the limit.

It is important to remember that the cost of treatment for common ailments that require hospitalisation has more than doubled in five years. A Rs-10-lakh health insurance, which could cover a family of three to five years back, is not adequate to take care of the medical needs now. The tax deduction limit of Rs 25,000 will not typically cover the premium of a health insurance cover of Rs 20 lakh for a family of two or more today. If you are above the age of 40 and have a family of three, you will have to shell out even more for the premium of your health insurance.

As you grow older, the premiums of health insurance will increase further. For senior citizens, the premiums of health insurance coverage are even higher. The average premium for health insurance cover of Rs 10 lakh for two people above the age of 60, will cost you around Rs 69,178, as per the data by SecureNow. For senior citizens, the 80D limit was hiked in 2018 from Rs 30,000 to Rs 50,000 and it has remained unchanged since then.

For an individual below the age of 60, it is possible to buy a lower health insurance cover of Rs 5 lakh or Rs 10 lakh and the premium will be very well within the tax-deduction limit of Rs 25,000. But just think once if Rs 10 lakh health insurance is enough to cover a family of three, especially when the medical cost has been rising rapidly.

Premiums of health insurance policies in 2024

Policies	Section 80D exemption limit (Rs)	No. of policies available in the market	Average Premiums including taxes (Rs)
Family floater for Rs 20 lakh sum assured, for a family of two, eldest age 30	25,000	22	20,685
Family floater for Rs 20 lakh sum assured, for a family of two, eldest age 40	25,000	22	24,940
Family floater for Rs 20 lakh sum assured, for a family of two, eldest age 50	25,000	22	35,401
Family floater for Rs 20 lakh sum assured, for a family of two, eldest age 60	50,000	22	64,979
Individual Insurance of Rs 20 lakh for a 30-year-old	25,000	33	13,352
Individual Insurance of Rs 20 lakh for a 40-year-old	25,000	33	17,505
Individual Insurance of Rs 20 lakhs for a 50-year-old	25,000	33	26,051
Individual Insurance of Rs 10 lakh each for two persons age 60	50,000	46	69,178
Individual Insurance of Rs 20 lakh each for two persons age 60	50,000	46	88,934
Individual Insurance of Rs 10 lakhs each for two persons age 75	50,000	20	1,34,604
Individual Insurance of Rs 25 lakhs each for two persons age 75	50,000	20	1,79,022

Source: SecureNow

The limit of Section 80D has not been raised in the last couple of years. "Post the pandemic, the costs of medical treatment, insurance, and preventive healthcare have been spiraling. A regular household will need to care of kids, the elderly as well as self which is a huge burden on the family budget. Thus, it is advisable to revisit these limits of benefit under 80D by the finance minister in Budget 2024," says Aarti Raote, Partner, Deloitte India.

Budget 2024: Section 80D tax-deduction limit should be hiked to Rs 50,000, Rs 1 lakh for senior citizens

Section 80D deduction's existing limit of Rs 25,000 needs to be reconsidered and potentially increased to Rs 50,000, says Tarun Rustagi, Chief Financial Officer, Canara HSBC Life Insurance. Echoing the same, Santosh Agarwal, Chief Business Officer – Life Insurance, Policybazaar.com, says, "In the wake of the pandemic, health insurance has become more important than ever. The health insurance industry has seen several innovations, but there is still room for improvement in tax structuring. One possible solution is to increase the maximum deduction limit for individuals, spouses, and dependent children to Rs 50,000, and for senior citizen parents to Rs 1,00,000."

"Increase the tax exemption limit under Section 80D for health insurance premiums from Rs 50,000 to Rs 75,000 (for senior citizens), to encourage more people to buy adequate health cover and reduce the burden on the public health system," says Rakesh Jain, CEO, Reliance General Insurance. "As an industry, we would like to see an increase in the current limit of 1 lakh to claim tax deductions under section 80D as it would encourage more people to opt for health insurance. Given that senior citizens need health insurance the most, the government can consider increasing this limit to allow a deduction of 50,000 for parents less than 60 years of age and 1 lakh for parents above 60 years of age. This tax benefit will encourage more people to opt for health insurance for their elderly parents," says Krishnan Ramachandran, MD & CEO, Niva Bupa Health Insurance.

(The writer is Anulekha Ray.)

TOP

Claim your tax deduction on health checkup and specific treatments – Business Standard – 19th January 2024

The significance of an annual health checkup is undeniable, yet many of us put off scheduling one. Not only does a regular checkup keep us informed about our health status, it also offers financial benefits in the form of income-tax deductions. Many people do not avail of this and other lesser-known health-related tax benefits due to a lack of awareness. Soayib Qureshi, partner, PSL Advocates & Solicitors, says, "Section 80D, 80DDB, and Rule 11DD of the Income-Tax (I-T) Act, 1961, allow taxpayers to reduce their taxable income by claiming deductions on medical expenses. This in turn encourages individuals to prioritise their family and their health and well-being." Section 80D of the I-T Act, 1961, offers a deduction for expenses related to preventive health check-ups. Pranav Bhaskar, partner, SKV Law Office, says, "An individual can claim a deduction of up to Rs 5,000 for expenses incurred on health check-ups for himself, spouse, children, and parents." This deduction is a part of the overall limit under Section 80D.

Section 80D of the I-T Act, 1961, offers deductions to individuals and Hindu Undivided Families (HUFs) on their health insurance premiums. An individual can claim a deduction for medical insurance premiums paid in a financial year up to Rs 25,000 for self and family (where self, spouse, and children are all under the age of 60), and an additional Rs 25,000 towards expenses incurred on parents under the age of 60, and Rs 50,000 on parents over the age of 60. Qureshi says, "The provision prescribes an allowance of Rs 5,000 for any payment made for preventive health check-ups and is included within the aggregate allowance for an individual." Expenses under preventive health check-ups include the fees paid to a doctor and tests undergone as part of this process.

