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INSUNEWS - WEEKLY E-NEWSLETTER

21ST – 27TH DECEMBER 2024

QUOTE OF THE WEEK

"Real leadership is leaders recognizing that they serve the people that they lead."

PETE HOEKSTRA

Insurance Term for the Week

Independent Agent

An independent agent is an insurance agent that sells insurance policies provided by several different insurance carriers, rather than just a single insurance company.

The independent agent acts as a middleman to connect insurance buyers and sellers in order to facilitate a transaction. Independent agents receive commissions for the policies that they sell and are not considered employees of any specific insurance company.

An independent agent may be contrasted with a captive agent, who can only sell the products of the company they work for.

Independent insurance agents, like independent financial advisors, are thought to be able to provide their clients with a wider array of options when it comes to insurance products. They take into account the different coverage needs of the client and select a policy that provides the necessary coverage at a reasonable price.

INSIDE THE ISSUE

INSURANCE INDUSTRY

Insurance Takes Big Reform Strides to make it Easier to Understand, More Required - The Telegraph - 26th December 2024

The insurance industry has witnessed major regulatory changes in 2024 such as revised surrender charges for life insurance, policy loans and partial withdrawal, wider choice of product add-ons, enhancing free look-in period, strict timelines for claims settlement, new customer information sheet, and revised expenses of management among others. While majority of the reforms have been customer centric to make insurance more easy to understand, purchase and retain, with India's total insurance penetration still at only 3.7 percent (both life and non-life together) compared to the global 7 percent, more reforms are likely to be key to achieve a wider insurance net for the country, which is a stated objective of insurance regulator IRDAI.

The Telegraph spoke with insurance industry leaders to get an understanding of the reforms in the pipeline and the headwinds and tailwinds for the sector in 2025. "The year 2024 brought in some landmark reforms that kept the industry on high gear. The sector showed agility, stepping up to meet all the deadlines issued by the regulator. While the full impact of these changes will unfold in the coming year, newer developments are poised to drive even more significant shifts in the near future," said Tarun Chugh, MD and CEO, Bajaj Allianz Life Insurance. With life insurance penetration at a level of 3 per cent in FY23 and life insurance density of $70 compared to the global average of $354, the tremendous opportunity waiting to be tapped is evident. In this mix, the proposed increase in FDI limits could make it easier for newer players to enter the market. "The composite licence, too, stands out from a customer-centric perspective. It opens up more choices by enabling new players and distributors to offer a variety of products. This mirrors global standards, encourages healthy competition and ultimately works in favour of the customer and the industry alike," said Chugh.

"It is likely that the international players who want complete control will be more interested if 100 per cent FDI is allowed. But, having said that, I believe India is a very different market. So any international player will have to spend a fair bit of time and effort to understand the local nuances to build a successful franchise. There will be a reasonably significant investment period and the RoI should not be compared to other developed markets for some period of time. Therefore, a strong domestic partner along with a reputed international player is always a good way forward," said Shanai Ghosh, MD and CEO, Zuno General Insurance. "The proposal to allow insurers to distribute additional financial products such as mutual funds, loan, credit cards and bank deposits in addition to other value added services will open new avenues for revenue generation, positioning insurance companies as comprehensive financial service providers. For customers, this regulatory change will provide the convenience of accessing a range of financial products from a single institution, simplifying their decision making process and creating more holistic financial solutions," Ghosh said. "Reducing the minimum capital requirement from ₹100 crore to ₹50 crore lowers entry barriers, encouraging the establishment of specialised or niche insurance providers. This change could lead to a more diverse range of insurance products tailored to specific market segments, enhancing customer choice. There may be financial and operational savings if insurers are permitted to provide several insurance classes under a single licence. A one-stop-shop for all insurance requirements could simplify the experience of customers," said Naveen Chandra Jha, MD and CEO, SBI General Insurance.

Headwinds

"The geopolitical crises have led to increased market volatility and disrupted supply chains, creating considerable risks that insurers must navigate. In this context, the development of innovative insurance solutions becomes imperative to address these evolving threats effectively. Additionally climate change and the frequency of catastrophic events have emerged as a major headwind," said Tapan Singhel, MD and CEO, Bajaj Allianz General Insurance. "Economic fluctuations and persistent inflation present another set of challenges. The affordability of insurance products could be at risk, especially in India's price sensitive market, where enhancing penetration and driving growth hinges on making insurance more accessible to a broader audience," Singhel said, adding that talent acquisition and retention and bridging the skill gap would also be crucial to the industry's future success. "Cybersecurity risks and the unknown element in that presents a key threat for the industry, which is centered around data. With greater digitalisation and integration, there is much more risk that the industry is exposed to," said Ghosh.

Tailwinds

The insurance industry has witnessed major regulatory changes in 2024 such as revised surrender charges for life insurance, policy loans and partial withdrawal, wider choice of product add-ons, enhancing free look-in period, strict timelines for claims settlement, new customer information sheet, and revised expenses of management among others. While majority of the reforms have been customer centric to make insurance more easy to understand, purchase and retain, with India's total insurance penetration still at only 3.7 per cent (both life and non-life together) compared to the global 7 per cent, more reforms are likely to be key to achieve a wider insurance net for the country, which is a stated objective of insurance regulator IRDAI. The Telegraph spoke with insurance industry leaders to get an understanding of the reforms in the pipeline and the headwinds and tailwinds for the sector in 2025.

"The year 2024 brought in some landmark reforms that kept the industry on high gear. The sector showed agility, stepping up to meet all the deadlines issued by the regulator. While the full impact of these changes will unfold in the coming year, newer developments are poised to drive even more significant shifts in the near future," said Tarun Chugh, MD and CEO, Bajaj Allianz Life Insurance. "With life insurance penetration at a level of 3 per cent in FY23 and life insurance density of $70 compared to the global average of $354, the tremendous opportunity waiting to be tapped is evident. In this mix, the proposed increase in FDI limits could make it easier for newer players to enter the market. "The composite licence, too, stands out from a customer-centric perspective. It opens up more choices by enabling new players and distributors to offer a variety of products. This mirrors global standards, encourages healthy competition and ultimately works in favour of the customer and the industry alike," said Chugh.

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(The writer is Pinak Ghosh.)

TOP

Insurance settlement claims dip to 82.52% in FY24 - The Tribune – 24th December 2024

Net incurred claims to net earned premium (claims ratio) of non-life insurance industry stood at 82.52 per cent during 2023-24 as against 82.95 per cent in the preceding fiscal year, as per the Irdai's annual report.

According to the Annual Report 2023-24 of the Insurance Regulatory and Development Authority of India (Irdai), during 2023-24, the non-life insurance industry underwrote a total direct premium of ₹2.90 lakh crore in India registering a growth of 12.76 per cent from previous year. The contribution of public sector general insurers increased 8.88 per cent from ₹82,891 crore in 2022-23 to ₹90,252 crore in 2023-24.

Private sector insurers, including standalone health insurers, have underwritten ₹1.88 lakh crore as against ₹1.58 lakh crore in 2022-23. Net incurred claims to net earned premium (claims ratio) of non-life insurance industry stood at 82.52 per cent during 2023-24 as against 82.95 per cent in the preceding fiscal year, as per the Irdai's annual report. According to the Annual Report 2023-24 of the Insurance Regulatory and Development Authority of India (Irdai), during 2023-24, the non-life insurance industry underwrote a total direct premium of ₹2.90 lakh crore in India registering a growth of 12.76 per cent from previous year. The contribution of public sector general insurers increased 8.88 per cent from ₹82,891 crore in 2022-23 to ₹90,252 crore in 2023-24. Private sector insurers, including standalone health insurers, have underwritten ₹1.88 lakh crore as against ₹1.58 lakh crore in 2022-23. The aggregate profit of the non-life insurance sector was ₹10,119 crore as against a net loss of ₹2,566 crore in 2022-23. During 2023-24, the aggregate net incurred claims saw a 15.39 per cent increase to ₹1.72 lakh crore from ₹1.49 lakh crore.

"The incurred claims ratio (net incurred claims to net earned premium) of the non-life insurance industry was 82.52 per cent during 2023-24 as against 82.95 per cent of the previous year," the report said. The incurred claims ratio for public sector insurers was 97.23 per cent for 2023-24 as against the previous year's incurred claims ratio of 99.02 per cent. The incurred claims ratio for private sector general insurers, standalone health insurers and specialised insurers were at 76.49 per cent, 63.63 per cent, and 66.58 per cent, respectively, for 2023-24 as compared to the previous year's ratio of 75.13 per cent, 61.44 per cent and 73.71 per cent, respectively. The report also said that the life insurance industry paid total benefits of ₹5.77 lakh crore in 2023-24, constituting 70.22 per cent of the net premium. The benefits paid on account of surrenders/withdrawals increased 15.29 per cent to ₹2.29 lakh crore in 2023-24 of which public sector life insurer accounted for 58.36 per cent. During 2023-24, a total of 18 life insurance companies reported profits. Profits of the life insurance industry grew 10.79 per cent in 2023-24 with profit after tax (PAT) of ₹47,407 crore as against ₹42,788 crore in 2022-23.

Public sector life insurers reported an 11.75 per cent increase in profits while private sector life insurers reported a rise of 5.32 per cent in profit in 2023-24. Irdai said in 2023-24, the country's insurance penetration was at 3.7 per cent as compared to 4 per cent in 2022-23. The insurance penetration for life insurance industry marginally declined from 3 per cent in the previous year to 2.8 per cent during 2023-24. The penetration with respect to non-life insurance industry remained the same at 1 per cent during 2023-24 as in 2022-23. There were 26 life insurers, 25 general insurers, eight standalone health insurers, 12 reinsurers and foreign reinsurance branches, and two specialised insurers, registered as on March 31, 2024.

TOP

Insurers report rise in commission expenses – The Economic Times – 24th December 2024

The insurance industry saw a significant jump in commission expenses in FY24 after the sector regulator removed caps on payouts. Life insurers saw commission expenses increased 22 percent while general insurers saw commission expenses double in FY24. This follows the Insurance Regulatory and Development Authority of India's (IRDAI) decision to remove commission caps in April 2023, showed the latest IRDAI Annual report.

IRDAI removed caps on commission payments for agents and brokers across all insurance lines, shifting from micro-management to offering insurers greater flexibility. The new guidelines gave a leeway to all insurers to manage their expenses in a manner that they expand without getting worried over the individual product level caps. Insurers breaching the Expenses of Management (EoM) cap must now submit a board-approved plan to achieve compliance within three years. During FY 24, the life insurance industry had a commission expense of ₹51,524 crore as against ₹42,322 crore in FY23. There is an overall cap of 30 percent under the new IRDAI regulations, where insurers are required to maintain total expenses of management (EoM) within this limit. Out of 26 life insurers, 17 complied with the Expenses of Management (EoM) regulations. Eight insurers exceeded these limits and have sought regulatory forbearance.

(The writer is Shilpy Sinha.)

TOP

Insurance sector set for next phase of growth on significant groundwork in 2024 – The Economic Times – 24th December 2024

The insurance sector is set for significant transformation in 2025, driven by broad-based health insurance reforms, strong measures to boost life insurance penetration, digital advancements, and the implementation of stricter corporate governance norms. These developments are laying the groundwork for the next phase of growth, with the industry set to address new challenges and seize emerging opportunities. In 2025, the industry is expected to continue adapting to these reforms, focusing on ironing out challenges and capitalizing on new opportunities. The long-term vision of "Insurance for All by 2047" is guiding the industry towards greater inclusivity and coverage. As reforms take root, the industry aims to improve both customer experience and service standards, benefiting all stakeholders involved.

Policy initiatives

At the policy level, several key initiatives are expected to fuel growth. The proposal for 100% Foreign Direct Investment (FDI) in the insurance sector is seen as a potential catalyst for capital infusion, innovation, and enhanced service standards. The introduction of composite products, combining multiple types of coverage into a single offering, and the full rollout of the Bima Trinity initiative, which aims to simplify insurance offerings, are also expected to play a significant role in expanding market access. Additionally, there are discussions about the possible exemption of GST on health insurance premiums, which could reduce the cost burden for consumers.

Technology will play an increasingly important role in the future of insurance, with embedded insurance emerging as a powerful growth driver. By integrating insurance products seamlessly into non-insurance services, insurers can enhance accessibility and convenience for customers. Strategic partnerships with sectors such as automotive, real estate, and healthcare will enable insurers to tap into real-time data, ensuring that coverage meets the immediate needs of customers. The adoption of artificial intelligence (AI) will also revolutionize the insurance landscape. AI-powered solutions are set to automate processes and offer real-time, personalized experiences. By analyzing individual customer needs and context, AI will provide tailored protection, making insurance a seamless part of everyday life. This shift will redefine how consumers interact with insurance, offering a frictionless experience that integrates smoothly into daily routines.

With these transformative reforms, the IRDAI has underscored its commitment to sustained growth and the vision of insurance for all. The focus on ease of doing business and removing barriers for both insurers and consumers is expected to lead to structural changes in the industry.

While these reforms present significant growth opportunities, industry experts caution that the increased foreign investment may introduce complexities. Navigating domestic and international regulations, managing market saturation, and addressing the needs of local consumers could pose challenges. Without careful oversight, there is a risk of market imbalance and monopolistic tendencies. Therefore, a robust regulatory framework will be essential to ensure fair competition and protect the interests of local players.

