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QUOTE OF THE WEEK

"We now accept the fact that learning is a lifelong process of keeping abreast of change. And the most pressing task is to teach people how to learn."

PETER DRUCKER

Insurance Term for the Week

Guaranteed Renewable Policy

A guaranteed renewable policy is an insurance policy feature that ensures that the insurer is obligated to continue coverage as long as premiums are paid on the policy.

With a guaranteed renewable policy, re-insurability is guaranteed but premiums can rise based on the filing of a claim, injury, or other factors that could increase the risk of future claims.

Most insurers offer both guaranteed renewable policies and non-cancellable policies; the non-cancellable policy will offer the double guarantee of re-insurability and locked-in premiums.

INSIDE THE ISSUE

INSURANCE INDUSTRY

BFSI Year Ender 2023: Relaxed IRDAI measures, rapid digitization to propel Volte-face of Insurance - The Economic Times – 28th December 2023

During the fiscal year 2023, the general insurance and life insurance sectors displayed positive strides toward recuperation post the COVID-19 pandemic, achieving growth rates of 16 percent and 18 percent, respectively, compared to the preceding year. The trajectory indicates a projected higher growth rate for the insurance industry in India over the next decade. Immediate advancements in market penetration and expansion have been propelled by relaxed regulatory measures, rapid digitization initiatives undertaken by industry stakeholders, and heightened awareness among customers. In the passing year, the general insurance industry in India experienced transformative regulatory changes, setting the stage for a dynamic 2024.

In the passing year, the general insurance industry in India experienced transformative regulatory changes, setting the stage for a dynamic 2024. Praising the three big guns of IRDAI, Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance highlighted that while the Bima Sugam platform brings in mass digital access, Bima Vistaar offers a comprehensive insurance product for everyone & everywhere, and Bima Vahak is an initiative that empowers women in rural areas, fostering grassroots insurance awareness and of course spread. The industry is also working on a cashless health insurance claims settlement system, promoting transparency, easing financial burdens, and combating fraud. The introduction of the 'Customer Information Sheet' adds another layer of transparency, offering policyholders a comprehensive overview of the terms and processes of insurance policies.

“Such progressive initiatives will bring about a positive and lasting influence on the industry, augmenting the experiences of our customers and contributing positively to the communities we are dedicated to serving,” he added. On a similar line, Kishore Kumar Poludasu, MD & CEO of SBI General Insurance believes that innovative and practical reforms of the regulator have been implemented swiftly, reflecting their dedication to supporting innovations in the sector.

“To facilitate business operations and streamline the process of establishing an insurance company, IRDAI has also approved a proposal to allow Private Equity (PE) funds to invest directly in insurance companies,” he pointed out. Notably the State Insurance Awareness Plan, fostering collaboration among IRDAI, state officials, government authorities, and insurers has also been implemented. Further, the authority has initiated the journey towards adoption of IFRS 17 and the implementation of risk-based capital and solvency frameworks.

Reshaping Health Insurance

In 2023, the insurance industry observed several significant trends reshaping the landscape of healthcare coverage. One notable trend was the enduring shift towards consumer-driven healthcare. This movement empowered individuals to take greater accountability for their healthcare decisions and associated costs, marking a fundamental change in how people perceive care and coverage. Another prominent trend was the accelerated integration of technology to enhance the customer experience.

"Technologies such as telemedicine, remote monitoring, artificial intelligence, and machine learning continued to gain traction, revolutionizing patient outcomes and care delivery methods. Moreover, the expansion of value-based care models remained a focal point, transforming the healthcare paradigm by prioritizing high-quality care at reduced costs. With the aging population and escalating healthcare expenses, these models became increasingly vital for sustainable and effective healthcare provision," SBI Gen's Chief explained.

Looking ahead, the general insurance landscape anticipates significant developments, especially in health insurance. The Government and IRDAI's active role in strengthening the country's health infrastructure is a key driver for growth, Ritesh Kumar, MD & CEO, HDFC ERGO General Insurance also added. "On the other hand, the National Health Authority (NHA) has launched a slew of platforms like ABHA ID and National Health Exchange to make individual healthcare information accessible along with a seamless claims experience with Industry aiming for 100% cashless claim settlement for the benefit of policyholders Such steps propelled health insurance penetration in the country," he said.