Prateek Goyall, partner, MV Kini, says, "The deduction can be availed even if one has made cash payments." A person who has had a check-up or has scheduled one before March 31, 2024, can avail of this deduction. While cash payment is permitted, it is advisable to make non-cash payments to have proper records. Section 80DDB provides a deduction to resident individuals and HUFs for expenses incurred on the treatment of specified diseases. Naveen Wadhwa, vice president, research and advisory, Taxmann, says, "The expense may be incurred by an individual on himself or any dependent person (spouse, children, parents, brothers, and sisters) or by an HUF on any of its members." The assessee is eligible to claim a deduction under this section for the amount actually paid for treatment or Rs 40,000, whichever is lower. Wadhwa says, "The limit of Rs 40,000 increases to Rs 1 lakh if the expenditure is incurred on the treatment of a senior citizen (i.e., a resident individual aged 60 years or above)." Goyall cautions that one should keep in mind these age-specific limits on maximum deduction.

Ensure compliance with Rule 11DD of the Income-Tax Rules, 1962, which specifies the nature of diseases and ailments for which an allowance can be claimed. Specified diseases include various cancers, AIDS, renal failure, and dementia, among others. Ritika Nayyar, partner, Singhania & Co., says, "To claim this deduction, the taxpayer must obtain a prescription for the medical treatment from a neurologist, oncologist, urologist, haematologist, immunologist, or other specialist as prescribed." Maneet Pal Singh, partner, I.P. Pasricha & Co. emphasises the importance of maintaining detailed records. Taxpayers should arrange for medical certificates on time since most of the sections require them. The certificate should cover the financial year for which the deduction is claimed and not be outdated.

(The writer is Bindisha Sarang.)

TOP

CROP INSURANCE

After losses, insurance firms shy away from rabi cover – The Tribune – 19th January 2024

The rabi crops in Cluster-II of Haryana comprising Ambala, Karnal, Sonepat, Hisar, Jind, Mahendergarh and Gurugram will not get any insurance cover for the 2023-24 season as none of the insurance firms has been selected to insure the crops under the Pradhan Mantri Fasal Bima Yojana (PMFBY). According to sources, the Agriculture Department has floated tenders for hiring an insurance firm as the implementing agency for the PMFBY for the Rabi season 2023-24 to 2025-26 in Cluster-II, in November 2023. An official said one private insurance firm had applied for the insurance, but with the deadline for the insurance of rabi crops having already expired, none of the firms had come forward to provide insurance cover for the rabi crops.

An official in the Agriculture Department said the banks which used to deduct the premium from Kisan credit cards and other bank accounts of the loanee farmers had been told not to deduct the premium amount this rabi season. As per the existing system, the banks automatically used to deduct the premium from the bank accounts of the loanee farmers, which was paid to the insurance firms assigned the particular cluster under the PMFBY. Dilip Singh Rathod, a farmer of Kirtan village, said the state government had botched up the crop insurance scheme. "It is a good scheme for the farmers who want to get their crops insured for the damage due to various reasons," he said.

The Deputy Director of Agriculture Department, Hisar, Dr Rajbir Singh, confirmed that so far, they had no information about any crop insurance firm that would give insurance cover for rabi crops in Cluster II in Hisar. The sources said the last kharif crop had cost dearly to the insurance firm in Cluster II. The sources said, the insurance firm got a total premium of Rs 304 crore but had to pay the claim of about Rs 515 crore. Approximately, 2.55 lakh hectare of the rabi crops were insured in Cluster II during the last rabi season. The rabi crops, including wheat and mustard besides gram, barley and sunflower, are covered under the PMFBY. In Hisar district, about one lakh farmers had got about 1.3 lakh hectare of rabi crop, which included about one lakh acres wheat insured in the 2022-23 rabi season.

(The writer is Deepender Deswal.)

TOP

SURVEY AND REPORTS

88 percent working women remain unvaccinated for cervical cancer in India, reveals survey - Financial Express – 23rd January 2023

A new survey has revealed that 88 percent of working women are not vaccinated against cervical cancer. The survey, conducted by Plum, an insurtech platform offering group health insurance and business insurance solutions, has also revealed that of these unvaccinated working women, 63 percent are oblivious to the existence of vaccines and screenings. With age-standardised incidence and mortality rates of 22 and 12.4 per 100,000 women per year, cervical cancer is the second leading cause of cancer deaths among women in India.

"With January observed as Cervical Cancer Awareness Month, Plum surveyed 250+ working women aged between 21 and 47 from India's metro cities and observed that the high cost ranging from ₹3,700 to ₹10, 000 per dose* of vaccination is a hurdle to cervical cancer prevention – 26% of unvaccinated working women cited cost as a significant barrier, while an unexpected 60% of those who underwent vaccination reported costs exceeding their expectations. Accessibility too has been a concern with 10% of the unvaccinated women who have the intention of getting vaccinated don't know where to begin," the company said in a statement.

It is crucial to note that the vaccination regimen for cervical cancer prevention requires two-three doses. Dr. Nupur Gupta, Director-Obstetrics & Gynaecology, Fortis Memorial Research Institute, Gurugram and senior gynaecologist from Plum Telehealth highlighted the critical need for screening and early detection as a top priority. "Prioritised screening and early detection can prevent and manage cervical cancer. Regular pap smears, especially the more sensitive Liquid-Based Cytology (LBC) testing, offer strong detection when paired with Human Papillomavirus (HPV) screening. Making certain lifestyle decisions is also essential for lowering hazards," Dr. Gupta said.

Dr Gupta shared a few guidelines for preventing cervical cancer:
Routine Screenings: If you are sexually active or in your thirties, make sure to schedule routine (annual) HPV testing and Pap screenings.
Vaccination: Even if you are in your thirties, you should think about getting vaccinated against HPV. Vaccination provides effective defence against the virus.
Understand Your Risk Factors: Recognise the things that could put you at higher risk, such as early menarche and having multiple partners.
Raise Awareness: Make cervical cancer screenings a priority by urging friends, family and coworkers. A key component of prevention is raising awareness and educating people.

TOP

India: impact of digital personal Data Protection Act on insurance sector: Indian Perspective – Mondaq – 20th January 2024

The insurance sector in India is projected to become the 6th largest insurance market by 2032, according to a report by Swiss Re. The primary driver behind such drastic growth is advent of technological advancements in insurance sector which is popularly termed as 'InsurTech'. Tech companies have a leverage when it comes to artificial intelligence, data analysis and cloud computing, which helps them to provide better facilities to their customers. For instance, risk assessment, claim management etc. However, *"with great power there must also come great responsibility",* with Insurtech companies gathering substantial personal data to offer different services. Life insurance or health insurance, for instance, often requires sensitive information like health conditions and lifestyle habits, leading to accumulation of vast sensitive personal data.