2024 developments

A key development in 2024 was the removal of the upper age limit for senior citizens in health insurance policies, effective from April 1, 2024. This move by the Insurance Regulatory and Development Authority of India (IRDAI) has expanded access to health insurance for individuals above 65 years of age, enabling them to purchase health products for existing medical conditions. Previously, senior citizens faced difficulties due to escalating medical inflation and restrictive age caps. The regulatory change has removed this barrier, providing a broader safety net for an aging population. In addition, the life insurance sector witnessed a transformative shift with the introduction of new surrender value and exit payout norms. These measures, which came into effect in June 2024, guarantee better exit payouts for policyholders who are unwilling or unable to continue paying premiums. This reform aims to make life insurance more accessible and customer-friendly, improving the financial security of policyholders even if they choose to exit the policy early. The general insurance sector has also seen growth, with the Gross Direct Premium Income (GDPI) rising by approximately 11.2% compared to the previous year. This increase is largely driven by the health insurance segment, which experienced a surge in premiums due to growing health awareness. The State Insurance Plan has also shown promising results, contributing to the overall positive growth in the sector

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Reimagining Insurance: Merging Tradition with Technology to Shape the Future of InsurTech – 21st December 2024

The customer today wants the best experience, the most convenient, the fastest and the most transparent and their benchmarks are across Industry. So Insurance experience has to be comparable to other digital consumer products. InsurTech is ideally positioned to benefit from this evolution in consumer behaviour and preferences by using the latest technology and data solutions to give the consumers of today what they need.

As India sets its sights on becoming a & "Viksit Bharat" (developed nation) by 2047, a stable and resilient financial ecosystem is essential, with the insurance industry playing a pivotal role in ensuring stability and growth. InsurTech, which blends insurance with technology, has emerged as a gamechanger, reshaping the insurance landscape by making it more accessible, efficient and customer focused.

Breaking the Mold: From complexity to clarity

Gone are the days of endless paperwork, complicated processes and one size fits all polices. Insurtech is increasing using data and technology to transform the insurance value chain. These technologies are not only making insurance more accessible, affordable but also enabling smarter underwriting, faster claims processing, and risk assessments – all designed to offer the consumers seamless and hassle-free insurance.

Take real-time pricing, for instance: The integration of AI and big data allows real-time pricing, more effective underwriting, and improved risk management enabling insurers to offer tailor made premiums based on individual behaviour and risks.

The Drivers of InsurTech Boom

Customers today expect a digital-first experience that is personalised, user-friendly, quick, and convenient. The rise of smartphones and widespread internet assess has drastically transformed customer behaviour, driving the demand for insurance products that can be accessed and controlled online, eliminating the need for paperwork and in-person meetings. Additionally, consumers today expect personalised solutions that are suited to their specific needs, rather than generic cookie cutter solutions. The pandemic further accelerated this shift by emphasising the need for accessible, remote solutions.

The customer today wants the best experience, the most convenient, the fastest and the most transparent and their benchmarks are across Industry. So Insurance experience has to be comparable to other digital consumer products. InsurTech is ideally positioned to benefit from this evolution in consumer behaviour and preferences by using the latest technology and data solutions to give the consumers of today what they need. Regulatory frameworks introduced by the Insurance Regulatory and Development Authority of India (IRDAI) encourage digital adoption through measures like Bima Sugam, a unified digital insurance platform. These reforms reflect India's commitment to fostering innovation - modernising the insurance landscape and promoting technology-driven growth. Startups in the sector are thriving, supported by government policies and initiatives. It's no surprise then that India accounts for a staggering 35% of InsurTech investments in the AsiaPacific region.

How InsurTech is Transforming the Industry

The fusion of technology and Insurance simplifies the journey and enhances the experience for the customers.

Automation in underwriting and claims processing has streamlined processes, lowering administrative costs and increasing efficiency. Claims that used to take weeks to resolve can now be processed in hours—or even minutes—building customer trust. Digital platforms provide user-friendly interfaces for managing policies, allowing users to easily access information, process claims, and renew policies. AI-powered chatbots are available around the clock and respond to requests in real-time.

Furthermore, data analytics allows insurers to understand client behaviour, resulting in highly personalised products tailored to individual needs. For instance, innovative offerings such as usage-based insurance and on-demand coverage are gaining popularity. Pay-as-you-drive and Pay-how-you-drive plans let users tailor their premiums based on their mileage and driving behaviour respectively, offering unmatched flexibility and cost-efficiency. On the other hand, on-demand insurance allows customers to insure a gadget or trip for a specific period. These innovative offerings not only enhance convenience but also bring insurance within reach for underserved markets.

Challenges on the road ahead

An increasing digitized and connected world exposes all companies to newer risks ad InsurTech is no exception. The most prominent amongst these emerging risks is the cyber security threat. Given the volume of personal and financial data handled by InsurTech companies, adopting adequate cybersecurity safeguards is critical to preserving consumer trust and transparency. The regulators also recognize the evolving nature of this risk and the significant 'unknown- unknown' element involved, therefor regulations around data privacy are also becoming increasingly stringent. As the sector rapidly evolves, building the right tech infrastructure and attracting skilled talent will be critical.

The Future of InsurTech

The Insurtech players are the harbingers of change that has nudged the Insurance Industry into adopting latest data and technology solutions to transform the industry. There is great potential for collaboration amongst insurtechs focusing on one part fo the Insurance value chain, traditional insurers and full stack digital insurers and this will truly unleash the power of digital transformation for Insurance. The technology landscape is changing at an increasingly fast pace and Insurtechs with their agile business models are well placed leverage the latest that tech can offer to help all participants in the insurance Industry. Full stack digital insurers are better placed given the mindset, culture, op model and tech stack. As is with everything else, we can expect AI to play a critical role in personalization of solutions, risk selection and intelligent decision making.

Collaborations between traditional insurers and agile InsurTech startups are expected to grow as both industries seek to capitalise on each other strengths. Insurtech's provide agility and innovation, whilst traditional insurers give stability and a wide customer base. This hybrid strategy is expected to drive future growth and increase the range of digital insurance solutions. Regulations will continue to play a crucial role in shaping the sector. As India progresses toward its vision of & "Insurance for All by 2047," InsurTech is set to play a transformative role in expanding insurance penetration and accessibility. With India poised to become the sixth-largest insurance market by 2032, the journey ahead is exciting and promising.

(The writer is Shanai Ghosh.)

TOP

AI and insurtech to drive efficiency, personalisation and penetration, say insurance industry CEOs – Moneycontrol – 20th December 2024

Artificial intelligence, big data and other technological tools are set to transform the insurance industry, boosting efficiencies in distribution, underwriting, and policy servicing and claim settlement, insurance CEOs said at the Moneycontrol Fintech Conclave on December 18. Eventually, this could mean lower costs for customers and companies, they said.

Going forward, insurtech will play a role in deepening insurance penetration in the country, which is at just 4 percent currently. It is one of the key vehicles that will help achieve the target of ensuring 'Insurance for all by 2047' set by the Insurance Regulatory and Development Authority of India (IRDAI), the industry captains said.

Shedding light on the role of technology at Life Insurance Corporation of India (LIC), its Managing Director R Doraiswamy said that the insurance behemoth sees technology as an enabler for its individual agents who form the backbone of its distribution ecosystem. "LIC is an agency-driven business organisation. We look at technology as an enabler or catalyst to further strengthen the agency force," he said at a panel discussion on 'Inside Insurtech – Growth, Opportunities and Curveballs'.

Insurtech in underwriting, customer onboarding

Beyond distribution, insurtech is increasingly playing a role in other areas such as underwriting and claim settlement too. Kamlesh Rao, MD and CEO, Aditya Birla Sun Life Insurance, explained how his company uses AI tools to underwrite policies. “The insurance industry works with a huge amount of data, which has been present for the last 20-25 years. Today, no human being looks at 50-55 percent of the policies that we issue. We use a tool that we have jointly developed with an insurtech company, which gives you a picture of what is right and what is not. So the productivity goes up as does our ability to issue policies faster,” he said.

Besides distribution and underwriting, life insurance companies have started using AI-driven tools to make investment calls too. Abhay Tewari, MD and CEO, Star Union Dai-ichi, spoke about how AI-driven tools are being used to study quantitative as well as qualitative data and generate better investment decisions. “In future, we will have use-cases on the products side as well – products can be tailor-made for the clients. If someone is travelling abroad, the cover can be enhanced. Likewise, in the rural areas where people may have irregular income, a premium holiday can be factored in,” he said.

The general insurance space has seen a spate of innovations such as 'pay-as-you-use' in motor insurance and wearables-linked discounts on health insurance premiums, enabled by the Insurance Regulatory and Development Authority of India (IRDAI) regulations and adoption of technology. “Regulations are meant to offer a fair field – whether old or new, all companies have to honour that. The insurance regulator has been very flexible. In the general insurance space specifically, the focus is 100 percent on customers. The regulations give space to innovations, which is what we are looking for,” said Animesh Das, MD and CEO, ACKO General Insurance.

Bima Sugam, the next big thing in distribution?

Doraiswamy of LIC weighed in on the efficiencies that Bima Sugam, the planned electronic marketplace for insurance policies that is being billed as the UPI moment for insurance, could bring to the system. He said that it could bring in greater transparency and eventually lead to lower costs for companies and policyholders. “It will provide an opportunity to distributors as well to sell through this. It will help all stakeholders. Greater transparency can spur innovation and steps for more cost optimisation measures. It will also enable claims to be submitted and settled through the same platform,” Doraiswamy said.

AI can even play a role in curbing mis-selling, Star Union Dai-ichi’s Tewari said. “Insurance as a product can cater to many needs. If the need is protection and we offer something else, then it becomes a problem. AI can become a big support in matching needs and ensuring suitability,” he said.

Hyper-personalisation gaining ground

Going forward, we could see the trend of hyper-personalisation picking up. Technology can help demystify insurance concepts and terms to expand the reach of insurance. “Every Indian should see the policy document in a language she understands the best. Embracing AI is only going to make us more productive. Demystifying insurance and making the terms simpler will help the cause of increasing the penetration in the country,” said Rao of Aditya Birla Sun Life Insurance. While the use of technology in the insurance space is growing rapidly, it should be seen as something more than just an enabler. “The insurance space still has to solve the basics as far as utilisation of technology is concerned. As an industry, there is a tendency to see it as a cost centre or something which will lead to some efficiency. But it should be seen as the core of how we are building our businesses,” said Das of ACKO.

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INSURANCE REGULATION

Business correspondents meet Irdai, seek consent to sell insurance products – Business Standard – 24th December 2024

The Business Correspondent Resource Council (BCRC) has made a pitch to the Insurance Regulatory and Development Authority of India (Irdai) that field agents be allowed to hawk insurance products. As of now, the business correspondents’ (BCs’) channel — introduced in 2007 — only offers last-mile banking services. BCRC’s stance is that shocks from climate-related issues are affecting those at the bottom of the pyramid in a big way. It presents an opportunity to sell weather-indexed insurance: policies designed to trigger payouts (livelihood support) based on specific weather conditions, such as low rainfall, extreme heat conditions, and similar events. It is argued that such an approach will enable the vulnerable section of society to better withstand climate shocks, providing a critical safety net in times of environmental uncertainty. It may be recalled that Irdai is pushing the Bima Trinity — Bima Vistaar, Bima Vahak, and Bima Sugam. The BC network, over 500,000 strong with a footprint across the country, can play a role, even as offering insurance bolsters the earning capacity of field agents.

It was also pointed out that complementing the BC channel will be the 75 digital banking units (DBUs) set up by the Reserve Bank of India from April 2022. DBUs are brick-and-mortar outlets equipped with infrastructure to execute banking functions such as opening accounts, accessing government schemes, and making transactions digitally. By mid-December 2023, there were 96 DBUs. The short point is that insurance can be cross-sold on the BC and DBU networks.

On climate change, the latest report from the Copernicus Climate Change Service states that 2024 will be the warmest year since 1940. This October was also estimated to be the second-warmest globally (after October 2023), with average temperatures 1.65 degrees Celsius above the pre-industrial level, also marking it the fifteenth month in a 16-month period where average temperatures were above the 1.5-degree Celsius threshold set by the Paris Agreement. The latest move by BCRC on BCs being allowed to sell insurance must be read along with its writing to the Ministry of Finance for an upward revision in the commission paid to agents. Plus, related issues like the setting up of an annual pricing review committee and a relook at the penalties imposed by banks on BCs. BCRC is for a 30-basis point hike in the commission paid by banks for cash withdrawals, cash deposits, money transfers, Aadhaar-enabled Payment System transactions, and other banking and financial businesses.

(The writer is Raghu Mohan.)

TOP

IRDAI annual report: India's insurance penetration dips from 4% to 3.7% in 2023-24 – Moneycontrol – 24th December 2024

Insurance penetration in the country slowed down from 4 percent in 2022-23 to 3.7 percent in FY24, despite a strong push from the sector regulator to get the entire 1.4-billion population under cover by the time India turns 100. The Insurance Regulatory and Development Authority of India (IRDAI) has urged all cover companies to work towards 'Insurance for All' by 2047 and expand the reach of insurance across the country, according to the regulator's annual report for 2023-24.

Decline in life insurance penetration

Insurance penetration is one of the key indicators to the spread of insurance in a country. In 2022-23, too, it had declined to 4 percent from 4.2 percent in the previous year. In 2023-24, the shrink was caused primarily by a dip in life insurance penetration from 3 percent in 2022-23 to 2.8 percent in 2023-24, while the pace of growth for non-life covers remained steady at 1 percent in this period.

Improvement in insurance density

India's insurance density, however, recorded a slight uptick from $92 in financial year 2022-23 to $95 in 2023-24. Insurance density is another key metric used to assess the level of development of the insurance sector and its reach in a country. "Insurance penetration is measured as the percentage of insurance premiums to GDP, insurance density is calculated as the ratio of premium to population (per capita premium)," the annual report said. The density of non-life insurance increased from $22 to $25, while life insurance density remained unchanged at $70. "This upward trend in insurance density has been consistent since 2016-17," the IRDAI said.

India and the rest of the world

In contrast to the limited reach of insurance in India, insurance penetration across the world was 7 percent in 2023, including both life and non-life. While the penetration was estimated to be 2.9 percent in the life cover space, it was 4.1 percent in the case of the non-life covers. The insurance density in the world was $889 in 2023. In developed economies such as the US, South Korea and the UK, the insurance penetration was as high as 11.9 percent, 11 percent and 9.7 percent, respectively, in 2023. South Africa, too, logged insurance penetration of 11.5 percent.