Top Insurance trends of 2023

The pace of both digitisation and digitalisation has been increasing within the General Insurance space for the last few years. This is partly because of the sheer volume of low-value transactions and partly due to the advancement of technology especially in GenAI, ML etc. Insurance companies have been leveraging these technologies to offer personalised products and services like Usage Based Insurance in Motor vehicles, Retail Health insurance tailor-made for individual needs and improved claims services, Kumar of HDFC Ergo pointed out.

He further added that in response to the escalating trend of online transactions and digital interactions, the Indian insurance industry has witnessed a larger investment in robust cyber security infrastructure to safeguard sensitive customer data, counter cyber threats, and ensure the security of digital transactions. "In parallel, 2023 also saw insurers incorporating /implementing robust Fraud Detection engines, to minimise fraud and data thefts which will reduce unwanted losses in the industry and will benefit the genuine policyholders to fight the annual inflation of premium," he said.

Targeting younger population with digitalization

Insurers have a significant technology debt as many processes still run-on legacy systems. Cloud enabled us to collect, store, and analyze extensive customer data. As ecosystems continue to develop, cloud-native insurance providers will be positioned as central hubs among customers, carriers, healthcare providers, vehicle providers, smart home device distributors, and so on, Sharad Mathur, MD & CEO of Universal Sompo General Insurance predicted.

"Insurers are targeting younger populations with relevant products and digital customer experience. Real-time use of alternate data helps with automation and better streamlining of underwriting. Analytics offers quick ROI as well. Microservices improved the customer journey and helped them choose as per their needs. New-age tools give insurers visibility into sales and engagement activities while helping agents analyse data to offer better personalized services," he said.

(The writer is Sheersh Kapoor.)

TOP

Bridging gaps to ensure insurance for all Indians - The Economic Times – 28th December 2023

The Point of Sales Person (PoSP) model, a landmark initiative of the Insurance Regulatory and Development Authority (IRDAI), has emerged as a vital force in reshaping the Indian insurance landscape. In alignment with Prime Minister Narendra Modi's vision of insurance for all Indians by 2047, PoSP has achieved unprecedented growth since its inception in 2015, bringing about a paradigm shift in the accessibility and availability of insurance, particularly in the country's hinterlands. The PoSP agent network has experienced exponential growth, building a network of 20.12 lakh trained agents by FY23. This has been led by insurance intermediaries who have brought in over 65 percent of the PoSP agent pool in just over six years. The model has allowed the delivery of "choice of insurers" to customers by giving them a price discovery platform driven by an advisory layer which is unbiased.

Srinivasan Gopalan, former CMD at New India Assurance and United India Insurance, and director at National Insurance, said, "The PoSP initiative has been a gamechanger in the insurance sector, fostering inclusivity and bridging the gap in areas where traditional channels struggled to penetrate. It has always been challenging to acquire and service insurance customers in India, especially in tier-2 regions and beyond, where insurance mis-selling is an issue, hindering the overall insurance penetration. The PoSP initiative has successfully addressed these issues, empowering individuals and communities previously excluded from the insurance sphere." Anup Wadhawan, former union commerce secretary, added, "The visibly enhanced insurance penetration in PoSP intensive areas reflects the relative efficacy and wide reach of this channel and its alignment with the overarching socio-economic goals of the country. It has laid a strong foundation for promoting inclusiveness in the provision of financial security for our citizens. As PoSP continues to thrive and expand towards achieving its full potential, it will set a benchmark for future initiatives aimed at fostering financial inclusion and insurance coverage across all strata of our society."

Over 75 percent of PoSP agents are new, with over 30 percent being women. About 67 percent of the agents are non-graduates. The PoSP ecosystem has emerged as a significant employment generator, especially for senior citizens, housewives, students, etc. With the PoSP model, India has set the insurance distribution standards that can cover its 140-crore population, a model that the whole world is watching and learning from.

TOP

International insurers expanding in India as FDI cap increase spurs investments: AM Best – Reinsurance – 27th December2023

India's increase of the foreign direct investment (FDI) cap in the insurance sector from 49% to 74% in 2021 has spurred international insurance companies to make significant strides, injecting fresh capital and global best practices into the market to stimulate growth, according to a recent commentary by AM Best.