This accumulation makes the insurance industry susceptible to cyber-attacks and data breaches. For instance, Medibank, an Australian Health Insurance Company, experienced a massive data breach, compromising the credentials belonging to approximately 9.7 million policyholders, subsequently sold on the dark web. Similarly, India Railway Catering Tourism Corporation suspended the services of Bajaj Allianz General Insurance and Liberty General Insurance, from its online platform due to identification of vulnerabilities on their respective websites, posing risks to travelers' personal data.

These instances urge regulatory bodies to take significant steps for the protection of personal and sensitive data. The recently enacted Digital Personal Data Protection Act, 2023 ("**DPDP Act**") protects the personal data of a data principle from any type of exploitation.

This blog would discuss the legal compliances of insurance companies with respect to protection of personal and sensitive data of the policy holders. Further it delves into the impact of present DPDP Act on insurance companies. The author would also present her views on the said issue by giving referencing other jurisdictions.

Current Data Protection Framework in Insurance Sector
The Insurance Regulatory and Development Authority of India ("**IRDAI**"), is responsible for the protection of policy holders and consumers in the insurance sector. IRDAI has established a regulatory framework for the protection of policy holder's data, in addition to the Information Technology Act, 2000 and Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules of 2011.

The regulatory framework developed by IRDAI are implemented to protection consumers' data and information which includes, Regulation 19(5) of IRDAI (Protection of Policyholders' Interests) Regulations, 2017, makes it obligatory for the insurers to maintain total confidentiality of the policyholder information unless it is necessary due to operation of any law. This ensures the right to privacy of policy holders which is a fundamental right under Article 21 of Constitution as per KS Puttasawamy case.

Regulation 3(9) of IRDAI (Maintenance of Insurance Records) Regulations, 2015 which mentions about data localisation. The provision mandates the storage of data in centres located and maintained in India. This data includes the information related to policies take by the policy holder, the claim records etc. Regulation 12 of IRDAI (Outsourcing of Activities by Indian Insurers) Regulations, 2017 deals with third party data sharing/ privacy intelligence. The policyholder's interests are to be protected by the insurers to mitigate the risk involved with outsourcing/ third parties.

Regulation 35(c) of the IRDAI (Health Insurance Regulations), 2016, which binds the Third Party Administrators (*a company registered with the authority, and engaged by the insurer for providing health services as enumerated under IRDAI (Third Party Administrators - Health Services) Regulations, 2016.*) and network providers *(hospitals*), for any data related matters. These TPAs are type of intermediaries who are prohibited from sharing data and personal information about the consumers.

These regulations are applicable on all the insurers, insurance intermediaries and policyholders. The major issue with these regulations are that they do not provide a uniform framework for all the insurers and intermediaries which is necessary today because of the advent of technological advancements. The introduction of DPDP Act marks a forward thinking initiative to safeguard consumer rights within an increasingly data centric environment. However, its enforcement is anticipated to introduce some compliance related hurdles for insurers and intermediaries who will fall under the definition of data fiduciary. To address the challenges stemming from DPDP Act, IRDAI has convened a specialized task force aimed at assessing its impact on insurance sector.

DPDP Act and insurance regulatory framework

With the introduction of DPDP Act, the government made a positive step toward protecting digital and offline personal data. The law brings into existence a new regulator i.e. Data Protection Board of India ('**DPBI**') for grievance redressal. The insurance industry generally collects a bulk of personal data necessary for underwriting purposes. Underwriting procedure is necessary for tasks such as setting premiums, identifying potential policy fraud and developing targeted marketing strategies.

The first issue that insurance industry may face would be related to *consent management*. The DPDP Act, under Section 6 mentions that the consent given by the data principle shall be '*unambiguous, clear, free, specific and unconditional'*. This consent shall pertain to a specific purpose and be limited to minimum data essential for that purpose. However, a pertinent question arises in health insurance, during collection of an individual's data encompassing medical history for analysis, while raw data provided by customers, the limitation on processed information or derived insights are unclear. Additionally, when the insurance policy requires the data of a child, then the question arises, whether the insurer also needs to acquire the consent of the lawful guardian of child, as per Section 9 of DPDP Act.

Furthermore, the effect of DPDP Act is also not clear for long-standing policies that have been routinely renewed. To protect health care data, reference can be drawn from Health Insurance Portability and Accountability Act of the USA which places rules on how health related data can be '*collected, stored and processed*' in USA. Its primary objective is to prevent any fraud and abuse of personal healthcare data. Similarly, the Gramm Leach Bliley Act, ensures the protection of customer's sensitive financial data.

Additionally, the Act potentially impacts the insurance sector, especially insurance intermediaries like brokers. These intermediaries are involved in the transmission, acquiring, possessing, and processing of customer's data, raising the primary issue of data protection i.e. *third-party transparency*. The DPDP Act defines 'data fiduciary' under Section 2(i) as "*any person who alone or in conjunction with other persons determines the purpose and means of processing of personal data*". This definition implies that the insurer would be considered as the data fiduciary, who along the insurance intermediaries would be responsible for the personal data of customers. Recently, IRDAI also decided to introduce Managing General Agents (MGA) in the insurance sector, who unlike other brokers is vested with underwriting authority from a specific insurer. The DPDP Act puts forth a question in front of IRDAI that how it is going to divide the compliance responsibility on these entities. Non-regulation of such intermediaries may lead to major data breach issues in the insurance sector.

Another issue is that unlike GDPR, DPDP Act does not provide a distinction between personal data and sensitive personal data. Despite the presence of the SPDI Rules, 2011 to safeguard the sensitive data, due to want of uniformity and poor enforcement, it might create a confusion in the insurance sector. These ambiguities allow for varied interpretations, which may not be the optimal approach to deal with insurance related data. Further, Section 10 of DPDP Act, deals with obligations of ''Significant Data Fiduciary'. The question may arise that whether insurance companies fall under this category.

The threat of data breach would loom large if the insurance sector doesn't adopt new technological advancements. The personal and sensitive data received from customers have to be encrypted and secured, to protect against any data breach/ data theft. IRDAI issued Information and Cyber Security Guidelines 2023 to ensure a minimum information security framework for insurance intermediaries. This includes having a uniform framework for data, cloud, mobile and cyber security and conducting independent assurance audit. The DPDP Act, under Section 8, outlines the general obligations of a data fiduciary. Sub-section 5 of Section 8 specifies data fiduciary's responsibility for protection of personal data undertaken by it or on its behalf by a Data processor, to prevent any personal data breach. This defines the liability of an insurer for any data collected and processed by the intermediaries.