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GST council defers tax cut on insurance premiums as Nirmala Sitharaman awaits IRDAI feedback – Hindustan Times – 22nd December 2024

The Goods and Services Tax (GST) council deferred the decision to cut tax on insurance premiums as many inputs including IRDAI comments on the matter are still awaited, said Finance Minister Nirmala Sitharaman on Saturday. The council also agreed to issue a clarification on the taxation of popcorn, saying that pre-packed and labelled ready-to-eat snacks will attract a 12 per cent tax while an 18 per cent GST will be levied if it is caramelised. There is no change in the tax rate of popcorn and the GST Council has only agreed that the Central Board of Indirect Taxes and Customs (CBIC) will issue a circular clarifying the current taxation regime of popcorn.

The Council did not agree on bringing Aviation Turbine Fuel (ATF) into the Goods and Services Tax fold, Sitharaman said.

GST Council to set up GoM to look into Andhra's demand for 1% calamity cess

The GST Council has decided to set up a GoM (group of ministers) to look into the demand for a 1 per cent calamity cess on certain luxury goods by Andhra Pradesh to raise resources to mitigate natural disasters. Andhra Pradesh Finance Minister Payyavula Keshav said that there was a consensus that a GoM be formed. "The cess will be on luxury items and state-specific levy," Keshav said.

The GST law provides for a levy of special taxes for a specified period to raise additional resources during any natural calamity or disaster. Earlier in 2018, the GST Council had decided to set up a GoM to look into similar demands made by Kerala. The GoM in January 2019 decided to approve the levy of 1 per cent 'calamity cess' by Kerala for a period of two years to fund rehabilitation work in the state hit by floods. The goods and services that faced the 1 per cent cess were decided by Kerala.

TOP

Banca Cap May Impact Banks' Net Profit by 1-2%, Says IIFL Securities - Business Standard - 20th December 2024

If bancassurance caps are introduced by the Insurance Regulatory and Development Authority of India (Irdai) to curb mis-selling, it could potentially shave off 15-30 percent of bank's fee income that they earn by selling insurance and have a bearing on their net profit by 1-2 percent, said IIFL Securities note on Friday. The firm added that major banks such as Axis Bank, Kotak Mahindra Bank, State Bank of India, and HDFC Bank could be among the most impacted lenders. "…banks' bancassurance income pool of $1.7 billion is growing at 25 percent compounded annual growth rate (CAGR) in the last three years, with higher contribution to revenue for private banks. Our analysis shows banks' banca fee income can decline by 15-30 percent and profit after tax (PAT) can be impacted by 1-2 percent if banca caps are introduced, but the actual impact can be mitigated if there is a phased implementation," the report mentioned.

Bancassurance has generated more than Rs 14,500 crore commission income for the banking sector in India, representing 2 percent of their total revenue in financial year 2024 (FY24). Contribution of bancassurance to banks' overall fee income and total revenue is higher for private banks at 10 percent and 2 percent respectively, versus 7 percent and 1 percent for state-owned banks, the report said, adding that despite most private banks following an open architecture policy, the salience of banca income is higher for them because they continue to remain a dominant distribution channel for their insurance subsidiaries.

Additionally, in a separate report, IIFL Securities cautioned that any bancassurance caps that Irdai would likely introduce could impair the insurance industry's ability to sell insurance, unless it comes with a long enough glide path of 3-5 years, which gives them enough time to build alternate distribution channels. "…mis-selling may not be limited to just the banca channel (and could be prevailing in agency too), in which case, these caps may not fully resolve the issue and may be difficult to implement, as seen in the UPI payment market share as well," said IIFL Securities note. According to the report, among insurers the most impacted would be SBI Life Insurance, Max Life Insurance, HDFC Life Insurance, ICICI Prudential Life Insurance.

TOP

LIFE INSURANCE

Looking for term insurance? These are the life cover policies available - Business Standard - 26th December 2024

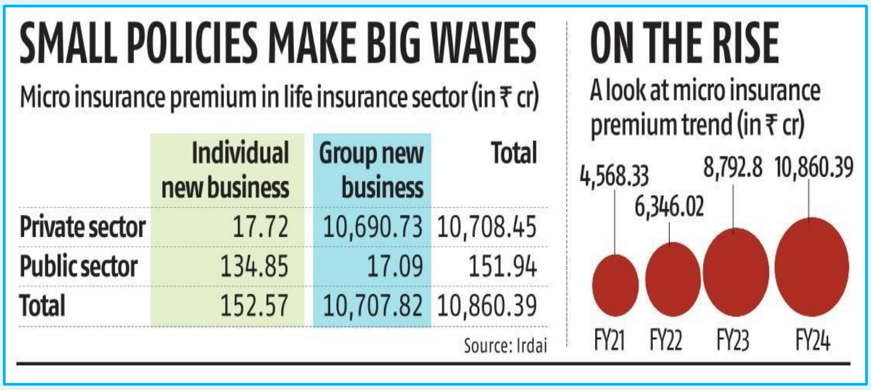
Term insurance, as the name suggests, is a life cover over a fixed period of time, and with fixed premiums payable during that time. If you have started earning and have dependants, it's essential to buy a term insurance plan. Policybazaar.com provides a comparison table of annual premiums from leading insurers. Keep in mind, these premium levels are for a 30-year-old, non-smoker male who lives in a metro, and is seeking a cover of Rs 1 crore.
Term insurance plans of various companies

Company	Plan	Annual premium in Rs cr (Inclusive of GST)
ICICI Prudential	iProtect Smart	14,651
HDFC Life	Click 2 Protect Super	15,863
Max Life Insurance	Smart Total Elite Protection	13,544
TATA AIA Life	Sampoorna Raksha Promise	12,899
Bajaj Allianz	eTouch	13,035
Canara HSBC Life Insurance	Young Term Plan - Life Secure	13,387

TOP

In a first, micro insurance premium in life segment tops Rs 10-K crore in FY24 - Business Standard - 25th December 2024

In 2023-24, new business premium (NBP) in life insurance's micro-insurance segment, which targets low-income groups, surpassed Rs 10,000 crore for the first time, according to the financial year's Annual Report by the Insurance Regulatory and Development Authority of India (Irdai).



Overall NBP rose to Rs 10,860.39 crore, rising 23.5 per cent from Rs 8,792.8 crore in FY23.

Individual NBP dropped 23.78 per cent year-on-year (Y-o-Y) to Rs 152.57 crore while group NBP rose 24.61 per cent Y-o-Y to Rs 10,707.82 crore.

Private life insurers drove the segment with over Rs 10,708.4 crore while Life Insurance Corporation of India (LIC), which is state-owned, accounted for nearly Rs 152 crore.

The number of persons covered under the scheme stood at 178.39 million. The number of micro-insurance agents at the end of FY24 stood at 102,000, of whom 19,166 belonged to public-sector life insurers and the rest to private ones. Of the micro-insurance agents, non-government organisations form 4.49 per cent, self-help groups 0.25 per cent, microfinance institutions 0.24 per cent, business correspondents 0.12 per cent, and others 94.90 per cent. Micro insurance offers affordable products to help low-income people cope with financial losses.

The sale of products received a nudge after Irdai introduced regulations on distributing micro insurance in 2005. In July 2015, Irdai issued micro-insurance norms, in accordance with which the sum assured offered life, pension, or health benefits up to Rs 2 lakh with an annual premium for micro-variable insurance products under the "non-linked non-par platform" capped at Rs 6,000. The concept of "micro-insurance agent" was introduced to attract more intermediaries to the segment and leverage grassroots organisations like cooperatives and self-help groups with a large section of the low-income segment.

(The writer is - Aathira Varier.)

TOP

How non-participating plans by insurers work as investment option - Business Standard - 26th December 2024

With markets doing well for four years, many investors turned to unit-linked insurance plans (Ulips). However, with volatility increasing, traditional non-participating (non-par) insurance plans are gaining popularity for their guaranteed, tax-free returns. "These plans coexist with Ulips, as customers need both products that offer a guarantee and those that offer equity exposure," says Madhu Burugupalli, senior executive vice-president and head of products, Bajaj Allianz Life Insurance.

Understanding non-par plans

There are two types of investment-cum-insurance products: Linked and non-linked. Linked plans depend on market performance and non-linked plans are unaffected by market fluctuations. Non-linked plans can be further categorised into participating and non-participating. "Returns of participating plans depend on the insurance company's profit pool, which is shared with policyholders. Non-participating plans offer guaranteed returns that are known upfront," says Deepesh Raghaw, a Securities and Exchange Board of India (Sebi)-registered investment adviser. Non-par plans typically offer returns between 5.5 per cent and 7 per cent. "Their returns are highly correlated to returns of G-Secs [government securities], into which insurers invest a significant portion of the premium left after paying agents' commissions," says Abhishek Kumar, Sebi-RIA and founder of SahajMoney.com.

Guaranteed returns

The appeal of non-par plans lies in their guaranteed returns. "The risks in these plans are borne by the insurer, not the customer," says Raghaw. Fixed deposits allow investors to lock in interest rates for up to 10 years. "With non-par plans, investors can lock in returns for the next 10-20 years or more," says Lakshit Mahajan, product head - investment, Policybazaar. Interest income from most fixed-income products is taxable at slab rates, except for a few instruments like Public Provident Fund (PPF) and Employees Provident Fund (EPF), which are tax-free (return from EPF is tax-free up to a limit). Non-par plans provide tax-free returns under Section 10(10D) for premiums up to Rs 5 lakh annually. "These plans also offer life cover equal to 10 times the annual premium," says Burugupalli.

Flexibility in payout options is another advantage. "Customers have the option to receive the discounted value of future benefits in the form of a lump sum amount, in case unexpected requirements arise. Some plans also allow customers to adjust income payout frequency," says M Anand, president and chief distribution officer, SBI Life Insurance.

Limited returns, low liquidity

Investors with a higher risk appetite may not find the returns from these plans appealing. "Returns from some of these plans may not beat inflation. They also offer low flexibility in terms of liquidity," says

Kumar. Raghaw says that exiting these plans can be challenging if premiums become unaffordable or the plan seems unsuitable. Non-par plans are ideal for investors seeking long-term guaranteed returns, portfolio diversification, and tax efficiency, according to Burugupalli. Kumar adds that risk-averse investors can include these plans in their long-term debt portfolios. They can be used for goals for which the investor does not want any uncertainty. Investors with short-term goals should avoid them.

Precautions to take
Consider the impact of inflation. "Check if the maturity amount from the policy, adjusted for inflation, will help you meet your financial goals," says Kumar. Comparing returns of plans from various insurers is crucial. Private life insurers usually offer better rates. “Ensure the premium is affordable to avoid high penalties on discontinuation,” says Burugupalli. The policy term should align with the investor’s goal. “Understand the policy tenure, lock-in period, surrender value, and other terms and conditions,” says Mahajan.

Enjoy guaranteed returns up to 7%

Insurer	Plan	Total Return (%)	IRR (%)
Canara HSBC Life Insurance	iselect Guaranteed Future Plus	34,17,880	7.06
Axis Max Life Insurance	Smart Fixed Return Digital Plan	9,72,006	6.55
Axis Max Life Insurance	Smart Wealth Plan	30,03,124	6.18
Bajaj Allianz Life Insurance	Goal Suraksha	28,70,769	5.87
Aditya Birla Sun Life Insurance	Assured Savings Plan	28,69,959	5.87
TATA AIA Life Insurance	Guaranteed Return Insurance Plan	28,66,027	5.86
HDFC Life	Sanchay Fixed Maturity Plan	26,98,743	5.45
ICICI Prudential Life	Guaranteed Income For Tomorrow	25,76,320	5.13

Source: Policybazaar.com

Note: Returns are for male aged 30 years. Policy term is 20 years and payment term is 10 years for all players except Axis Max Life, whose policy term is 10 years and payment term is 5 years. Monthly premum is Rs 10,000.

(The writer is Himali Patel.)

TOP

How new surrender value norms are reshaping agent commissions in insurance sector – The Economic Times – 26th December 2024

The implementation of new surrender value norms from October 1, 2024, is driving significant changes in agent commission structures across the insurance industry. Insurers have restructured commissions to counter the potential impact of these norms on their profitability, with varying strategies being adopted by Life Insurance Corporation (LIC) and private players. The new rules introduced surrender charges from the first year of policies, a revision in the formula for guaranteed surrender value, and a linkage of the discounting rate to the 10-year government security (G-Sec) yield. These changes have prompted insurers to adjust their commission payouts and product offerings.

LIC has reduced its first-year agent commission from 35% to 28%, while increasing trail commissions from 5% to 7.5%. This change aims to balance the overall commission payout across the product tenure provided customers maintain their policies for at least five years. Private insurers have adopted a cohort-based approach, segmenting agents by business size and persistency. Agents with higher ticket sizes and better retention rates now enjoy improved commission structures, while others face reductions. Base commissions have also been cut by 3-5% for most agents in the private sector. In some cases, 10-15% of these commissions are retained by insurers and released only upon achieving 13-month persistency benchmarks. Some fringe players, however, have increased commissions to gain market share.

Implications for agents

The reduction in upfront commissions presents challenges for agents striving to meet qualifications such as MDRT, COT, and TOT, which depend on annual commission earnings. To compensate, agents are focusing on higher ticket sizes and expanding their customer base. The bancassurance channel, which plays a dominant role in distribution, has not seen significant commission cuts due to the bargaining power of banks. However, insurers have negotiated persistency-based clawback clauses with bank partners to ensure long-term policy retention. In the non-participating segment, insurers have reduced internal rate of returns (IRRs) by 25-40 basis points, exceeding the 15 basis point drop in the 10-year G-Sec yield. These adjustments indicate an effort to pass on some of the surrender value impact to customers. Bonus rates in the participating segment are also expected to see reductions.