Since the FDI cap increase, numerous international insurance groups have seized the opportunity to expand their presence in India, transforming minority shares in local insurers into controlling positions. Notably, Zurich Insurance Group has recently proposed a substantial USD 487 million investment in Indian insurer Kotak General Insurance.

AM Best's commentary, titled "International Insurers Seize Opportunities to Expand in India," underscores India's high-growth potential in the insurance sector as a strategic attraction for global insurance players. Michael Dunckley, Associate Director at AM Best, commented on the trend, noting that larger international insurance groups, traditionally concentrated in high-penetration, low-growth developed markets, are actively seeking opportunities to deploy capital effectively.

The investments in India have allowed these global players to assume effective control of local insurance companies and influence their strategic direction. The liberalisation of India's insurance segment, coupled with the infusion of foreign capital, is expected to provide the financial resources necessary for expansion. This influx of international investment is anticipated to encourage knowledge transfer, foster stronger corporate governance, and enhance overall market competitiveness.

The higher FDI inflow is also predicted to bolster underwriting capacity and fuel product innovation, enabling insurers to cover a broader spectrum of risks and supporting increased insurance penetration in India over time.

However, the commentary acknowledges that despite the relaxation of FDI restrictions, foreign investors still need to identify local partners willing and able to hold minority shares in the ventures. Certain restrictions persist, adding an extra layer of consideration for international investors.

(The writer is Akankshita Mukhopadhyay.)

TOP

PI moment for insurance? Bima trinity may be a gamechanger for the sector in 2024 – The Economic Times – 27th December 2023

Through collaboration between general and life insurers, 'Bima Trinity' aims to offer bundled insurance solutions, simplifying the insurance purchase process and ensuring a more seamless experience for policyholders.

In a strategic move aimed at bolstering India's insurance sector, the Insurance Regulatory and Development Authority of India (IRDAI) is set to introduce 'Bima Trinity' in 2024. This innovative three-pronged initiative seeks to revolutionize the nation's insurance landscape, addressing challenges related to penetration, affordability, and accessibility.

A Vision for 2047: 'Insurance for All'

Underpinning 'Bima Trinity' is IRDAI's visionary goal of achieving 'Insurance For All By 2047.' This comprehensive initiative is poised to streamline insurance processes, fostering collaboration between general and life insurance companies to offer bundled solutions for health, life, accident, and property coverage.

Bima Vistaar: A comprehensive coverage solution
Bima Vistaar, the flagship product of 'Bima Trinity,' emerges as a game-changer in the insurance area. It provides a singular policy that encompasses health, life, property, and accident coverage. The finalization of product design and key aspects is near completion, with the Life and General Insurance Councils actively working on the requisite technology platform. The anticipated launch window for Bima Vistaar is the first quarter of FY25, with ongoing efforts to establish the necessary ecosystem for a successful product introduction.

Empowering women with Bima Vaahaks
Under the Bima Vaahaks initiative, a dedicated women-centric workforce will operate at the grassroots level, educating and engaging women heads of households about the benefits of comprehensive insurance. This move not only aims to empower women but also to enhance financial security across diverse demographics.

Bima Sugam: Streamlining processes through a unified platform
Positioned as a 'one-stop destination,' Bima Sugam is set to cater to diverse insurance-related needs, offering a range of services such as policy purchases, portability facilitation, agent changes, claims settlements, and more. The platform enables direct purchases of life, motor, and health policies, with facilitation by web aggregators, brokers, banks, and insurance agents.

Major shareholders in the platform include both general and life insurance companies, collectively offering services through an 'e-insurance account' (E-IA). Bima Sugam is designed to centralize data, streamline policy portability, provide extensive policy options, minimize intermediary commissions, and expedite the acceptance of new/sandbox products.

TOP

2023 a volatile but eventful year for insurance sector — what's in store for 2024? – CNBC - 26th December 2023

The insurance sector in India experienced a volatile but eventually fruitful journey in 2023. Straddled by initial challenges brought on by residual economic factors and conflicts, the sector witnessed substantial transformation due to technology integration and favorable policy reforms.

The progress can be attributed to various factors, including heightened private sector involvement, advancements in distribution capabilities, operational efficiencies by insurers, and the relaxation of norms by the Insurance Regulatory and Development Authority of India (IRDAI).