The way ahead

It would be interesting to see how IRDAI would handle such pressing issues with respect to DPDP Act. The underlying objectives of all the aforementioned regulations and DPDP Act are center on fostering good data protocols and upholding customer's confidence in insurance sector. Although the insurers would be affected by the introduction of DPDP Act, it can be seen from the aforementioned discussion that the current data protection regime under insurance sector is on similar lines with the DPDP Act. The IRDAI's newly constituted task force needs to come up with plausible solutions, to prevent any regulatory overlap and incorporation of mechanisms to fill any compliance loopholes. The customers should be given the right to consent to process their data. Further, they should have the privilege to access their information as well as the insights into the entities who are accessing their data. The IRDAI is urged to implement regulatory measure for overseeing data portability. Concurrently, in accordance with the provisions of DPDP Act, which empowers a data principle to withdraw consent, the customers in insurance sector should similarly be provided with the choice to either delete their data or reduce the amount of data being shares and processed. The regulator further needs to acknowledge the advent of Insurtech companies and afford them room for inventive strides while upholding the requisites for data protection.

(The writer is Arya Sharma.)

TOP

INSURANCE CASES

Firm asked to cough up 3.8L claim to car owner – The Times of India – 24th January 2024

The district consumer disputes redressal commission has ordered an insurance company to pay a Rs 3.85-lakh claim to a customer for damage caused to her insured Mercedes Benz car due to a stone on a road. The commission ordered General Insurance Company to pay the claim to Neha Vats of Dugri along with 8 percent interest per annum from the date of filing of the complaint till date of actual payment.

As per the complainant, she purchased the car from an authorised dealer. But, after a year, during periodic servicing of the vehicle, she wrote a complaint to the service manager about a problem in the ignition and noise in the engine. Officers of the authorised dealer told her not to worry as her car had been insured and under warranty period.

The complainant stated that in July 2017, the car met with an accident on an underpass near Lodhi Club, BRS Nagar, as a stone lying in a puddle ricochet off the car's tyre, hitting the engine's chamber, causing a leak of in the engine oil and leading to the seizure of the car's engine. After the accident, the complainant called the authorised dealer's workshop and the damaged car was towed to the workshop. The dealer informed the insurance company, which appointed a surveyor and loss assessor. After inspection, he instructed the dealer to start repairing the vehicle.

Though the dealer promised to deliver the car to the complainant shortly after its repair and paying nominal file charges, the car was not delivered inspite of it being repaired. Instead, the authorised dealer handed over an email conversation, and forwarded the same on the email ID of the complainant, wherein it was stated that the loss was not payable as the same did not fall under the policy condition. The complainant said the insurance company was escaping from its liability as the surveyor, during inspection, assessed the loss without her knowledge.

Even the surveyor reported that the damage accrued to the car did not fall under the terms and conditions of the policy as the engine and gearbox were damaged. The complainant said no communication and revert was given by Mercedes Benz India despite emails to it and insurance company. Her claim had been rejected arbitrarily, illegally and against the principles of natural justice, which amount to deficiency in service and unfair trade practice, said the commisisoner.

The complainant prayed for issuing directions to the opposite parties to replace/repair the engine and gearbox, and other repair charges of the car along with compensation of Rs 10 lakh and litigation expenses of Rs 51,000. The complaint against Mercedes Benz India was not admitted and no one turned up on part of the authorised dealer. The commission proceeded ex parte in the case.

In its submission, the insurance company submitted that the claim towards damage of the insured vehicle was intimated by the complainant, which was registered and they appointed Sanhil Chhabra as surveyor. It added that letters dated October 16 and 24 in 2017 were written to demand certain documents, but neither any reply nor any documents were supplied by the insured. "It was intimated to the insured in the said letters that the engine is not covered under the policy so as per policy so as per policy terms and conditions engine is not allowed for replacement. The claim was closed as no claim after not receiving any response from the complainant," the insurance company submitted.

TOP

NCDRC directs insurance company to pay assured sum – The Times of India – 24th January 2024

The Namakkal district consumer disputes redressal commission (NCDRC) on Tuesday directed a private insurance company to pay 11 lakh to a travel company owner within four weeks. K Senthil Kumar, 56, of Namakkal, a travel company owner, has been operating omni buses from Namakkal to Chennai. He had insured one of the omnibuses with a private insurance company, National Insurance, for a sum of 10 lakh. In August 2020, he parked the bus at the Koyambedu Omni bus stand, during the Covid-19 pandemic. The bus accidentally caught fire and was destroyed completely.

Senthil Kumar approached the insurance company demanding the assured sum of 10 lakh for the destroyed vehicle. An NCDRC official said, "The company refused to pay the sum, citing a permit expiry." Senthil Kumar then filed a case with the NCDRC. Commission president V Ramaraj and member R Ramola directed the company to pay the assured sum of 10 lakh and 1 lakh for case expenses, amounting to 11 lakh, to Senthil Kumar within four weeks. The commission president stated that Senthil had failed to renew the permit due to the pandemic. He added that the central government had given a relaxation for such renewals at that time. He ruled that the insurance company's claim was illegal and against consumer service.

TOP

PENSION

Budget 2024: Centre may announce steps to make NPS more attractive – Hindustan Times – 23rd January 2024

Centre may make the National Pension System (NPS) more attractive by considering potential tax concessions on contributions and withdrawals, with a specific focus on individuals aged 75 and above, reported PTI.

The Pension Fund Regulatory and Development Authority (PFRDA) has urged for "parity" in taxation with the Employees' Provident Fund Office (EPFO) in terms of employer contributions. These proposals are anticipated to be addressed in the forthcoming interim Budget to be presented by finance minister Nirmala Sitharaman on February 1.

A key suggestion to enhance NPS attractiveness is to make the annuity portion of the NPS tax-free for individuals aged 75 and above. Additionally, there is a proposal to amalgamate NPS contributions with interest and pension, ensuring that senior citizens above 75 years do not have to file returns if they possess NPS proceeds. Currently, the lump-sum withdrawal of 60 per cent from NPS is tax-free. To further encourage long-term savings through the NPS and alleviate the tax burden on senior citizens, Deloitte's Budget expectations recommend extending tax relief to the annuity portion for holders aged 75 and above.