The restructured commission frameworks reflect insurers' efforts to adapt to the new norms while ensuring business sustainability. As agents adjust to the changes, persistency and ticket size will become critical metrics for success. For insurers, balancing customer satisfaction with profitability remains a key challenge in the evolving landscape. The reduction in upfront commissions presents challenges for agents striving to meet qualifications such as MDRT, COT, and TOT, which depend on annual commission earnings. To compensate, agents are focusing on higher ticket sizes and expanding their customer base.

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TOP

Insurance portfolio review: Up term cover with rising income, liabilities – Business Standard – Business Standard – 23rd December 2024

If you have started working and have dependants who rely on your income, you must buy term insurance at the earliest. "Premiums are lower when you are younger. Premium in a term policy remains unchanged throughout the policy tenure, so a lower price is beneficial," says Srinivasan Balasubramanian, chief of products, ICICI Prudential Life Insurance. He adds that as one ages, the onset of health conditions can cause insurers to charge higher premiums. If there has been a significant change in your income over the past year, review the sum insured. Your family gets accustomed to a higher standard of living, which means you need a higher cover to help them maintain that lifestyle. "New liabilities, such as a vehicle, home, or education loan, should also be factored into your insurance needs," says Balasubramanian. According to him, lifestyle changes, such as marriage, the birth of a child, and other significant milestones, are also important triggers for reassessing coverage.

A good rule of thumb is to purchase term cover amounting to 7–10 annual income, plus outstanding liabilities. While choosing the cover, select an appropriate tenure. "The term cover should last until your liabilities are paid off and your children have started earning," says Rhishabh Garg, head of term insurance, Policybazaar. According to Garg, one may reduce coverage after repaying a significant liability, such as a home loan. Before reducing the cover, consider whether you wish to use the term plan to transfer wealth to your children. "Maintaining coverage can be beneficial as a tax-efficient way to leave a legacy for the next generation," says Balasubramanian. Stay with your insurer unless there are serious issues, such as consistently poor claim settlement ratio or delays in claim processing compared to industry standards. "Discontinuing your existing policy resets the three-year protection provided under Section 45 of the Insurance Act, which mandates claim settlement after three years," says

Balasubramanian. If new policies with better features or more attractive pricing become available, buy a supplementary policy instead of replacing the current one.

Healthcare inflation in India is around 14 percent. If you purchased a policy a few years ago, the sum insured might no longer be sufficient to cover rising medical costs. “If you are under 30, plan your health insurance cover with an eye on your 50s and beyond, when hospitalisation risks typically peak,” says Aayush Dubey, co-founder and head of research, Beshak.org. He emphasises upgrading your coverage early, as enhancing it later may not be possible if health issues arise.

Major life events also necessitate adjustments to coverage. “Life events like marriage or childbirth can increase healthcare needs, warranting an adjustment in coverage,” says Ashish Yadav, head of products and operations, ManipalCigna Health Insurance. For those seeking more comprehensive coverage, a super top-up policy can be useful. “A super top-up is often a more cost-effective option as it provides additional coverage beyond the specified deductible amount at a lower premium compared to increasing the base policy’s sum insured,” says Yadav. Dubey recommends purchasing the super top-up from the same insurer to streamline claim processing and minimise the risk of conflicts or delays.

(The writer are Sanjay Kumar Singh & Karthik Jerome.)

TOP

Over Rs 20-K crore of unclaimed amounts lie with life insurers at end of FY24 - Business Standard - 23rd December 2024

Unclaimed amounts with life insurance companies dropped marginally at the end of FY24 to Rs 20,062 crore from Rs 22,237 crore at the beginning of FY24, owing to initiatives taken by the Insurance Regulatory and Development Authority of India (IRDAI), its annual report for FY24 revealed. “In order to reduce the unclaimed amounts, expedite refunds to consumers and to contain the further accumulation of unclaimed amounts with the insurers, a special drive was initiated by Irdai for a period of six months during June 2023 to November 2023, and the progress of clearance of unclaimed amounts lying with the life insurers during this period was monitored on a monthly basis,” Irdai said in its annual report. The industry witnessed a net reduction of Rs 1,018 crore in unclaimed amounts with the life insurers during this special drive period, from Rs 22,237 crore at the beginning of the financial year.

The regulator also brought an amendment to the ‘Master Circular on Unclaimed Amounts’ in February 2024 to aid in proper identification and efficient disbursement of the unclaimed amounts. It modified a few definitions, including that of ‘unclaimed amount’, and suggested measures for insurers to adopt in order to reduce existing unclaimed amounts and prevent further accumulation. Irdai also adopted several measures to reduce existing unclaimed amounts, asking insurers to prompt policyholders to update their contact details at the time of renewal, regularly update their Know Your Customer (KYC) details, engage with credit bureaus and aggregators to trace consumers, advertise in various media channels, and ask consumers to update their details in all communications (except those related to the termination or exit of contracts). Additionally, the Insurance Information Bureau (IIB) provided alternate contact details for about 80,000 unclaimed cases out of four lakh queries made over two years, amounting to Rs 9,000 crore. The Bima Bharosa portal of Irdai also includes a web link for unclaimed amounts, giving policyholders or beneficiaries the option to search for unclaimed amounts.

DEATH CLAIMS PAID IN FY24

		Total claims	Claims paid
Individual business	Policies (mn)	1	0.98
	Amount (₹ cr)	30,224	28,868
	(%)	100	95.51
Group business	Policies (mn)	1.49	1.48
	Amount (₹ cr)	20,221	19,644
	(%)	100	97

NET INCURRED CLAIMS (₹ CR)

	FY23	FY24
PSU insurers	70,643	77,970.83
Private insurers	60,202	73,084.55
SAHI	12,787	16,630.62
Specialised insurers	5,680.40	4,604.46
Industry total	**149,312.74**	**172,290.45**

Further, the regulator has suggested a slew of additional measures to life insurers to prevent the accumulation of unclaimed amounts. These include holding distribution partners accountable for tracing customers and updating their details, setting up systems to automatically update contact details, making provisions on company websites, sending advanced notifications regarding maturity claims and survival benefits at least six months in advance through all possible modes, and developing online tools for processing and paying unclaimed amounts.

Recently, the Minister of State for Finance, Pankaj Chaudhary, in his written response to the Lok Sabha, said that Life Insurance Corporation of India (LIC) had unclaimed maturity amounts totalling Rs 880.93 crore in FY24, up from Rs 815.04 crore in FY23.

(The writer is Aathira Varier.)

TOP

GENERAL INSURANCE

Non-life insurance industry sees 12.76% premium growth, claims ratio improves in 2023-24 - The Telegraph - 23rd December 2024

Net incurred claims to net earned premium (claims ratio) of non-life insurance industry stood at 82.52 per cent during 2023-24 as against 82.95 per cent in the preceding fiscal year, as per the Irdai's annual report. According to the Annual Report 2023-24 of the Insurance Regulatory and Development Authority of India (Irdai), during 2023-24, the non-life insurance industry underwrote a total direct premium of Rs 2.90 lakh crore in India registering a growth of 12.76 per cent from previous year.

The contribution of public sector general insurers increased 8.88 per cent from Rs 82,891 crore in 2022-23 to Rs 90,252 crore in 2023-24. Private sector insurers, including standalone health insurers, have underwritten Rs 1.88 lakh crore as against Rs 1.58 lakh crore in 2022-23. The aggregate profit of the non-life insurance sector was Rs 10,119 crore as against a net loss of Rs 2,566 crore in 2022-23.

During 2023-24, the aggregate net incurred claims saw a 15.39 per cent increase to Rs 1.72 lakh crore from Rs 1.49 lakh crore. "The incurred claims ratio (net incurred claims to net earned premium) of the non-life insurance industry was 82.52 per cent during 2023-24 as against 82.95 per cent of the previous year," the report said. The incurred claims ratio for public sector insurers was 97.23 per cent for 2023-24 as against the previous year's incurred claims ratio of 99.02 per cent.

The incurred claims ratio for private sector general insurers, standalone health insurers and specialised insurers were at 76.49 per cent, 63.63 per cent, and 66.58 per cent, respectively, for 2023-24 as compared to the previous year's ratio of 75.13 per cent, 61.44 per cent and 73.71 per cent, respectively.

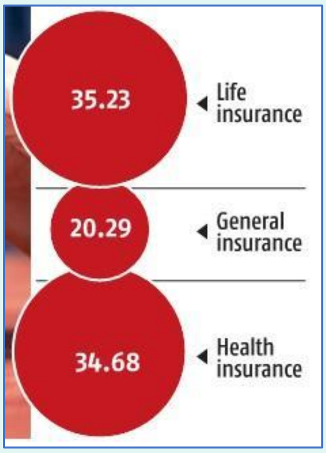
The report also said that the life insurance industry paid total benefits of Rs 5.77 lakh crore in 2023-24, constituting 70.22 per cent of the net premium. The benefits paid on account of surrenders/withdrawals increased 15.29 per cent to Rs 2.29 lakh crore in 2023-24 of which public sector life insurer accounted for 58.36 per cent. During 2023-24, a total of 18 life insurance companies reported profits. Profits of the life insurance industry grew 10.79 per cent in 2023-24 with profit after tax (PAT) of Rs 47,407 crore as against Rs 42,788 crore in 2022-23.

Public sector life insurers reported an 11.75 per cent increase in profits while private sector life insurers reported a rise of 5.32 per cent in profit in 2023-24. Irdai said in 2023-24, the country's insurance penetration was at 3.7 per cent as compared to 4 per cent in 2022-23. The insurance penetration for life insurance industry marginally declined from 3 per cent in the previous year to 2.8 per cent during 2023-24. The penetration with respect to non-life insurance industry remained the same at 1 per cent during 2023-24 as in 2022-23. There were 26 life insurers, 25 general insurers, eight standalone health insurers, 12 reinsurers and foreign reinsurance branches, and two specialised insurers, registered as on March 31, 2024.

TOP

Non-life insurers' profit in green in FY24 after 2 straight years of losses - Business Standard - 23rd December 2024

After two successive years of reporting losses, the non-life insurance industry has turned profitable in FY24. The aggregate net profit of the non-life insurance industry, which includes general insurers, standalone health insurers, and specialised PSU insurers, stood at Rs 10,119 crore in FY24. This compares to a net loss of Rs 2,566 crore in FY23 and a net loss of Rs 2,857 crore in FY22, according to the Insurance Regulatory and Development Authority's (Irdai) annual report for FY24.



While state-owned general insurance companies reported a profit of Rs 157 crore, the profit after tax (PAT) for private sector general insurers stood at Rs 5,983 crore; The PAT of specialised insurers was Rs 3,063 crore; and the standalone health insurers' reported a net profit of Rs 915 crore. The underwriting losses of non-life insurers narrowed to Rs 28,555 crore in FY24, a 12.93 per cent year-on-year (Y-o-Y) drop from Rs 32,797 crore in FY23. The public sector insurers' underwriting losses constituted 66 per cent of non-life industry losses amounting to Rs 18,862 crore and the remaining by private sector insurers stood at Rs 10,758 crore. Separately, standalone insurers reported an increase in underwriting losses in FY24 at Rs 723 crore compared to underwriting losses of Rs 529 crore in FY23.

The investment income of non-life insurers sets off their underwriting losses. The underwriting profit of specialised insurers increased to Rs 1,788 crore in FY24 from Rs 1,747 crore in FY23. According to the annual report, in FY24, the non-life insurance industry underwrote a total direct premium of Rs 2.9 trillion in India, registering a growth of 12.76 per cent from the previous year. During the same period, these insurers collectively incurred claims to the tune of Rs 1.72 trillion, an increase of 15.39 per cent over the same period last year. Meanwhile, the investment income of all non-life insurers during FY24 stood at Rs 44,129 crore, up 13.62 per cent from FY23. Meanwhile, the net profit of life insurance companies rose by 10.79 per cent in FY24 at Rs 47,407 crore compared to Rs 42,788 crore in FY23.

Public sector life insurer Life Insurance Corporation of India (LIC) reported an increase in profits by 11.75 per cent Y-o-Y to Rs 40,675.79 crore. Private sector life insurers together reported an increase in profit by 5.32 per cent to Rs 6,731.49 crore in FY24. The life insurers earned premiums to the tune of Rs 8.3 trillion, registering 6.06 per cent growth over FY23. While the private sector life insurers clocked a growth of 15.05 per cent in premium, Life Insurance Corporation (LIC) recorded a growth of 0.23 per cent in premium.

A LOOK AT GRIEVANCES

	FY23	FY24
Grievances against life insurers	124,293	120,726
UFBP grievances	26,107	23,335
UFBP grievances resolved	**26,103**	**23,288**
■ In favour of policyholder	9,946	9,461
■ Partially In favour of policyholder	1,302	1,216
■ Against policyholder	14,855	12,611
■ UFBP grievances pending	4	47
Share of UFBP grievances to total grievances (%)	21	19

UFBP: Unfair business practices — Source: Irdai Annual Report

Renewal premium contributed to 54.41 per cent of the total premium underwritten by life insurers in FY24. The balance 45.59 per cent was contributed by the new business premium. The growth in new business premium was 1.93 per cent compared to renewal business at 9.79 per cent.

According to the report, non-linked products contributed Rs 7.08 trillion, which is 85.36 per cent of total premium. The share of linked premium stood at 14.64 per cent. Business from traditional products grew by 4.56 per cent and the same for linked products was 15.73 per cent. Meanwhile, the life insurance industry paid total benefits of Rs 5.77 trillion in FY24 which constitutes 70.22 per cent of the net premium. The benefits paid on account of surrenders / withdrawals increased by 15.29 per cent to Rs 2.29 trillion in FY24 of which LIC accounted for 58.36 per cent. Life insurers paid Rs 28,868 crore in death claims in FY24 in individual business, and Rs 19,644 crore in group business.