Prantik Mitra, Director - Client Advisory Group at Alliance Insurance Brokers, highlighted this transformation. "The coverage of insurance and penetration are increasing. There seems to be growing awareness towards retail health insurance and a requirement for Directors and Officers Insurance and Cyber Insurance. With a focus on transparency, fraud reduction, and streamlined processes, the insurance industry in 2023 witnessed growth," he told CNBC-TV18.com.

Technological revolution and personalised policies

Balachander Sekhar, Co-founder of RenewBuy, emphasised the trend towards personalised insurance policies, citing the adoption of telematics in auto insurance as an example. "There has been a consistent change in the nature of insurance buyers. Changing consumer preferences and behaviours influenced the evolution of insurance products and services in 2023," he said. The demand for customised, flexible policies addressing specific needs gained prominence and hyper-personalisation took centre stage, and many insurance companies introduced insurance products to increase consumer outreach this year.

Increased coverage and regulatory evolution

There's been an increase in insurance coverage and penetration, especially in retail health insurance. Regulatory changes have influenced product development, distribution channels, and risk management strategies.

Adding to this, Aditya Dadia, Founder of Alwrite, said, "The unfortunate rise in health issues increased demand for health insurance. Thankfully, insurance providers expanded their product portfolio, tailoring innovative health and wellness solutions to cater to the dynamic health needs of consumers. The emphasis shifted towards preventive healthcare measures in 2023."

In terms of policy, the proposal for 100% Foreign Direct Investment (FDI) in the insurance sector was a game-changer. It sparked hopes for significant foreign capital inflow and created the potential for partnership and growth. In 2023, IRDAI also revealed updated regulations on Expenses of Management (EoM) and commission payments, effective from April 1. This new framework grants insurers increased flexibility in compensating their intermediaries.

Stressing on the initiatives, Sanjiv Bajaj, Jt. Chairman & MD, BajajCapital said. IRDAI's adoption of standardised product structures simplified decision-making for policyholders and enhanced market efficiency by encouraging informed choices in 2023. "The BIMA BHAROSA centralised online portal streamlined complaint registration and resolution tracking, reinforcing insurer accountability and boosting consumer confidence," he said.

Some challenges

Finance Minister Nirmala Sitharaman dealt a blow to the conventional endowment category, a cornerstone of insurers' product offerings. She announced the removal of tax-free status for maturity proceeds from traditional endowment products when the total annual premiums paid by policyholders exceed ₹5 lakh. This ruling applies to policies sold after April 1, 2023. While the Life Insurance Corporation of India (LIC) anticipates minimal impact due to the small proportion (less than 1%) of such policies in its portfolio, numerous other insurers are facing repercussions from this decision. Additionally, higher and more frequent claims and rising medical inflation, particularly post-COVID-19, triggered a rise in health insurance premiums.

Outlook for 2024

Looking ahead to 2024, the insurance industry is set to continue its digital evolution, leveraging AI, blockchain, and data analytics to streamline operations and enhance customer experiences. The future outlook was expressed by Dadia, Founder of Alwrite, emphasising Insurtech's trajectory and the anticipated $339 billion market opportunity by 2025. As per Mitra of Alliance Insurance Brokers, the insurance industry will continue its digital evolution, leveraging technologies like AI, blockchain, and data analytics to streamline operations and enhance customer experiences in 2024.

"Insurtech innovations will continue reshaping traditional models and fostering personalised, on-demand insurance products. The life insurance sector is likely to see growth as more and more corporations tend to look at such insurance for their resources. Consolidation is expected in the insurance broking space. There will be a growing demand for cyber insurance due to escalating cyber threats in the country. There will also be growing demand towards trade credit insurance and D&O Insurance. We shall also see a host of new coverages in the realm of Surety bonds, POS models, affinity models, and the like," he said.

External factors like global events and technological breakthroughs will continue shaping the industry's path forward, experts said. Sanjeev Srinivasan, CEO of ACKO stressed the promise of streamlined processes and improved accessibility for consumers in 2024. "With a growing demand for seamless digital experiences, personalised offerings, and increased accessibility, the insurance industry in 2024 is poised to thrive amid evolving consumer expectations," he told CNBC-TV18.com. Sumit Rai, MD & CEO, Edelweiss Tokio Life Insurance stressed on Bima Trinity initiative.