Moreover, calls have emerged for tax breaks on NPS contributions under the new tax regime. Currently, an individual's contribution of up to ₹50,000 to the NPS under Section 80CCD (1B) qualifies for a deduction under the old tax regime but not under the new tax structure. This deduction is separate from the ₹1.5 lakh tax relief provided under Section 80C in the old tax regime. The government has also undertaken a review of the pension system for government employees. A committee, led by Finance Secretary T V Somanathan, was established last year to evaluate the pension system and recommend improvements.

The committee is expected to provide insights into potential modifications to the existing framework of the NPS for government employees, keeping in mind fiscal implications and the overall budgetary landscape while prioritising fiscal prudence. The report from this panel is still awaited.

TOP

PFRDA asks banks to increase enrolments of private subscribers under NPS: Report – Live Mint – 22nd January 2024

The Pension Fund Regulatory and Development Authority (PFRDA) on Friday urged the banks to increase fresh enrolments for National Pension System (NPS) to achieve its ambitious 1.3 million new subscribers target for the private sector this fiscal, reported Business Standard.

“If you look at the private sector component of the NPS, which includes corporates and individuals… we have a target of enroling 1.3 million new subscribers this year. Out of that, we have crossed the halfway mark till now (around 600,000). To shore up these figures, we held this meeting with the banks today, which normally act as point of presence to onboard new subscribers," PFRDA Chairman Deepak Mohanty was quoted as saying in the report.

He said the decline seen in e-NPS (voluntary accounts) was responsible for the slow pace of enrolments this year, as per the report. He said the total corpus being managed under the NPS and Atal Pension Yojana has crossed ₹11 trillion and it is likely that the total corpus would cross ₹12 trillion in the current financial year, the report added. “Usually there is seasonality in the last quarter of the year as well and we are ‘hopeful’ of reaching the target of 1.3 million this year," he was quoted as saying.

TOP

Fresh formal job creation dipped to 30-month low levels in Nov: EPFO – Business Standard – 20th January 2024

The number of new formal jobs created in a month has fallen to its lowest level in over two years since the second wave of the Covid-19 pandemic struck, indicating a significant downturn in the formal labour market.

In November 2023, the number of new monthly subscribers under the Employees' Provident Fund (EPF) decreased by nearly 10 per cent to 736,015 from 816,721 in October, according to the latest monthly payroll data released by the Employees' Provident Fund Organisation (EPFO) on Saturday.

Previously in May 2021, 649,618 subscribers had joined the EPF. This data is pivotal as it is only the formal workforce that enjoys social security benefits and is protected by labour laws. Of the total 736,015 new EPF subscribers in November, the proportion of young people in the 18-28 age bracket also reduced to 67.4 per cent (496,139) from 68.4 per cent in the previous month. This is critical as subscribers in this age group are typically entering the labour market for the first time, reflecting its robustness.

Moreover, the proportion of women among the total new subscribers slightly decreased to 26.35 per cent (194,007) during the month, compared to 26.4 per cent (204,308) in the previous month.

Meanwhile, the net payroll additions — calculated by considering the number of new subscribers, the number of subscribers that exited, and the return of old subscribers to the social security organisation — increased by 8.1 per cent to 1.39 million in November from 1.29 million in October. However, the net monthly payroll figures are provisional and are often revised significantly in the following month. Hence, the new EPF subscriber figure is deemed more reliable than the net additions.

"The payroll data indicates that approximately 1.06 million members exited but rejoined the EPFO. These members switched their jobs and re-joined establishments covered under the EPFO, opting to transfer their accumulations instead of applying for final settlement, thus extending their social security protection," the labour ministry stated.

According to the Centre for Monitoring Indian Economy (CMIE), which conducts its own Consumer Pyramids Household Survey (CPHS), the labour markets continued to struggle in November. Although the unemployment rate decreased during the month, it remained high at 9.16 per cent, down from 10.05 per cent in the previous month. "This slight decline was mainly due to a decrease in unemployment in rural areas amid the rabi sowing season, while the urban unemployment rate increased to 9.39 per cent from 8.44 per cent," CMIE reported.

(The writer is Shiva Rajora.)

TOP

Minimum assured returns still in works, not out of our radar, says PFRDA Chairman – The Hindu Business Line – 20th January2024

Pension regulator PFRDA has not dropped its earlier plan to introduce a Minimum Assured Return Scheme (MARS) under the National Pension System (NPS), its Chairman Deepak Mohanty said. "It is very much on our radar. It is still in the works. We have to balance returns and cost of guarantee. I can't commit to a specific timeline on when it can be introduced. We are working on various formulations and hopefully we should be able to come out with some scheme", Mohanty said when asked if the regulator has dropped its earlier planned launch of this scheme. Currently, NPS does not guarantee any kind of returns or benefits as they are market-determined. However, the government-backed Atal Pension Yojana guarantees a minimum monthly pension of ₹1,000-5,000 to the subscribers based on their contributions. The initial thinking or basic construct of MARS was to provide assured return of annual 4-5 percent to NPS subscribers. The whole idea behind having MARS is to have a separate scheme that can offer a guaranteed minimum rate of return to NPS subscribers, especially those who are risk-averse.

Mohanty highlighted that there are issues around providing guarantees as it entailed a cost for the pension funds. As a regulator, PFRDA has to look at the risk that pension funds (PFs) would be exposed to on account of MARS and make sure it is sustainable over longer period of time. With PFs already working on thin margins, it needs to be seen if such guarantee product would be feasible for them or not. MARS has been in the works for couple of years now. The Pension Fund Regulatory & Development Authority (PFRDA) had earlier indicated that MARS would get launched in September 2022. However, it has not been able to roll it out till date. To enable pension funds and their sponsors to offer MARS-like products, PFRDA has already tweaked the capital requirement norms for the sponsors and stipulated higher networth and paid-up capital for those looking to set up pension funds in the country. Meanwhile, Mohanty expressed confidence that NPS assets under management would cross the ₹12-lakh crore mark this fiscal. The AUM has already crossed the ₹ 11 lakh crore mark on January 10 this year. Asked if PFRDA has set the AUM target for next fiscal, he replied in the negative. "We have not yet set the target for 2024-25. There is still time. We have to see the performance during this last quarter which is crucial in setting the target for 2024-25", Mohanty said.