(The writer is Aathira Varier.)

TOP

India cyber insurance market 2024: A valuation of USD 3,556.5 million predicted by 2032 - Open PR – 23rd December 2024

The India cyber insurance market is growing rapidly, driven by rising cyber threats, digitalization, and increasing regulatory compliance requirements. According to the latest report by IMARC Group, the market size reached USD 296.3 Million in 2023. Looking forward, IMARC Group expects the market to reach USD 3,556.5 Million by 2032, exhibiting a growth rate (CAGR) of 30.80% during 2024-2032.

India Cyber Insurance Market Trends and Drivers:
The India cyber insurance market is expanding rapidly, owing to several interconnected factors. Primarily, the market is driven by the growing sophistication as well as the frequency of cyberattacks that target companies in a variety of industries. Besides this, the accelerated digitization of processes, cloud computing adoption, and Internet of Things (IoT) device proliferation have increased the susceptibility of enterprises to ransomware attacks and data breaches, necessitating the pursuit of complete risk mitigation solutions.

Additionally, the growing awareness among small and medium-sized enterprises (SMEs) regarding the financial implications of cyber risks is fostering the expansion of the India cyber insurance market. In line with these factors, regulatory requirements, such as the Data Protection Bill, further mandate enterprises to enhance cybersecurity measures and safeguard sensitive information, boosting the adoption of cyber insurance policies. A key trend shaping the India cyber insurance market is the customization of policies to address specific industry needs, including coverage for operational disruptions, reputational damage, and legal expenses. Furthermore, insurers are leveraging advanced technologies, such as artificial intelligence and machine learning, to assess risks and streamline claim processes, thereby enhancing customer experience.

In addition to these factors, the rise of remote work culture and increasing reliance on digital platforms have thereby heightened the demand for cyber liability insurance to protect against phishing, malware, and data theft. Moreover, collaboration between insurance providers and cybersecurity firms is also improving risk assessment frameworks and policy offerings. Apart from this, with the increasing integration of digital ecosystems and the evolving regulatory landscape, the India cyber insurance market is poised for significant growth in the coming years.

India Cyber Insurance Market Industry Segmentation:
The report has segmented the market into the following categories:
Breakup by Component:
- Solution
- Services

Breakup by Insurance Type:
- Packaged
- Stand-alone

Breakup by Organization Size:
- Small and Medium Enterprises
- Large Enterprises

Breakup by End Use Industry:
- BFSI
- Healthcare
- IT and Telecom
- Retail
- Others

Breakup by Region:
- North India
- West and Central India

• South India
• East and Northeast India

Competitive Landscape:
The report offers an in-depth examination of the competitive landscape. It includes a thorough competitive analysis encompassing market structure, key player positioning, leading strategies for success, a competitive dashboard, and a company evaluation quadrant.

Key Highlights of the Report:
• Market Performance (2018-2023)
• Market Outlook (2024-2032)
• Market Trends
• Market Drivers and Success Factors
• Impact of COVID-19
• Value Chain Analysis
• Comprehensive mapping of the competitive landscape

TOP

High premiums, claims disputes create disquiet in insurance landscape – Business Standard – 24th December 2024

Net incurred claims to net earned premium (claims ratio) of the non-life insurance industry stood at 82.52 percent during 2023-24, compared to 82.95 percent in the preceding financial year, according to the Insurance Regulatory and Development Authority of India (Irdai) annual report. The ratio was even lower for the private sector. The percentages cap a month of grim news worldwide, including the shocking case of the UnitedHealthCare CEO being shot dead in New York by a disgruntled health claimant. Health insurance is creating problems across the globe, including India. Each rejected claim is increasingly becoming a minefield. The insured feel short-changed at both ends: a high premium and then an uncertain chance of claims being approved. On premiums, the Irdai notes in its master circular that health insurance premiums should not be exorbitantly high. "The premium rate should be fair and not excessive and also provide value for money." Both the Irdai (Insurance Products) Regulations, 2024, dated March 20, 2024, and the Master Circular on Irdai (Insurance Products) Regulations, dated May 29, 2024, make the same point. These circulars make an additional point: when a policy is renewed, companies are supposed to offer the insured a choice. For every claim-free year, the insured should have the option to either raise the sum insured or pay a reduced premium. However, it is a safe bet that no insured has ever received such a pitch from agents.

As a result, there is growing disquiet that insurance companies are generating excessive premiums. Even Parliament has been stirred by this issue. During the winter session, a question was raised about insurance companies investing heavily in real estate or real estate investment trusts (REITs). The finance ministry replied that "private insurance firms have invested Rs 5,213.33 crore in REITs as on June 30, 2024, which is 0.24 percent of private sector insurers' assets under management." As per Irdai norms, companies are allowed to invest up to 3 percent of their total AUM in REITs or InVITs. While the data shows the companies are well within the limits, the MPs' query reflects the prevailing public sentiment. On claims, one of the issues could be rising management expenses for insurance companies. Irdai data shows these have increased to about 37 percent of total costs, meaning that out of every Rs 100 provisioned as costs, only about Rs 60 remains to pay claims. This has prompted calls for higher foreign direct investment, as many insurance companies are undercapitalised. Meanwhile, there is another issue on the hospital front. There are about 60,000 hospitals in India, and insurance companies face challenges accepting claims from a large percentage of them at face value.

This year, the government set up the National Health Claims Exchange under the Ayushman Bharat Digital Mission. The platform aims to provide "streamlined and standardised health insurance claim processing." A critical aim of the platform is to improve the patient experience, allowing patients and their relatives to check the status of claims and reasons for rejection. Press notes about the platform state that health claim information will be shared among insurers, third-party auditors, healthcare providers, beneficiaries, and other relevant entities. This will enable "interoperability, machine-readability, auditability, and verifiability, making the information exchange accurate and trustworthy." As of August, 34 insurance companies had joined the platform. Third-party administrators have also onboarded it, but no hospital has yet done so. The website diplomatically notes that "approximately 300 hospitals are ramping up to start sending their claims on NHCX," which, in plain terms, means none have joined so far. Meanwhile, health insurance costs, driven by hospital inflation, are rising by over 10 percent annually. Last year, the claimed increase was 14 percent, meaning medical treatment costs this year are unlikely to compare with those of the next. With their reducing headroom, insurance companies will likely become even more reluctant to pay claims. That is precisely what the Irdai data released this week indicates.

(The writer is Subhomoy Bhattacharjee.)

TOP

HEALTH INSURANCE

Madhya Pradesh and Kerala have highest insurance coverage of senior citizens over 70 years under Ayushman Vay Vandana - The Hindu Business Line - 27th December 2024

The Ayushman Vay Vandana initiative, which aims to provide free healthcare to senior citizens aged 70 and above, has enrolled 25 lakh beneficiaries as of December 2024. This represents inclusion of 4 percent of eligible 6 crore senior citizens over 70 years since launch of the programme in October. The scheme provides health insurance cover of up to ₹5 lakh to senior citizens aged 70 and above, covering pre-existing diseases from Day 1. It is universally accessible, with no income limit, and is available to those not already covered by other government schemes. The card facilitates treatment for over 2,000 medical procedures. Over 22,000 senior citizens aged 70 and above have already benefited from the Ayushman Vay Vandana card, availing of treatments valued at more than ₹40 crore, per a recent release by the Centre. States like Madhya Pradesh and Kerala have witnessed higher enrollment rates, among senior citizens. Madhya Pradesh leads with 8.17 lakh cardholders (23.53 percent coverage), followed by Kerala with 3.97 lakh cardholders (14.80 percent coverage), and Gujarat with 7.70 percent, per businessline's analysis of data shared in Lok Sabha on December 13, 2024.

In contrast, north-eastern States like Mizoram (0.09 percent coverage), Meghalaya (0.06 percent) and Arunachal Pradesh (0.04 percent) report the lowest enrollment. Among the large States, Tamil Nadu (1.46 percent) Rajasthan (0.65 percent) and Maharashtra (0.32 percent) have lower rates of enrollment as of December. Abhinav Akhilesh, partner at Grant Thornton Bharat, attributes Madhya Pradesh's success to proactive measures such as door-to-door campaigns led by ASHA workers and ANMS (Auxiliary Nurse Midwifes). Kerala's higher sign-ups is likely due to its demographic structure, where 7-8 percent of the population is aged over 70. Kerala's literacy levels, healthcare infrastructure, and awareness also contribute significantly, he added. Data show that the larger Ayushman Bharat health insurance scheme is popular among the youth — 28 percent of cardholders are aged 15-29 years, while only 14 percent are 60 and above. However, experts note that senior citizens have the highest claim volumes and claim values range from ₹60,000-₹90,000. The frequency of claims in this age group is also nearly double that of younger segments.

The challenge also includes infrastructural gaps, Aadhar-linked registration issues, and awareness deficits. Spelling errors in ration cards or Aadhar details can exclude individuals, even if they are eligible, said Soumitra Ghosh, Associate Professor, Tata Institute of Social Science. Experts also said that the efforts are being intensified and state machineries are engaging NGOs and private entities to increase the pace of enrolment. Initiatives such as enrolment camps organized by the Indian Medical Association are also contributing to this effort. However, the program's success depends not just on financial outlays but also on granular, state-specific solutions to bridge the gaps.

(The writer is Yashaswani Chauhan.)

TOP

The future of health insurance: Integrating AI for fair pricing and better coverage - Express Healthcare – 26th December 2024

India's population, now exceeding 1.428 billion, is largely young, with more than half of the population under the age of 25 and over 65 percent below 35. Despite this youthful demographic, health insurance coverage in India remains alarmingly low. According to the National Insurance Academy, 95 percent of the population remains uninsured, and 73 percent lack adequate health coverage. National Health Accounts Estimates in India reported that out-of-pocket expenses account for 52 percent of current health expenditure (FY-20), one of the highest globally. This gap in coverage is a significant concern, especially as access to quality healthcare is recognised as a basic human right. Medical treatments are becoming increasingly expensive, and medical inflation is a concerning issue in India. Furthermore, advancements in medical technology, such as robotic surgeries for knee replacements, often fall outside the purview of traditional insurance coverage. This has led to low insurance adoption rates.

In 2019, the National Statistical Office reported that private hospitals account for more than half of all inpatient hospitalisations in both rural and urban areas, at 52 per cent and 61 per cent, respectively. Yet, India continues to face significant challenges in healthcare access and quality. The country ranks 145th on the global Healthcare Access and Quality (HAQ) index, lagging behind countries like Bangladesh and Sri Lanka, according to the Lancet's Global Burden of Disease Study in 2017. Digital health insurance, though still in its early stages, presents a promising solution. Digital insurers are seeing a growth rate of 20-30 per cent (according to PwC survey). This shift in consumer behavior is evident, with more people opting for the convenience of online platforms. While agents still hold a strong presence in the market, the future of health insurance in India is clearly leaning towards digital solutions, with advancements in Artificial Intelligence (AI) helping make insurance more accessible, fair, and efficient.

AI's role in no-cap health insurance and fair pricing

The integration of AI in health insurance offers a revolutionary opportunity to implement no-cap health insurance, ensuring unlimited coverage for patients while managing costs and risks for insurers. Traditionally, health insurance has been bound by policy limits and caps, which often leave policyholders with unmet medical expenses. AI can transform this by improving risk assessment, enabling insurers to offer more comprehensive coverage without the typical restrictions. AI-powered tools can analyse vast amounts of data to predict potential health risks more accurately than traditional methods. This leads to more precise premium calculations, ensuring that the costs for the insurer remain manageable while offering fair pricing to consumers. In a system where data is used to tailor insurance premiums based on individual risk profiles, AI can reduce the likelihood of arbitrary or inflated pricing, making health insurance more accessible and equitable for all.

AI in health insurance pricing models

AI holds the potential to completely transform the way health insurance premiums are determined. By analysing vast datasets of medical histories, lifestyle choices, and genetic information, AI can offer a more personalised approach to pricing. Instead of relying on broad risk categories, insurers can set premiums that more accurately reflect the individual health risks of policyholders. AI's ability to analyse big health data from Unified Health Interfaces (UHI) and financial systems will enable more equitable pricing models that reflect an individual's real health risk.

Furthermore, AI can continuously learn from new data, adjusting prices in real time to reflect changes in a person's health or lifestyle. This dynamic pricing model not only helps keep premiums fair but also incentivises healthy behaviors, as policyholders may receive lower premiums for maintaining healthy habits. This is a stark contrast to the current one-size-fits-all approach, where premiums often do not reflect individual risk accurately.

Tackling operational challenges with AI

India's low insurance penetration can largely be attributed to the high cost of premiums and inefficiencies in the claims settlement process. AI and machine learning (ML) offer a way forward, transforming Health Insurance 2.0 by automating and streamlining many processes that have traditionally been slow and cumbersome.

The development of AI-driven insurance platforms reduces paperwork and simplifies complex procedures, resulting in faster claims processing, improved customer satisfaction, and reduced operational costs. By eliminating the need for manual intervention in claim assessments, AI allows insurers to offer quicker resolutions, reducing the frustration often experienced by policyholders. India, leading the world in fintech adoption at 87 per cent, supports the development of digital health wallets and integrated health-tech ecosystems. Insurtech players are also exploring micro-insurance models with low premiums and disease-specific payouts.

Enhancing risk assessment with AI

Risk assessment is a cornerstone of the insurance industry, and AI is making it more accurate and precise. By analyzing large datasets, AI can detect patterns and correlations that were previously invisible to human analysts. This allows insurers to predict risks with far greater accuracy, enabling them to offer more tailored coverage to policyholders. AI's ability to assess risk extends beyond individual policyholders. By using machine learning algorithms, insurers can evaluate risk at a more granular level, factoring in variables like geographical location, age, and medical history. This data-driven approach ensures that premiums are more accurately priced, benefiting both insurers and policyholders.