"This project, which includes Bima Sugam, Bima Vistaar, and Bima Vaahak, is expected to take off next year at different intervals. Bima Sugam, which is an online marketplace encompassing the entire customer journey from buying to servicing, is expected to make the accessibility of insurance much easier. Bima Vistaar promises to be a revolutionary insurance product that seeks to offer affordable protection to the masses. It is expected to be launched by January 2024," Rai said. Bima Vaahak is a women-centric distribution channel at the Gram Sabha level that aims to empower women by educating them about the benefits of comprehensive insurance thus enabling their financial security.

(The writer is Anshul.)

TOP

The 4Cs of insurance marketing in Bharat - The Economic Times - 26th December 2023

Even as the pandemic has created awareness about the importance of insurance universally, the impact has been significantly more in the Tier-2 and Tier-3 cities as well as in rural markets across the country. Customers from these markets, who were conventionally conservative towards insurance, are increasingly seeking details about life insurance. The need of the hour is for insurers to anticipate the potential and tailor their products and communication to address the demands of these markets.

While digital solutions and paperless policies are the norm across the board, servicing customers in Tier-2 and Tier-3 cities entails a unique customised approach. Insurance providers need to be responsive to the needs of these markets in order to effectively meet the expectations of customers. The effort towards enhancing financial inclusion in non-urban areas can be intensive. To simplify, let's broadly classify the initiatives under the 4Cs of Communication, Connection, Convenience and Customisation.

Communication

When you are talking to the customer in the hinterland, first and foremost you are expected to talk in the customer's language. It is not only about knowing the local language but also its nuances and cultural contexts. For instance, during a field visit in Guntur, Andhra Pradesh, where the customer neither understood English or Hindi, I not only conveyed the message through my associate in Telugu, but also made sure to convey my understanding of the customer's needs and my keenness to address them. It is this going the extra mile that makes for effective communication.

One impactful way to communicate with the customer is to take the communication right to their doorstep. For instance, we conduct campaigns in association with regional rural bank branches; this could involve going door to door and inviting villagers to the bima chaupals, where providers and banks join hands to raise awareness and offer products at the same forum.

Technology-enabled tools like video calls, Whatsapp messaging and role-play videos in local languages can be effectively deployed to create awareness and engage with the customer. Companies like IndiaFirst Life are leveraging Lok Mitras and Common Service Centres to reach out to the hinterland customer via video calls. For instance, while the customer is waiting for the Lok Mitra to fill out, say, an Aadhar card application, the Mitra may connect him or her on a video call with an insurance agent to discuss insurance needs.

Connection

Proximity is key. Along with rural banking partners, it also helps to build a network of zonal marketing associates, who have a deep penetration in the most remote corners of the country. Between rural banks and zonal associates, insurance providers can reach out to rural customers, giving them the assurance of being at their doorstep whenever they need support. This physical presence and personal touch, especially if the zonal marketing associates are locals who have a cultural connect with the region, gives the customer immense confidence vis-à-vis the faceless and online interaction that may work in the metro markets.

The hinterland areas are a small-premium, small-coverage market, driven by volumes, and a strong outreach is fundamental to generating volumes. A committed bank branch team with 2,000 active accounts at its disposal can work wonders in terms of building connections with new insurance customers.

Convenience

At a fundamental level, the service across the insurance value chain should be customer-centric, ensuring convenience at every stage – from identifying and signing up for a policy, to renewals and claims. Towards this, besides creating a wow factor through innovative, paperless customer-centric processes, the insurer should have a bucket of bundled insurance products that address every customer need, specifically tailored to non-urban scenarios.

Another dimension to convenience is the ease of payment of the insurance premium. Just like a small daily contribution by a customer towards savings or loan repayment reaps huge benefits in microfinance, similarly micro-insurance can offer the convenience of small payments at regular intervals, removing the burden of a big premium on the smallest of customers, while protecting them and their families against risks and eventualities. Customization

As much as communication, connection and convenience are important for engaging with the consumer in the hinterland, it is equally important to customise the insurance product to their specific needs. A customised solution will not only encourage the consumer to sign up for the policy, but also enable renewals in the years to follow and pave the way for upselling.