(The writer is KR Srivats)

TOP

NPS corpus to reach Rs 12 trillion by March: pension regulator – Financial Express – 20th January 2024

Aided by favourable market conditions, the assets under management under the National Pension System (NPS) including Atal Pension Yojana rose about 28% on year to Rs 11 trillion as of January 13 this fiscal, and are poised to reach Rs 12 trillion by March 31, Pension Fund Regulatory and Development Authority Chairman Deepak Mohanty said on Friday. Despite the near-saturation in enrolment of government employees, the subscriber base under NPS rose by 16% on year to 70.69 million as of January 13. As many as 7.44 million new subscribers have been added so far in the current financial year.

The average returns generated by pension funds under NPS have been very attractive. Equities have given 26.94% in one year and 13.3% since inception. The average annual returns since inception have been 9.06% in corporate bonds, 8.62% in government securities, 9.46% in the central government scheme and 9.32% in the state government scheme, Mohanty said. "These are competitive returns compared to what we see in the market," Mohanty said. "Assets under management should reach Rs 12 trillion by the end of the current financial year," he said. The AUM was at Rs 8.98 trillion as of March 31, 2023. AUM would need to grow by 33.6% to reach the target set for March 2024.

A few states that have issued a notification to pull out of the NPS to revert to the old defined pension system (OPS) continued to contribute to the NPS irrespective of the on-paper withdrawal. "We are roping in regional rural banks to sell NPS in all their branches across the country. We also have a relaxed point of presence regulation to make it easier for onboarding individual agents and corporate agents for NPS," Mohanty said. With the government sector saturated, PFRDA is making efforts to rope in corporates to enroll their staff under NPS. As against the target of 1.3 million new private sector subscriber enrollments in FY24, nearly half has been achieved and the rest are likely to be achieved by the end of FY24, he said.

According to the extant NPS norms, a maximum of 60% of the accumulated NPS corpus from contributions during a person's working years is allowed to be withdrawn tax-free at the time of retirement. The subscriber has to invest a minimum of 40% of the corpus in annuities for a regular pension. However, it is not a guaranteed pension as returns are linked to markets. Annuities could fetch 5% to 7% return per annum depending on the choices made by the subscriber with single-life annuities giving higher returns as the corpus is not returned by the fund manager after the death of the pensioner.

Given that the NPS system is giving good returns, the NPS subscribers can stay invested in the NPS till they turn 75 years under the Systematic Withdrawal Plan (SWP) and draw monthly or quarterly or annual basis depending on their requirements. Beneficiaries can also defer their annuities (minimum 40% of the corpus) till the age of 75 to get a substantially higher monthly pension by letting the corpus grow in NPS. The government subscribers can convert their NPS account to private and continue to contribute to NPS even after retirement if they want to till the age of 75 years.

(The writer is Prasanta Sahu.)

TOP

Private sector enrolments for NPS touch 6-lakh mark, still short of 13 lakh annual target – The Hindu Business Line – 20th January 2024

Pension regulator PFRDA remains "hopeful" about reaching the set annual goal of adding 13 lakh new NPS subscribers from the private sector this fiscal, despite the current count being only 6 lakh, its Chairman Deepak Mohanty said on Friday. The latest PFRDA move to effect slew of changes in the Points of Presence (PoP) regulations will drive increased NPS adoption from the non-government sector, he said.

Last fiscal, PFRDA had added a million new NPS subscribers from private sector. As of January 13, there are 5.2 million NPS subscribers in private sector with assets under management (AUM) of ₹2.09 lakh crore. Private sector participation, which has been on the rise in recent years, is one of the main factors behind robust growth in overall NPS assets, which crossed ₹11-lakh crore mark on January 10 this year.

"It is now a bit of a challenge (to get 7 lakh additional new NPS subscribers in just two remaining months). But Iam still hopeful we will achieve the 13 lakh new NPS subscribers target from private sector. We are doing focused campaigns to get more corporates on board," Mohanty told businessline when asked if he was confident of meeting the target. Private sector adoption for NPS has been growing at brisk pace in the recent years, but the taxation related changes in budget had adversely impacted interest of new private sector subscribers in this product, experts said.

The government has in the new tax system done away with tax breaks for contributions to NPS. Infact, PFRDA has in its 2024 Budget wish list sent to Finance and Corporate Affairs Minister Nirmala Sitharaman urged the government to consider allowing tax breaks/deductions under the new tax regime for contributions made by employees towards their NPS account. Providing tax breaks for NPS contributions —akin to Sec 80C deduction provided in old tax regime —in the new tax regime would boost savings for retirement and is a must if India has to evolve into a pensioned society, PFRDA had submitted.

PoP regulation changes

PFRDA has now relaxed its PoP Regulations 2023 so as to allow banks and non-banks to have only single Registration for NPS, instead of multiple registrations required earlier. Banks and non-banks can operate with just one branch with wider digital presence. This has simplified the registration process and has enlarged the scope for more entities to register for distributing NPS, Mohanty said. Earlier PFRDA regulations required a PoP to have atleast 15 branches across the country. That stipulation has been done away with, sources said.

To expedite the registration process, the timelines for disposing the applications have been reduced to thirty days from existing sixty days. PoPs are now required to indemnify the subscribers for any loss suffered due to fraud or negligence of PoPs or its Pension Agent. To make the selection process more robust, the eligibility criteria in terms of minimum net-worth requirement has been strengthened and increased to ₹2 crore which has to be fulfilled as on the last day of the immediately preceding quarter (as against last day of the immediately preceding financial year).

To facilitate ease of doing business, the concept of PoP-Sub Entity (PoP-SE) is now subsumed under agency model wherein PoPs may engage these entities as pension agents and utilise the services for distribution of pension schemes. Therefore, no separate registration is required for such entities. All these changes are part of the latest amendment to the PoP regulations notified on January 10.

(The writer is KR Srivats.)

TOP

Total corpus under pension funds crosses Rs 11 lakh cr: PFRDA Chairman – Business Insider India – 19th January 2024

The Pension Fund Regulatory and Development Authority (PFRDA) Chairman Deepak Mohanty on Friday said the total corpus under the National Pension System and Atal Pension Yojana has crossed Rs 11 lakh crore. The milestone of Rs 11 lakh crore asset under management (AUM) was achieved on January 10, 2024, he told reporters here. The AUM has increased from Rs 10 lakh crore to Rs 11 lakh crore in 4 months 18 days (August 24, 2023 to January 10, 2024), he said, adding the private sector AUM crossed Rs 2 lakh crore.