AI in underwriting

AI is already playing a significant role in underwriting by making processes more efficient, accurate, and customer-friendly. One such innovation is the use of videography in health assessments, allowing insurers to conduct real-time assessments of an applicant's health condition. Through VideoMER technology, insurers can capture and verify health data during live assessments, improving transparency and reducing fraud.

Additionally, digitisation has transformed the way medical data is processed. Pathology reports are now analyzed using AI algorithms, which help determine eligibility for policies faster than ever. AI also automates medical examination report checks, ensuring that all information provided by the applicant is accurate and reducing the chance of errors.

Digital lending platforms like Aarogya Finance use AI-based psychometric testing to assess credit risk for patients without traditional credit histories. With default rates as low as 2 per cent, these systems show AI's ability to predict risk more fairly than traditional methods. A similar approach could be used for risk scoring in health insurance. AI can also be integrated with Software as a Medical Device (SaMD) solutions to improve and automate risk prediction, helping identify risks across different customer groups. This could enable insurers to offer policies to high-risk or traditionally excluded populations, such as the uninsured in rural areas or those without credit histories.

AI in claims processing

One of the most significant impacts AI is having on the health insurance sector is in claims processing. Traditionally, claims have been a time-consuming process prone to errors and delays. AI-powered automation now enables insurers to process claims with greater efficiency and accuracy, minimizing human errors and speeding up claim settlements.

Natural Language Processing (NLP) and image recognition are two AI technologies that have revolutionized claims processing. NLP helps insurers interpret customer inquiries and documents, while image recognition technology allows for quick assessments of medical bills and related documentation. These technologies ensure that claims are processed more swiftly and accurately, reducing operational costs and enhancing customer satisfaction. AI is particularly effective in handling low-ticket-size claims, offering quicker resolutions and improving overall customer experience. Automating claim processes with AI reduces fraud, administrative burden, and processing times, enabling insurance providers to pass on savings to customers in the form of reduced premiums.

Ethical considerations of AI in insurance

Despite the immense potential of AI in transforming the health insurance sector, its integration comes with several challenges. Data privacy concerns, the digital divide, and the need for regulatory frameworks that address AI's unique challenges are some of the major hurdles that insurers must overcome.

In India, the regulatory environment surrounding AI in insurance is still evolving. The Insurance Regulatory and Development Authority of India (IRDAI) has begun addressing AI's role in the industry, focusing on data security, consumer protection, and ethical AI usage. Insurers must ensure that AI tools are not only compliant with existing laws but also transparent and free of bias. Ethical considerations, such as ensuring fairness in pricing and preventing discrimination, are crucial to building trust with consumers.

Looking ahead, AI's role in health insurance will only continue to expand. With advancements in machine learning and data analytics, insurers will be able to offer even more personalised coverage options and pricing models. The integration of IoT devices and telematics will further enhance real-time data collection, improving risk assessment and offering more dynamic pricing.

(The writers are Dr Sabine Kapasi and Dr Ashish Panghal.)

TOP

Healthcare cost inflation soaring, raising health cover premiums - The Hindu - 26th December 2024

Since COVID-19 pandemic, India has been witnessing a surge in healthcare cost inflation making assured and standardised healthcare unviable for several sections of the society and pushing up health insurance premiums. Last year, the country witnessed a healthcare cost inflation of 14 percent even while general inflation stood in single digits. Healthcare market experts note that this level of escalation is unsustainable, and market correction should be kicking in soon. Sumit Bohra, president of the Insurance Brokers Association of India (IBAI) notes that currently in India the rising healthcare cost and growing health insurance premiums are feeding each other. "This is a vicious cycle and at present, we are witnessing claim amounts of 90 percent [of overall premium receipts]. One-third of the insurance sector has been captured by the health insurance segment which is growing at the rate of 19 percent-21 percent annually, and is expected to grow further,'' he said. Among the reasons for healthcare costs becoming dearer, Bohra cited the concentration of specialised doctors in the private sector, overcrowding in government hospitals with accompanying long delays, and the price flexibility that a health cover offers, prompting people to spend more once they have insurance coverage. At a broader level, higher demand and better availability of healthcare interventions, have also contributed.

A recent report by ACKO General Insurance also pointed out that hospitalisation in India soared 12.8 percent in 2023-2024, based on an analysis of health insurance claims. The average claim size for 2023-24 went up to ₹70,558, from ₹62,548 in the previous financial year. Moreover, the report noted that the costs of common medical procedures have risen. An angioplasty now comes at an expense of ₹2-3 lakh compared to ₹1-1.5 lakh in 2018. Similarly, kidney transplant costs have doubled from ₹5-8 lakh in 2018 to ₹10-15 lakh in 2024. According to the company, this could further double in the next couple of years. Meanwhile, ordinary citizens has been complaining about the rise in health insurance premiums. Physician and health activist Arun Gupta said that both he and his wife Rita Gupta, who are senior citizens, have written to the Insurance Regulatory and Development Authority of India (IRDAI) about the excessive premium increase of 450 percent witnessed over three years.

Dr. Gupta said that accessing assured, quality healthcare is now not a matter of right but a matter of having the 'right' insurance cover. "The sector needs regulations in terms of capping the premiums, regulating expenditure costs to patients when they are hospitalised, bringing in standardisation of hospital costs, and so on,'' he averred. To curb escalating premium costs, Mr. Bohra suggested customers should look at taking a health insurance cover only for chronic diseases and surgeries. "This will help in stabilising that market,'' he said. With more players in the market, customers are now also being offered schemes like fixed premiums and benefits cover. The Centre's NITI Aayog in its report on health insurance notes that India's population is vulnerable to catastrophic spending which is not limited to the poor. "Pre-payment through health insurance emerges as an important tool for risk-pooling and safeguarding against catastrophic (and often impoverishing) expenditure from health shocks. At least 30 percent of the population, or 40 crore individuals – called the missing middle in this report – are devoid of any financial protection for health,'' it said. Abhay Shukla, co-convenor Jan Swasthya Abhiyan (JSA), a non-government organisation working in healthcare rights, said that they have decided to intervene in the various petitions challenging the regulation of hospital charges.

"In the absence of robust public health infrastructure, people have no option but to depend on private healthcare facilities to meet their needs, and in the absence of effective regulation, millions of people are exposed to exploitation by private hospitals. Both the Central and the State governments are not taking measures to effectively implement legislations such as the Clinical Establishment Act 2010 (CEA),'' he said, adding that the Central Clinical Establishment Rules make it mandatory for clinical establishments to adhere to the rates fixed by the Central government in consultation with the respective State governments.

(The writer is Bindu Shajan Perappadan.)

TOP

Claim rejections by health insurance companies rise by 19.10 percent to Rs 26,000 crore - The Indian Express – 25th December 2024

Insurance companies disallowed and repudiated health policy claims worth Rs 26,000 crore during the year ended March 2024, indicating the high rejection level of claims in the health business. This works out to an increase of 19.10 percent from Rs 21,861 crore rejected in the previous year ended March 2023. Claims disallowed by insurance companies were at Rs 15,100 crore in FY24 as against Rs 12,754 crore in the previous year, according to the Annual Report of the Insurance Regulatory and Development Authority of India (IRDAI). Further, claims repudiated by insurers rose to Rs 10,937 crore in FY24 from Rs 9,107 crore a year ago. A claim is rejected or disallowed when the insurance company refuses to process a claim for specific reasons related to its validity. This means the insurer has not yet assessed the claim for coverage but has outright rejected it due to errors or discrepancies in the policyholder's documentation, terms or procedures. Similarly, a claim repudiation happens when the insurer denies a claim after a review and it and determines that it does not meet the policy's terms and conditions. Total claims paid by insurers in the health segment rose to Rs 83,493 crore, an increase of 17.71 percent from Rs 70,929 crore last year.

Significantly, public sector insurers fared well in claims settlement ratio with a figure of 103.38 percent while the ratio of private players was 88.71 percent. However, standalone health insurers fared poorly with a claim ratio of 64.71 percent, as per the data available from IRDAI Annual Report. An insurance company's claim settlement ratio refers to the number of claims successfully resolved versus the number of requests received in a given year. For example, if a company receives 100 claim requests in a year and successfully settles 90 of them, its claims ratio is 90 percent. A claim settlement ratio of over 85 percent is a good sign, indicating that the insurer is reliable. According to IRDAI, during 2023-24, general and health insurers settled 2.69 crore health insurance claims. The average amount paid per claim was Rs 31,086. In terms of number of claims settled, 72 percent of the claims were settled through third party administrators (TPAs) and the balance 28 percent of the claims were settled through in-house mechanism. As many as 66.16 percent of total number of claims were settled through the cashless mode and another 39 percent through the reimbursement mode. Insurers settled one percent of their claims amount through "both cashless and reimbursement mode". During 2023-24, insurers settled about 83 percent of total number of claims registered in their books and have repudiated about eleven percent of them and the remaining about six percent were pending for settlement as on March 31, 2024.

Meanwhile, death claims paid by life insurance companies were at Rs 48,512 crore during the year ended March 2024 as against Rs 46,380 crore in the previous year. This included Rs 28,868 crore under the individual business and Rs 19,644 crore in the group business, IRDAI Annual Report said. During 2023-24, the non-life insurance industry underwrote a total direct premium of Rs 2.90 lakh crore in India, registering a growth of 12.76 percent from the previous year. The contribution of PSU general insurers increased by 8.88 percent from Rs 82,891 crore in 2022-23 to Rs 90,252 crore in 2023-24. Private sector insurers (including standalone health insurers) had underwritten Rs 1.88 lakh crore as against Rs 1.58 lakh crore in 2022-23. Out of all non-life insurers, 24 private insurers (including standalone health insurers) operating in the year 2023-24, reported an increase in premium underwritten as compared to the previous year. The specialized insurers underwrote gross direct premium amounting to Rs 11,211 crore. The public sector general insurers together contributed to 35.03 percent of the market share while the private sector general insurers contributed to the remaining 64.97 percent, the report said. Interestingly, life insurers paid a total amount of Rs 51,524 crore as commission. The commission expenses ratio (commission expenses expressed as a percentage of premium) increased to 6.21 percent in 2023-24 from 5.41 percent in 2022-23. However, total commission outgo increased by 21.74 percent (total premium growth 6.06 percent) during 2023-24 as compared to previous year, IRDAI said. India's insurance penetration was at 3.7 percent in 2023-24 as compared to 4 percent in 2022-23. The insurance penetration for the life insurance industry marginally declined from 3 percent in the previous year to 2.8 percent during 2023- 24. The penetration with respect to non-life insurance industry remained same at 1 percent during 2023-24 as in 2022-23, IRDAI said.

(The writer is George Mathew.)

TOP

Private hospitals benefit most from insurance schemes: CMA president – The New India Express – 23rd December 2024

"The Indian healthcare system ranks good in aspects like accessibility and the number of doctors available but struggles with treatment quality," said Dr J A Jayalal, president of the Commonwealth Medical Association (CMA). Speaking to TNIE on the sidelines of an IMA event in Coimbatore on Sunday, Dr Jayalal said "India should set aside at least 10% of its annual budget allocation to the health sector. Most developed countries allocate over 15% of their budget to the health sector. In contrast, India consistently allocates less than 2%," he said. Without increasing budget allocation, improving the quality of health care will remain a challenge."

Dr Jayalal also said that the penetration of government health insurance schemes is inadequate. "At least 90% of funds allocated for government insurance are returned to a system that already provides free treatment. While many private hospitals are empanelled, not all their procedures are covered under government insurance schemes. Moreover, private hospitals cannot provide treatments at prices fixed by these schemes, instead they opt for selective services. Obviously, government insurance schemes benefit the private sector." He added "Considering that 75% of health care is managed by private hospitals, what is the necessity of insurance in government hospitals? Instead, they can allocate funds directly to the government hospital to upgrade infrastructure, because the Insurance sector alone takes 30% of the money for the administrative expenses," Jayalal said. Also, he voiced concerns regarding the privacy and safety of patients' data which is uploaded under the National Health Mission.

TOP

SAHIs set to grow at 22 percent, outpace overall health insurance sector - The Economic Times - 23rd December 2024

Standalone Health Insurance Companies (SAHIs) are expected to lead the health insurance segment's growth in India, with a projected compound annual growth rate (CAGR) of 20-22% over the next two years. This outpaces the overall health insurance sector, which is forecasted to grow at 17-18% annually, according to CareEdge Ratings. The segment's share within general insurance is likely to rise to 39-40% by FY25 from 38% in FY24.

SAHIs have emerged as key players in India's health insurance sector, gaining 6% market share in retail health insurance between FY20 and FY24, to reach a 56% share. Retail health, which contributes 73% of their Gross Direct Premium Income (GDPI), has been their focus, supported by their strong agency networks and tailored health insurance products. In FY24, the five SAHIs collectively employed 13.06 lakh agents, double the 6.49 lakh agents across 25 multi-line insurers. The health insurance sector's overall growth is attributed to increased awareness post-pandemic, rising medical costs, affordability, and government initiatives. Health insurance premiums registered a fouryear CAGR of 21% (FY20-24), compared to 19% during FY15-19, with SAHIs and private multi-line insurers growing at 24% during this period.

Underwriting performance

SAHIs continue to excel in underwriting performance due to the granular nature of retail health business. In FY24, SAHIs reported a combined ratio of 100% and a claims ratio of 63%, compared to private insurers' 108% and 81%, respectively. Retail health policies' lower claims ratio supports SAHIs' profitability. However, their single-line focus exposes them to risks during health crises or pandemics. Meanwhile, private multi-line insurers benefit from scale and business diversification. Group health insurance, accounting for 50% of total premiums in FY24, is the primary focus for multi-line insurers, contributing 60% of private and 61% of public insurers' health GDPI.