The key aspect here is to build products that are customised and relevant to the lives of the locals. To cite an example, funeral expenses and personal debt are a major factor in the hinterland; life insurance policies that cover these factors will touch a chord with customers. Given the small ticket sizes in these markets, bundling micro-insurance products with micro-finance schemes and offering group credit life solutions can yield significant mutual benefits for all stakeholders. India is a severely under-penetrated insurance market, and these 4Cs can smoothen the path of financial inclusions while helping insurers to fulfill the unmet needs of consumers in the emerging hinterland market.

(The writer is Munish Bhardwaj.)

TOP

Bima vistaar: can this proposed all-in- one insurance product help in retirement planning? – Outlook India – 26th December 2023

The Insurance Regulatory and Development Authority of India (IRDAI) is planning to launch a unique all-in-one insurance product called Bima Vistaar soon, which will complement its two other initiatives, Bima Sugam, a one-stop digital platform, and Bima Vahak, a women-led distribution channel, to boost the country's insurance penetration.

Bima Vistaar will provide life, health, and property coverage in a single affordable policy. According to Hindu Business Line, IRDAI expects its launch in the first quarter of FY2025. Bima Vistaar can be a valuable tool in retirement planning as it eliminates the need to purchase separate policies for life, health, and property coverage, providing affordability and convenience.

A senior IRDAI official reportedly told the media outlet that the product's design and other vital aspects, except for the launch platform, have almost been completed. IRDAI's Life and General Insurance Councils are currently reviewing the product, the report quoted the official as saying.

Insurance Trinity
Bima Vistaar is a critical part of IRDAI's "Insurance Trinity" initiative that also comprises Bima Sugam, an all-in-one online platform, and Bima Vahak aimed at ensuring insurance for all by 2047 by bridging the gaps in product design, pricing, distribution, etc. The Insurance Trinity is being developed in consultation with insurers. Earlier this year, IRDAI announced its Bima Vahak plan involving women to distribute insurance products nationwide, including rural areas, where insurance penetration is considered low.

The guidelines for the women-centric insurance distribution channel will be implemented concurrently with Bima Vistaar, which is in the final stages of development. In its October 9 circular, Irdai said its 2023 guidelines would be effective from the date of Bima Vistaar's launch. Regarding Bima Sugam, the plan is to develop relatively small platforms to launch Bima Vistaar and Bima Vahak effectively before integrating them into a larger platform, the report quoted the unnamed official as saying.

Role Of Bima Vahaks
As planned, Bima Vahaks will be deployed in each gram panchayat by December 31, 2024. Bima Vahaks are registered individuals or legal entities providing services as outlined in the guidelines. Bima Vahaks goal is to establish a dedicated distribution channel to enhance insurance inclusion and raise awareness in every village and gram panchayat. The initiative seeks to improve insurance accessibility across the country by identifying and developing local people who understand and appreciate local needs and have the trust and confidence of the local population in their respective areas.

"Bima Vahaks shall be deployed in each gram panchayat before December 31, 2024. Lead insurers of each state and/or Union Territory (as in annexure) shall coordinate the deployment of resources to ensure maximum coverage of gram panchayats," Irdai said in the notification. Bima Vahaks will be involved in various activities, including completing proposal forms, fulfilling know-your-customer (KYC) requirements using handheld electronic communication devices, issuing insurance policies, and providing support for policy and claims-related services.

TOP

Insurance trends that will reshape India's financial landscape in 2024 - The Economic Times – 25th December 2023

India's insurance sector has seen a remarkable evolution over the past two decades. In the backdrop of this period, the Indian society has navigated away from the traditional financial safety nets ingrained in joint family systems. The replacement of a suitable alternative to that safety net, however, was a slow endeavour. What hindered insurance from filling this gap immediately was a lack of prevailing mistrust in the concept of insurance.

Over the past two decades, the landscape has been reshaped by the integration of technology and the maturation of regulatory frameworks spearheaded by the IRDAI. The last two-three years, influenced by the transformative effects of the post-Covid new normal, have not only borne witness to substantial shifts but have also laid the groundwork for compelling trends anticipated to unfold in the insurance sector as we embark on the journey into 2024.