The authority in September revised the AUM target of Rs 12 lakh crore for the current fiscal. The pension authority is working on a minimum assured pension plan, and it could become a reality in the next financial year if the guarantee issued is resolved. "There are a lot of complications in determining the rate of return, what to set as the bar for return. Fund managers are also thinly capitalised. So, you have to keep a check on their liabilities also," Mohanty said.

Asked about the Budget wishlist, he said the move to raise the assured return under the Atal pension plan continues to be on the 'wishlist'. However, he declined to comment if the Interim Budget may take up the issue. Finance Minister Nirmala Sitharaman will present the Interim Budget for 2024-25 on February 1.

The pension fund regulatory body was considering raising the current return of Rs 1,000-5,000 to Rs 2,500-7,500. The chairman of the pension authority also said that few states who have issued notification to pull out of the National Pension System continued to contribute to the plan irrespective of the on-paper withdrawal. However, he did not wish to identify the states.

TOP

IRDAI CIRCULAR

Circular	*Reference*
IRDAI (EOM including Commission) Regulations,2024	https://irdai.gov.in/web/guest/document-detail?documentId=4359902
Segment wise Gross Direct Premium up to November 2023 (Provisional & Unaudited)	https://irdai.gov.in/web/guest/document-detail?documentId=4354908

TOP

GLOBAL NEWS

China accounts for around 50% of flood-related economic losses in Asia Pacific – Asia Insurance Review

China accounted for about half of the economic losses in the Asia Pacific related to flooding in 2023, with economic losses of more than $32bn and insured losses of $1.4bn. Total economic losses in the APAC region in 2023 reached $65bn with a substantial protection gap of 91%. However, these losses were 48% lower than the average and 32% below the median of the 21st century.

Insured losses in the APAC region reached approximately $6bn and were notably below the 21st-century average of $15bn. Even though the statistic is skewed by the outlier year of 2011 (Great Tohoku EQ in

Japan), 2023 insured losses, which were particularly driven by events in New Zealand, remained 44% lower than the median.

Floods

Flood losses continued to maintain dominance as the costliest peril for the fourth consecutive year, accounting for more than 64% of the loss total this year. In APAC, flooding remained a recurring threat with annual losses exceeding $30bn every year since 2010. Many places saw significant flooding and record rainfall events in 2023 — New Zealand, Japan, Hong Kong, South Korea, India, and Pakistan. The South Asia floods (Pakistan and India) left nearly 2,900 fatalities.

Nearly half of the insured losses in APAC were related to two notable events that hit New Zealand from late January to February. Widespread flooding in Auckland resulted in $3.4bn of economic and $1.3bn of insured losses. Only three weeks later, Cyclone Gabrielle caused additional losses in the billions of US dollars. These two events thus became the costliest weather-related events for the local insurance sector on record on an inflation-adjusted basis.

Australian insurers suffered notable losses after the Newcastle hailstorm in May 2023, particularly in December, when two significant events occurred. One was widespread flooding in north Queensland after the impact of Cyclone Jasper, and the other was the Christmas storms that impacted eastern Australia and resulted in more than 65,000 claims.

In 2023, with economic losses of nearly $13bn and insured losses of $1.4bn, tropical cyclone losses for Asia and Oceania were 53% and 70% below their 21st-century averages. The number of fatalities from tropical cyclones stood relatively low for the second year in a row. This might be a result of improved disaster response and adaptation measures, however, many communities remain vulnerable in countries such as Myanmar, where at least 463 people died due to the impact of Cyclone Mocha in May.

Earthquakes

The APAC region was rocked by several large earthquakes in 2023. Nearly 1,500 people were killed in a series of earthquakes in Afghanistan's Herat Province in October, and more than 200,000 homes were damaged in China's Gansu Province in December.

Almost the entire region experienced prolonged periods of extreme temperatures in 2023. Notably, a multi-weeklong heatwave impacted many countries in South and Southeastern Asia in April and May. Additional losses in billions of US dollars resulted from drought conditions that affected particularly China and India.

TOP

Singapore: Insurance industry ready for digital transformation - Asia Insurance Review

Nearly two-thirds (63%) of insurance respondents in Singapore expect to make a change to their core insurance management platforms by the end of 2024, compared to 41% globally - one of several key findings in a comprehensive new global report commissioned by Novidea, creator of a cloud-based, data-driven insurance management platform for brokers, agents, MGAs/MGUs, carriers, and wholesalers.

The report, "Legacy Out, Digitalisation In: The State of Modern Insurance Technologies 2024", is based on data collected in a 2023 survey of 330 full-time, C-level insurance leaders across eight countries. The research underscores the struggle insurance organisations face with ageing, disparate technology that is difficult to manage, scale, and leverage, to meet digital transformation needs.

The average organisation manages six different insurance technology systems, and the average age of these systems is five years or older. Further, these C-level insurance leaders need help adequately training their employees to extract the most value from their technology systems, especially when staff work remotely.

“The data shows that insurance leaders in Singapore are ready to make future-forward decisions about the technological shift required to better meet customers’ expectations of a modern, digital-first experience to stay competitive. This is why we launched in Southeast Asia late last year, to support this market transformation,” said Mr Roi Agababa, CEO of Novidea. “Our existing market-leading insurance customers in Singapore have already taken steps to replace their legacy tech stacks, and the survey results indicate that the majority of the market will be mobilising digital transformation this year.”

Key data points from the report include:

- Respondents state that Singapore has traditionally been under-served by technology, and organisations in the region are looking to turn this around and provide true value to the customer with their technology investments
- Respondents from Singapore place a heavy emphasis on onboarding customer-centric technology, 70% compared with 41% globally
- By 2025, 75% of insurance organisations worldwide are preparing to implement new core insurance management platforms
- 76% of enterprise insurance organisations with more than 5,000 employees are juggling between 6-10 insurance technologies or more
- 41% of insurance management platforms were implemented 5-15 years ago

When asked to identify their top challenges with their current technology systems, insurance leaders cited issues with data quality (41%), data privacy and security (35%), and scale (35%). CEOs in particular were more concerned about the ability to scale, with 50% citing scale as a top challenge, compared with 33% for the rest of the C-suite. To gain greater insight into technology usage for insurance providers, Novidea commissioned an international survey of C-level insurance employees, including CEOs, CTOs, CIOs, CFOs, and COOs. Respondents make business decisions for insurance brokers, agencies, and MGAs. Countries included in the research include the United States, the UK, Singapore, France, Germany, Italy, Spain, and Australia.