Digitisation and regulatory initiatives are expected to further fuel the sector's growth. IRDAI's measures, including "Bima Sugam," "Bima Vistar," and "Bima Vahak," aim to simplify distribution and expand reach. The anticipated regulation on composite licences could reshape the competitive landscape, increasing rivalry between SAHIs and multi-line insurers.

Challenges and opportunities

Despite strong growth, SAHIs face challenges. The sector's premium growth has been largely pricedriven, as policy volumes remained flat in FY24 compared to a 9% year-on-year increase in FY20. Moreover, rising competition from multi-line insurers investing in retail health, agency networks, and hospital tie-ups could intensify market dynamics.

India's health insurance penetration remains at just 1% of GDP, compared to 4-9% in developed markets, indicating significant room for growth. SAHIs are expected to maintain dominance in the retail health segment, supported by their specialised focus, while private insurers could leverage scale and diversification to gain ground. With the penetration gap, regulatory support, and growing middle class, the health insurance sector is positioned for continued expansion, solidifying its role as a growth driver for the general insurance industry

TOP

Ayushman driving big gains in cancer treatment: Lancet – The Times of India – 23rd December 2024

Odds of timely initiation of treatment of cancer patients in India have gone up by nearly 36 percent in the past six years, a new study claimed. It credited Ayushman Bharat-PM Jan Arogya Yojana (AB-PMJAY) for this change. Treatment initiation is considered timely if it starts within 30 days of diagnosis of the disease. According to the study published in The Lancet Regional Health - Southeast Asia, which investigated treatment history of 6,695 patients undergoing cancer treatment at seven major hospitals in the country, most received treatment in 20 days. There were few instances of people getting treatment in two months from cancer diagnosis. As compared to patients who were diagnosed between 1995 and 2017, those diagnosed after 2018 had 36 percent higher odds of timely initiation of treatment, the study found.

AB-PMJAY, a central health scheme, was launched in 2018 to provide an annual health cover of Rs 5 lakh per family for secondary and tertiary care hospitalisation to the poor and vulnerable families. Recently, govt extended the scope of the scheme to all senior citizens aged 70 years and above, regardless of their income. The study claims while access for timely treatment initiation has increased by 30% for those who are not enrolled under the health scheme, it has increased by 90% for AB-PMJAY beneficiaries.

The study, led by Dr Prinja Shankar from PGIMER-Chandigarh, was funded by department of health research, health ministry. Poor education, lower socio-economic status, socio-cultural belief, gender, distance from healthcare facility, and access to appropriate financial protection such as insurance are key factors for delayed treatment, the researchers pointed out in the Lancet study. Each of these place the poor and vulnerable at a disadvantage, they added. A NHA official said AB-PMJAY has helped bridge the gap to some extent. "Now, the poor don't have to think about the cost as they have assurance of treatment up to Rs 5 lakh," the official added. AB-PMJAY comprises 557 health benefits packages for cancer treatment.

The Lancet study found that cancer patients who required radiotherapy faced maximum delay in the initiation of treatment. In most high-income countries, there is at least one radiotherapy unit available for every 2, 50,000 people. This, on an average, would mean 4 radiotherapy machines per million population. The study said applying this factor to India would translate into requirement of 5,000 radiation therapy units when there are less than 1,000 such units, a shortfall of over 4,000 machines. The researchers have recommended that govt should increase infrastructure for radiotherapy, promote local production of quality equipment like linear accelerators and provide affordable and equitable radiation treatment by rationalising the existing health benefit packages pertaining to radiotherapy under AB-PMJAY. As unknown cancer stage has also been observed as a determinant of delayed timely initiation of treatment, so there should be more focus on increasing population coverage under screening programmes, they added.

(The writer is Durgesh Nandan Jha.)

TOP

Top up health cover with emergency fund – Financial Express – 21st December 2024

If you thought that medical insurance was all you needed, think again. It may be wise to create a medical emergency fund. There are several reasons. In an emergency, the nearest quality hospital may not be empanelled with your health insurer. In such cases, you have to pay upfront and then claim costs.

Second, you may have exhausted the limit on the family floater due to multiple usages in the year. Third, you pay several expenses outside the ambit of the health cover. There may be a co-payment or deductibles clause in your health cover, which means you share part of the hospitalisation costs. How would you take care of such extra costs?

Create an emergency fund equal to five to six months of current income. This is a generic emergency fund, so medical emergencies are just one of the purposes.

Medical emergency fund out of tax breaks
Let us say, you have medical insurance for your own family as well as for your parents, who are senior citizens. You utilise the full limit of Rs 75,000 per year (Rs 25,000 for your family and Rs 50,000 for your parents). If you are in the 30% tax bracket, your effective tax liability is 31.2%, including cess. On Section 80D exemption for Rs 75,000, you get Rs 23,400 as tax relief. That is like an income flow each year. If you invest this Rs 23,400 a year (or Rs 2,000 per month) in a hybrid fund SIP giving 10% per annum, then it grows to Rs 4.03 lakh over 10 years. That is a solid corpus to start with as a back-up to mediclaim.

Power of add-ons
In India, health cover is treated as non-life cover; distinct from life insurance. However, they converge on riders. Today, when you buy a life insurance policy, you not only get death cover, but also a cover against critical illnesses via add-on riders. These are life-threatening, but people continue to live for several years with enhanced medical costs and reduced income flows. Since your health cover cannot take that stress, it is best to cover such specific issues through add-ons or riders to a life cover.

Use super top-up plans
Last but not the least, go for super top-ups. Your basic health cover with minimum deductibles of Rs 5 lakh perhaps can be your primary cover. Then take a super top-up policy of Rs 25 lakh. You thus get a health cover of Rs 30 lakh effectively, at a much lower premium, and your no claims bonus almost intact.

(The writer is Nehal Mota.)

TOP

CROP INSURANCE

People's trust is the driving force behind AIC's commitment to farmers' welfare: CMD, AIC – PSU Connect – 23rd December 2024

The Agriculture Insurance Company of India Limited (AIC), a key player in the agricultural insurance sector, recently celebrated its 22nd Foundation Day with enthusiasm and innovation. Among the key highlights of the event was the launch of a specialised insurance product, 'Fal Suraksha Bima,' designed exclusively for banana and papaya crops. This tailored offering reflects AIC's dedication to addressing the specific needs of farmers and enhancing crop protection through innovative solutions. Speaking at the event, Dr Lavanya R. Mundayur, CMD, AIC, expressed gratitude for the trust reposed in the company by millions of farmers across India. She said, "People's trust in AIC is what keeps us moving to work for the welfare of India's people, especially our farmers. AIC's journey of more than 20 years has been remarkable. Having navigated through many challenges, the organisation has gained immense trust and emerged as a reliable partner in agricultural growth."

The celebrations also saw the announcement of a significant initiative to adopt 22 villages under the "Sarba Bimit Gram" programme. This initiative aims to ensure that every household in these villages is covered by at least one insurance policy, including protection for assets and livestock. The gesture underscores AIC's commitment to making insurance accessible to rural communities while fostering financial security and resilience. The day's events began with traditional rituals and performances, symbolising the company's connection to its cultural roots. A presentation highlighting AIC's evolution in crop insurance was a key feature, showcasing the strides made over the years in providing tech-driven and farmer-centric solutions. Senior officials urged employees to continue striving for excellence, with a shared vision of expanding AIC's outreach and delivering innovative products that cater to the diverse needs of India's agricultural sector.

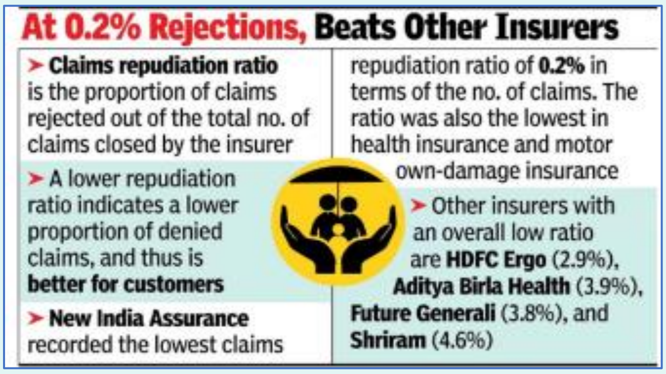
As AIC embarks on its 23rd year, the organisation remains steadfast in its mission to empower farmers through affordable and effective insurance solutions. The occasion was graced by the presence of Dasarathi Singh, Executive Director; Lalit Kharbanda, General Manager; K. V. Raman, General Manager; Sandip S Karmarkar, General Manager; and Rohit Singhal, Appointed Actuary, whose participation added to the event's significance. AIC is the leading implementing agency for the Government's flagship crop insurance scheme, Pradhan Mantri Fasal Bima Yojana (PMFBY). During the event, AIC also highlighted its extensive range of insurance products tailored to meet the diverse needs of farmers across the country. The company's offerings include insurance for various crops and allied agriculture activities, such as Sampoorna Fasal Kawach (SFK), Consequential Crop Loss (CCL), Sampoorna Ritu Kawach (SRK) for crops and Sampoorna Pashudhan Kawach, Saral Krishi Bima, Shrimp Insurance, Sinchai Pranali Bima for Agriculture allied activities. These insurance products are aimed at addressing the unique challenges faced by farmers and enhancing their resilience against risks.

TOP

SURVEY AND REPORTS

New India Logs Lowest Claim Rejections: Study – The Times of India – 23rd December 2024]

New India Assurance has the lowest claims repudiation ratio of 0.2% in terms of the number of claims. The company, which is also the only listed public sector insurer, has the lowest claims repudiation ratio in health insurance and motor own-damage insurance too. The Insurance Brokers Association of India recently provided a comparison of ratios for various insurers in its policyholders' handbook. The ratios pertain to claims serviced in FY23 - the latest full year for which claims servicing data is available in the public domain.



The claims repudiation ratio refers to the proportion of claims rejected out of the total number of claims closed by the insurer. The lower the repudiation ratio, the better it is for customers. Other insurers with an overall low claims repudiation ratio are HDFC Ergo (2.9%), Aditya Birla Health (3.9%), Future Generali (3.8%), and Shriram (4.6%).

In the motor own-damage segment, New India has a claims repudiation ratio of only 0.5%. Other top performers include Future Generali (1.1%), Oriental Insurance (3.3%), and Iffco Tokio (5.8%). Under health insurance, other companies with low rejection ratios are Iffco Tokio (4.7%), Bajaj Allianz (5.9%), and Go Digit (7.9%). IBAI's handbook reveals that when calculated across business lines, SBI General, Chola MS, and Tata AIG have higher claims repudiation ratios of 9%, 10.4%, and 13% respectively.

Certain companies have high claims repudiation ratios in the health sector, indicating a higher proportion of denied claims. While Chola MS stands at 15.3%, Tata AIG and Star Health recorded 19.1% and 18.5%. In the motor segment, Chola MS (9.3%), Magma HDI (10.9%), Zuno (11.7%), Navi General (15.8%), Tata AIG (10.1%), Reliance General (10.3%), and ICICI Lombard (10.8%) have relatively high repudiation ratios.

Incidentally, other public sector insurers do not fare as well as New India in claims rejection. For overall claims, the ratios were: National Insurance (8.3%), Oriental Insurance (9.9%), and United India (5.4%). In health insurance, the ratios are 8.8% for National Insurance, 6.6% for Oriental Insurance, and 6.6% for United India. For motor own-damage (OD) claims, National Insurance has a ratio of 9.3%, Oriental Insurance of 3.4%, and United India of 6.6%.

TOP

Insurers say India's medical costs to climb 12.5% this year – Insurance Asia – 21st December 2024

Indonesia's medical costs are seen to skyrocket by 19.4% in 2025, amidst two consecutive years of double-digit increases, according to WTW's Global Medical Trends Survey. Last year's and this year's rates saw 12.4% according to WTW survey of insurers. Asia-Pacific is also slated to rise by 12.3% in 2025, thanks to rising health service usage, escalating pharmacy costs, and the adoption of new medical technologies are driving the surge. Indonesia's average claims loss ratio reached 105.7% in the first quarter of 2024 and is projected to rise further in 2025. The increase is driven by global medical inflation, attributed to higher costs of raw materials for pharmaceuticals and medical equipment.

The weakening rupiah has compounded the issue, as a significant portion of these materials and equipment are imported. In response, insurers have been adjusting premium rates and regularly reviewing health insurance products to maintain financial stability. The industry is shifting its focus from large employers to small and midsize enterprises, as insurers are increasingly hesitant to underwrite medical risks for corporations with large populations and comprehensive benefits packages. Insurers are also facing challenges from hospitals and providers, which often recommend excessive and unnecessary services involving new medical technologies. To mitigate costs, many insurers are replacing cashless payment systems with reimbursement methods, as reimbursement expenses for comparable treatments, diagnoses, and medications are 15% to 35% lower than those incurred through cashless payments.

TOP

INSURANCE CASES

Insurance firm ordered to pay 25 lakh to accident victim's wife - The Times of India – 25th December 2024

The Coimbatore District Consumer Disputes Redressal Commission has directed an insurance company to pay ₹25 lakh with 9% interest to a woman whose husband died in a road accident. The commission also ordered the company to compensate her for the mental agony caused by rejecting her claim. According to an official source, Ayyasamy, a resident of Chettiakkapalayam in Coimbatore, died in a road accident on March 22, 2022. He was survived by his wife, two daughters and mother. Ayyasamy was the breadwinner of the family. His wife A Shalini initiated claim procedures with a private insurance company under the Family Accident Care Insurance Policy. However, her claim was rejected, with the insurance company alleging that her husband committed self-injury and therefore they were repudiating her claim. The FIR and charge sheet filed by the Gomangalam police clearly stated that the incident was indeed an accident and that Ayyasamy died of it.