Evolving Customer Centricity

In the insurance world, the most pivotal change is happening in the way it relates to customers. It's moving from models that were about distributing, to ones that are all about the customer. This change is here to stay; the insurance industry has made big steps towards making things easier for customers. Hyper digitization has facilitated virtual onboarding, telemedicals, and streamlined renewal and claim processes, ushering in heightened efficiency for end-users. Innovations in product offerings have transitioned from the erstwhile one-size-fits-all approach to a more nuanced, segmented, and personalized paradigm, exemplified by dynamic options such as Pay-As-You-Go car insurance and the expansion of health coverage to encompass mental health, OPD costs, and new-age treatments.

Stronger underwriting and growing customer trust will propel the growth of the industry. On the Health Insurance front, increasing the affordability of plans will go a long way in protecting India's missing middle. India has a huge, growing middle-class population. By 2047, this section is expected to be almost 50% of India's total population. Making sure that they have access to ease in buying and speed in processing is the key to protecting them. On the Life Insurance front, the regulator's initiatives like relaxation in distribution structure and expenses of management have helped immensely. This fiscal year, the Life Insurance industry has grown at 6-7% with private players' growth at 10-12% despite the taxation impact on big-ticket policies.

Improving customers' perceptions around insurance

The perennial challenge for the insurance industry is to tap into the mindset of consumers, where insurance is often viewed only as a tax-saving tool. Insurance products have historically been viewed primarily as the protection that needs to be created before underestimation of investment. However, the change is underway. Transparency and technology have gradually changed the image of the industry, positioning insurance as a responsible social product. Emerging insurance technologies play a vital role in creating a user-friendly environment that will increase trust in the insurance process Innovations including speech recognition, virtual assistance, fraud discovery, centralized system comparisons and 24X7 support have created another groundbreaking revolution that is expected to be on the horizon.

Collaboration between Insurtech and traditional insurers:
As we move towards 2024, the insurance industry is poised for enhanced collaboration between traditional insurers and insurance technology, combining the wealth of experience of established players with the flexibility of processes supported by insurance technology. This collaboration wants consumer-focused products with more reproductive empathy. Notable achievements have been a significant reduction in fraud performance, showing a 90% reduction according to statistics, attributed to immediate technical intervention measures, support one click, and easy searchability are tangible results that suggest a deeper and stronger collaboration ahead.

Extending insurance in rural India:
The dream of a financially secure India will continue to stay out of reach as long as insurance remains limited to only the major cities in the country. The true potential of insurtech lies in its ability to reach potential customers in rural and semi-urban areas, creating more opportunities for them. By offering simpler products and processes, and establishing easy access points, insurtech is paving the way for progress. With the widespread use of smartphones, insurtech has the advantage of reaching even the most remote areas. As we look towards 2024, the insurance industry has already experienced significant changes as insurtech combines the power of technology with the 'feet on street' approach to attract users from underserved sections of society and works towards a realistic Har Family Hogi Insured.

(The writer is Sarbvir Singh.)

TOP

Riding on innovation, leveraging technology, deepening penetration: Way ahead for Indian Insurance Industry – The Economic Times – 23rd December 2023

The Indian insurance industry is at an eventful and exciting crossroads. With the Indian economy aiming to become the world's third largest economy by 2030; the country's middle-class population is expected to grow to over 47 percent by 2030-31 and increasing awareness among individuals on the need for insurance, we have both the opportunity as well as the environment for growth. Penetration across both life and non-life segments has been steadily growing indicative of the immense potential that is yet to be explored. According to Invest India, there is scope to add over $7.8 billion each year between 2020-30 in estimated life premiums given the existing protection gap.

The year 2023 accelerated the pace of this momentum with strong policy measures being announced. The Insurance Regulatory and Development Authority of India (IRDAI) had already set the wheels in motion for this with its 'Insurance for all by 2047' plan, an ambitious mission aligned with India's agenda of inclusive growth. In 2023, we saw significant steps in this direction with work being undertaken on a war footing towards readying the Bima Trinity - Bima Sugam, Bima Vistaar and Bima Vaahaks.

The Bima Sugam is envisaged to be a digital platform that will make information around insurance products easily available and accessible to consumers. At the same time, it is also likely to reduce distribution costs for insurers. Bima Vistaar is a one-of-its-kind insurance product that is believed to be instrumental in furthering the 'Insurance for all' mission. Bima Vaahaks, primarily women, are being considered as the key drivers of access by making last mile communication effective. Further, the announcement of state level insurance plans with insurance players being assigned specific states to target various districts, cities and towns in a systematic manner and deepen penetration will be a major boost.