TOP

Reinsurance: Bermuda (re)insurers' underwriting profitability on verge of peaking - Asia Insurance Review

Bermuda (re)insurers' underwriting profitability is likely peaking at current levels, as price increases moderate and loss-cost inflation persists, Fitch Ratings says. However, returns will continue to be favourable as market conditions remain attractive, with the negative effect of natural disasters on catastrophe claims reflected in pricing in 2024. For Bermuda-based (re)insurers followed by Fitch, the meaningful underwriting improvement seen in 2023 will be limited in 2024 as premium rate increases decelerate. The hardening market continued at the January 2024 reinsurance renewal, with flat to up in most lines as the supply/demand imbalance narrowed, supported by relatively limited new capacity entering the market and deteriorating loss-cost trends from social inflation.

Fitch expects market conditions to remain favourable at the 2024 midyear renewals, although with stabilising rates as pricing is generally sufficient. (Re)insurers are also expected to mostly maintain the tighter terms and conditions negotiated in 2023. The underlying combined ratio is expected to stabilise or improve slightly in 2024, as the rate increases wane and loss-costs continue to increase. The combined ratio will approximate to 85%–86% for 2023, a meaningful improvement from 92.7% in 2022. Catastrophe losses will represent three to four percentage points on the 2023 combined ratio, down sizably from 9.8 points in 2022. Bermuda’s implementation of a 15% corporate tax will marginally reduce its economic advantage but the island’s established position in the global (re)insurance marketplace will likely endure.

TOP

Malaysia: Motor insurance market revs up for slew of repair standards - Asia Insurance Review

Jabatan Pengangkutan Jalan Malaysia (Road Transport Department Malaysia) automotive engineering division is revising guidelines on vehicle accident repairs to ensure the use of quality and safe repair methods for accident-involved motor vehicles under the Road Transport Act 1987, said the General Insurance Association of Malaysia (PIAM).

A related development is the introduction by the Ministry of Investment, Trade and Industry of an initiative to develop the Malaysian Standard–Motor Vehicle Aftermarket Smash Repair Requirements (MS). The PIAM said that it looks forward to the upcoming release of the MS in the first quarter of this year. The MS is poised to establish new standards for the safe and proper repair of accident-involved motor vehicles, said PIAM in a statement.

The MS initiative results from the collaborative effort of key stakeholders in the motor accident repair ecosystem including PIAM, the Ministry of Transport Malaysia, Jabatan Pengangkutan Jalan Malaysia (Road Transport Department Malaysia), PUSPAKOM (the national vehicle inspection company appointed by the Malaysian government to undertake all mandatory inspections for both commercial and private vehicles), Ministry of Domestic Trade and Cost of Living, Federation of Automobile Workshop Owners' Association, Malaysian Automotive Association, Malaysian Takaful Association and repairers (including motor franchise repairers). The development of these standards considers the latest automotive technology and repair methodology focusing on the specific area of repair, including but not limited to kink/bend, chassis and wheel alignment and body corrosion. These guidelines will become mandatory for the repair of all private vehicles when implemented. PIAM said it expresses full support and commitment to the ongoing collaboration with stakeholders, in shaping a motor vehicle accident repair industry that prioritises safety, quality and consumer welfare.

PIAM is closely monitoring this and other important regulatory developments and will review their implications on the motor vehicle accident repair ecosystem and the way forward. Meanwhile, the central bank, Bank Negara Malaysia (BNM), is working on the proposed Insurers/Takaful Operators-Repairers Code of Conduct. BNM held a public consultation exercise on the draft Code. The deadline for the submission of feedback ended on 19 January 2024. BNM's objective in formulating the Code is to establish minimum standards for fair, timely and professional conduct to promote more effective collaboration between general insurers/takaful operators and repairers.

TOP

COI Training Programs

Mumbai – February 2024

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Workshop on Soft Skills for team managers and team leaders	12-Feb-24	14-Feb-24	ClickHere	Register
2	Policyholders Service and Protection of Policyholders Interests for Life Insurance	15-Feb-24	16-Feb-24	ClickHere	Register
3	Market Segmentation and product placement – Non par products (ULIPs, Guaranteed maturity products and Annuities)	15-Feb-24	16-Feb-24	ClickHere	Register
4	Up-skilling teams on CRM	20-Feb-24	21-Feb-24	ClickHere	Register
5	Marine Hull & Energy Insurance-Underwriting & Claims	26-Feb-24	27-Feb-24	ClickHere	Register

Kolkata – February 2024

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
3	Augmenting Women Power in Leadership - CT (Kolkata)	22-Feb-24	22-Feb-24	ClickHere	Register
4	Augmenting Women Power in Leadership - CVT (Kolkata)	22-Feb-24	22-Feb-24	ClickHere	Register
5	Wealth accumulation through ULIP & Annuities - CVT	08-Feb-24	08-Feb-24	ClickHere	Register
6	Raising Effectiveness of Business Development Executives & Managers- CT	20-Feb-24	20-Feb-24	ClickHere	Register

TOP

Courses offered by College of Insurance

CC1 - Certificate Course in Life Insurance Marketing

Course Structure -

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

CC2 - Advanced Certificate course in Health Insurance

Course Structure –

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

CC3 - Certificate course in General Insurance

Course Structure -

Particulars	Details
Duration of the course	3 months (on weekends)
Mode of Teaching	Classroom / Virtual Training session at COI, Kolkata
Total hours of Teaching	100 hours of both Classroom / Virtual Training (Hybrid)
Exam pattern	MCQ pattern
Target Group	Fresh graduates/Post Graduates, Broking Companies, Insurance Companies, Freelancers
Fees for the course	Rs. 18,880/- (Rs. 16,000/- 18% GST for Classroom training) Rs. 14,160 /- (Rs. 12,000/- + 18% GST for Virtual training)

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

Course Structure -

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

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

Post Graduate Diploma in Collaboration with Mumbai University

Post Graduate Diploma in Health Insurance (PGDHI)

Course Structure -

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

Post Graduate Diploma in Insurance Marketing (PGDIM)

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