Subsequently, Shalini filed a petition with the Coimbatore District Consumer Disputes Redressal Commission. In its order, commission president R Thangavel and members P Marimuthu and G Suguna observed that the insurance company did not provide any evidence to support their objection to the FIR or the charge sheet's findings. The commission stated that the insurance company was not justified in repudiating the complainant's claim. The commission directed the insurance company to pay ₹25 lakh, representing the sum insured under the Family Accident Care Insurance Policy, along with interest at 9% per annum from the date of the complaint. Additionally, the commission ordered the company to pay ₹20,000 as compensation for the mental agony suffered by the complainant due to the deficiency in service and ₹5,000 towards the cost of proceedings.

TOP

PENSION

EPFO membership rises in October led by 18-25-year-olds - Live Mint – 25th December 2024

The Employees' Provident Fund Organisation (EPFO) registered a net addition of 13.41 lakh members in October 2024. According to the latest provisional payroll data released by the Ministry of Labour and Employment on Wednesday, December 25, 2024, the retirement fund body EPFO enrolled as many as 7.50 lakh new members during the month under review. A significant highlight of the data is the dominance of the 18-25 age group, which accounts for 58.49 percent of the total new members added during October. In October, the net payroll data for the 18-25 age group stood at 5.43 lakh. This aligns with earlier trends, which indicate that most people joining the organised workforce are young, or first-time job seekers.

EPFO membership data trends in October

The payroll data also reveals that approximately 12.90 lakh members exited and rejoined EPFO. This reflects a 16.23 per cent year-on-year growth compared to October 2023. These members switched their jobs and rejoined the establishments covered under EPFO's ambit. They opted to transfer their accumulations instead of applying for final settlement, safeguarding long-term financial well-being and extending their social security protection. Gender-wise analysis of payroll data reveals that of the new members added during the month, around 2.09 lakhs are new female members. This figure exhibits a year-on-year growth of 2.12 per cent compared to October 2023.

Also, the number of female members added during the month stood at around 2.79 lakh. The increase in female member additions indicates a broader shift towards a more inclusive and diverse workforce. State-wise analysis of payroll data denotes that net member addition in the top five states/ UTs constitutes around 61.32 per cent of net member addition, adding around 8.22 lakh net members during the month. Of all the states, Maharashtra is leading with 22.18 per cent of net members added during the month. The states/UTs of Maharashtra, Karnataka, Tamil Nadu, Delhi, Haryana, Telangana, and Gujarat individually added more than five per cent of the total net members during the month.

A month-on-month comparison of industry-wise data displays significant growth in the members working in establishments engaged in the industries—road motor transport, electronic media companies in the private sector, and banks other than nationalised banks, among others. Out of the total net membership, around 42.29 per cent is added from expert services (consisting of manpower suppliers, contractors, security services, etc.). The previous data gets updated every month. From April 2018, EPFO has been releasing payroll data covering the period from September 2017 onwards. In monthly payroll data, the count of members joining EPFO for the first time through an Aadhaar-validated Universal Account Number (UAN), existing members exiting from coverage of EPFO, and those who exited but rejoined as members is taken to arrive at net monthly payroll.

(The writer is Nikita Prasad.)

TOP

Get more interest money on EPF claim; interest will be paid up to the date of final settlement – Financial Express – 23rd December 2024

Members of Employees' Provident Fund (EPF) will now get more money as the interest on the accumulated balance will be paid to them up to the date of final settlement. At present, for final claims settled till the 24th of the month, interest is paid only up to the end of the preceding month causing members to lose quite a substantial amount.

The Central Board of Trustee has approved amendment to paragraph 60(2) (b) of the EPF Scheme, 1952. The new rules will come into effect after the government issues the Gazette notification.

So, a member retiring with an accumulated balance of Rs 1 crore and applying for final withdrawal on the 20th of a month will get an additional interest for the 20 days amounting to Rs 44,355 (at an interest rate of 8.25% fixed for FY24). Similarly, a member retiring with an accumulated balance of Rs 2 crore and applying on the 20th of a month will get an additional interest of Rs 88,710.

Final withdrawal

The proposed amendment will be applicable on withdrawal of full EPF amount by the members in case of retirement from service after attaining the age of 55 years, retirement due to disability, for taking employment abroad and closure of the EPF account after two months of unemployment. The new rules will not be applicable for partial claims or withdrawals for education, marriage, house building advance etc. Moreover, currently, interest-bearing claims are not processed between the 25th and the end of each month leading to delay in settling the claim. After the changes in norms, claims will now be processed throughout the month, which will help reduce members' grievances.

Inoperative account

After retirement, if there is no application for withdrawal the account will continue to be operative for three years and interest at the prevailing rate will be paid each on the total corpus for three years. After that, it will become inoperative and interest will not be credited to the account. Interest earned on the EPF corpus is exempt from tax (subject to certain conditions) only if there are active contributions to the EPF account. "Any interest credited to an EPF account after retirement is taxable in the hands of the member," says Puneet Gupta, tax partner, EY India. The tax will be applicable at the marginal rate of the member.

If a member continues to work after the age of 58, the contribution to EPF will continue. However, the contribution to Employees' Pension Scheme (EPS) will discontinue and both the employer and employee's contribution will be deposited to the EPF account.

In fact, EPS is a pension pool to which 8.33% of employer's contribution, capped at Rs 1,250 a month, is transferred. The EPS does not offer any interest and upon 10 years of unbroken contribution, the subscriber will get pension on turning 58. The request for final withdrawal of the EPF corpus and the disbursement of pension will have to be done at the same time. Members get tax-break of up to Rs 1.5 lakh under Section 80C under the old tax regime for contributions in EPF. Employees can contribute above the statutory deductions of 12% of basic pay and dearness allowance. Contributions of up to 100% of the basic salary and DA can be made to the Voluntary Provident Fund (VPF). The VPF interest rate is the same as EPF's; returns are tax-free too.

However, income from employee-contribution above Rs 2.5 lakh is taxed. The limit is Rs 5 lakh when employers don't contribute. The pension is computed based on the following formula: Number of years of contribution to EPS multiplied by the average salary of the last five years before retirement (the cap is Rs

15,000) divided by 70. So, if an employee contributes to EPS for 35 years (the typical working period being from 23 years of age to 58 years), he will get a maximum pension of Rs 7,500 a month. The minimum monthly pension is fixed at Rs 1,000 a month.

(The writer is Saikat Neogi.)

TOP

EPFO extends deadline for UAN activation and linking bank account to Aadhaar for ELI scheme benefits– The Economic Times – 23rd December 2024

The Employee Provident Fund Organisation (EPFO) has extended the deadline to January 15, 2024, for UAN activation and seeding of your bank account with Aadhaar for availing of the benefits under the Employment Linked Incentive (ELI) Scheme. While the original deadline was November 30, 2024, it was subsequently extended to December 15, 2024, and now the deadline has been extended again. Activation of Universal Account Number (UAN) and seeding of an Aadhaar to a bank account is a must for employees who wish to claim the monetary benefits of the Employment Linked Incentive (ELI) scheme, which is administered through EPFO. This mandatory exercise needs to be completed, if you want to get the benefits of the ELI scheme. Finance Minister Nirmala Sitharaman announced this new scheme during the Union Budget 2024 in July and there are three types of ELI schemes (A, B, and C).

“Please see the circulars cited. In this connection, the competent authority has granted an extension of timeline from 15.12.2024 to 15.01.2025 for UAN activation and Aadhaar seeding in bank account of all the employees,” said EPFO in a circular dated December 20, 2024.

Why do you need to link Aadhaar with a bank account to get ELI benefits?
The ELI money is to be credited using the direct benefit transfer mode (DBT) hence the reason why Aadhaar needs to be linked with the bank account.

The Ministry of Labour and Employment said in a dated November 22, 2024, “Since the benefits under the Employment-Linked Incentive (ELI) scheme, will be disbursed through Direct Benefit Transfer (DBT) to eligible employees, Employers are urged to ensure UAN activation and Aadhaar seeding in Bank Account…..in respect of all their employees who have joined in the current financial year, starting with the latest joinees.” The Ministry earlier stated: “Every subscriber of EPFO is required to have an Aadhaar-linked Universal Account Number (UAN), which needs to be activated by creating a login on the Member Portal, for availing a number of facilities through a single window. Such facilities include the ability to view and download PF passbooks; submit online claims for withdrawals, advances, or transfers; update personal details and track the status of claims in real-time. The activation process is straightforward and can be completed using an Aadhaar-based OTP.”

How much money employees can get under the Employment Linked Incentive (ELI) Scheme?
There are three ELI schemes (A, B, and C). According to Finance Minister Nirmala Sitharaman’s Budget 2024 speech, Scheme A will focus on first-timers joining the Employment and Employees’ Provident Fund (EPF) scheme as well, Scheme B focuses on job-creation in manufacturing and Scheme C will focus on the support to the employers.

Scheme A of the ELI scheme will provide a one-month wage to all the people newly entering the workforce in all formal sectors. The direct benefit transfer of one month's salary in three instalments to first-time employees, as registered in the EPFO, will be up to Rs 15,000. The eligibility limit will be a salary up to Rs 1 lakh per month.

Scheme B of the ELI scheme will incentivize additional employment in the manufacturing sector, linked to the employment of first-time employees. An incentive will be provided at a specified scale directly both to the employee and the employer with respect to their EPFO contribution in the first four years of employment.

Scheme C of the ELI scheme is an employer-focused scheme that will cover additional employment in all sectors. All additional employment within a salary of Rs1 lakh per month will be counted. The government will reimburse employers up to Rs 3,000 per month for two years towards their EPFO contribution for each additional employee.

(The writer is Neelanjit Das.)

TOP

'National Pension System asealth cover with emergency touch Rs 15 lakh crore by fiscal-end' – The Tribune – 21st December 2024

The assets under management (AUM) of the National Pension System are expected to touch Rs 15 lakh crore by the end of current fiscal year, Pension Fund Regulatory Development Authority Chairman Deepak Mohanty said on Saturday. At a media interaction following the official launch of the Association of NPS Intermediaries, Mohanty also said the take-up rate by the employees in the corporate sector remains a challenge. This Association of NPS comprises stakeholders including pension fund managers, points of presence (bank and non-bank), central record keeping agencies, trustee banks, custodians, aggregators, annuity service providers, pension agents, retirement advisors, and other industry participants. The association aims to represent the interests of all intermediaries in the NPS ecosystem, promote NPS as a reliable, flexible, and tax-efficient retirement product, and focus on subscriber welfare by ensuring smooth and transparent processes within the system and also to collaborate with regulators and policymakers to improve the NPS framework.

"The total subscribers (in the pension sector) at this moment are more than 8 crore (including 6.4 crore in Atal Pension Yojana), out of which in NPS there are about 1.6 crore subscribers and the corpus what people are contributing to the pension system is almost Rs 14 lakh crore, and given that situation, our expectation is that by the end of the year, it should Rs 15 lakh crore," Mohanty said. Of the 1.6 crore NPS subscriber base, 62 lakh are from the private sector and 18 lakh from the corporate sector. "So, that is the big challenge. We have about 18,000 corporates, including big corporates, who have joined NPS, but the take up rate by employees is less partly because there are so many things (and) partly, because of lack of awareness that we are trying to expand," he said. The launch of the Association of NPS Intermediaries is a significant milestone for the pension sector, he said adding, "I am confident it will further strengthen and redouble our efforts in creating awareness to expand pension coverage in India through collective efforts and feedback mechanism."

He noted that the pension potential for NPS is very high as 80 per cent of the workforce in the country is in the informal sector. He said there are different ways of expanding NPS with expanding the intermediary base among one of them, and added that PFRDA has requested the sponsor banks—of RRBs that they should provide NPS as they being in the semi-urban and rural areas are doing well in case of Atal Pension Yojana. "So, we are expanding the intermediary base and to target younger cohort of population, we are collaborating with the digital companies by giving them POP (point of presence) licence so that they can reach the younger cohort and those who are digitally savvy...Other thing would be awareness, that we do the outreach camp and as I was mentioning that we have also set up an association. "The need is quite huge to enhance the understanding about this pension scheme and the regulator alone or government alone cannot do that. So, collectively we are trying to...reach out to various segments of the population," Mohanty said.

Stating that NPS is giving "very good" returns, he said that the annual return in the equity scheme from the inception is 14.4 per cent adding that in the mix of equity and debt, the central government NPS is giving a return of 9.6 per cent from the beginning, which are quite competitive. Earlier addressing virtually the launch event, Nagaraju Maddirala, Secretary, Department of Financial Services said, "This association will serve as a vital platform for dialogue, collaboration, and innovation in the NPS ecosystem. It will play a pivotal role in addressing challenges and unlocking opportunities to expand pension coverage in India." Rama Mohan Rao Amara, MD of State Bank of India; Siddhartha Mohanty, Chairperson of LIC; Amitabh Chaudhry, MD & CEO of Axis Bank Ltd and Animesh Mishra, Additional Central Provident Fund Commissioner, EPFO, also addressed the launch event.

TOP

COI TRAINING PROGRAMS

Mumbai –January 2025

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Fraud Control and Claim Investigation in Life Insurance	16-Jan-25	17-Jan-25	ClickHere	Register
2	Miscellaneous Insurance Management	20-Jan-25	21-Jan-25	ClickHere	Register
3	Understanding Bond Markets for Insurance Investments	22-Jan-25	23-Jan-25	ClickHere	Register
4	Trade and Credit Insurance	24-Jan-25	24-Jan-25	ClickHere	Register
5	Consumer Grievances and Effective Resolution	24-Jan-25	24-Jan-25	ClickHere	Register

Kolkata – January 2025

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
	Corporate Governance and Role Marketing Intermediaries	18-Jan-25	18-Jan-25	ClickHere	Register
	Corporate Governance and Role Marketing Intermediaries	18-Jan-25	18-Jan-25	ClickHere	Register
1	Learning Aviation Insurance-Bracing for the future	28-Jan-25	28-Jan-25	ClickHere	Register

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