Apart from this, the regulator has brought attention to making information around insurance for consumers accessible by setting up a panel to simplify the wordings of insurance policies. While several of us in the insurance industry have already made efforts in this direction, the regulator's spotlight on the subject will ensure steady progress on this front. It will become imperative as we begin to explore newer demographics and geographies in the quest for making insurance available to all. Simplicity in communication will not just make insurance accessible to consumers, it will also help us convey our proposition clearly.

This also brings us to another key feature that has dominated the insurance landscape in 2023 - sensitivity to evolving customer needs. The year has witnessed the evolution of a number of microinsurance plans, customisations and several niche offerings that are in step with customer life stages, making insurance a part of their financial aspirations. This has also meant that insurers are segmenting customers thoughtfully and reaching out with relevant offerings and solutions when a customer needs them. Earlier in the year, the IRDAI had issued new rules on commissions paid out to insurance agents and intermediaries. [5] Lifting the cap on commissions paid and allowing insurers to decide the proportion while maintaining Expenses of Management (EoM) has been a game-changer. This will allow insurance players to incentivise differently for different types of offerings, invest energies on product innovations and also positively impact penetration.

Technology, which has become indispensable to the industry, has and will continue to play a critical role in acquisition as well as engagement and retention. Many new entrants to the sector have built digital-first/digital-only models while the rest of us are leveraging technology as a lever to better our reach and optimise efficiencies and costs in the process. Embedding technology across the consumer lifecycle has also enabled us to communicate in a hyper-personalised manner, aiding engagement and retention. In an era where aware consumers are spoilt for choice, precise communication can make a marked difference. The industry is increasingly leveraging technology for more complex yet crucial tasks like video-based KYCs, among other things. The potential, however, for using latest techinnovations for risk-based assessments and settling claims in real time in a quick and efficient manner and customising offerings is immense. At the same time, the industry is also equally focused on safeguarding against cyber threats.

Clearly, 2023 has been a year of noteworthy action for the insurance industry. It has given the sector a much-needed shot in the arm to train its sights on aggressive growth through technology-led innovation, hyper-personalisation and experimentation. The year 2024 holds many-a-challenges and just as many opportunities, waiting to be explored.

(The writer is Ashish K Srivastava.)

TOP

Alphalake AI unveils alphadox: a revolutionary big data solution for the insurance industry – Business News This Week – 23rd December 2023

Alphalake AI, a leading innovator and service provider specializing in process automation and workflow integration for health and human services industries, proudly announces the launch of its groundbreaking digital product, AlphaDox. This cutting-edge solution marks a significant advancement in the automation of Insurance certificate creation by seamlessly accepting data inputs in Excel or CSV formats and streamlining the process of generating and emailing certificates in bulk.

AlphaDox distinguishes itself with unparalleled speed and performance, processing up to 1000 files in under 100 seconds through highly efficient multithread processing. What sets this tool apart is its ability to seamlessly operate across on-premise and Cloud environments in a fully integrated and hybrid manner. Currently employed as a groundbreaking automation solution by a prominent player in the Indian Insurance sector, Alphalake is now extending this capability to the broader market.

Engineered for scalability, AlphaDox empowers businesses to effortlessly add or remove data points, facilitating swift adaptation to new Insurance policy templates and regulatory requirements. The official launch event for AlphaDox took place at Alphalake's Mumbai office. Alwin Fernandes, Director of Operations at Alphalake AI, expressed excitement about the potential impact of AlphaDox on the insurance industry. He stated, "We believe that AlphaDox will be a significant enabler for the Insurance industry, simplifying the management of large data volumes, reducing turn-around times, and enhancing overall efficiency in insurance workflows."

AlphaDox delivers comprehensive log reports after each bulk operation, offering on-demand or notification-based insights into both successful and unsuccessful transactions. This transparency ensures that customers can quickly address and resolve errors as they occur. As a microservices product, AlphaDox exemplifies Alphalake's commitment to providing clients with cutting-edge tools, fostering a flexible and multi-tooled approach to overcoming challenges. The product's easy, practical, and cost-effective intelligent document processing provides scalability to streamline complexities for various customers across regions and sectors facing similar challenges. Alphalake AI also unveils a guiding principle for AlphaDox: "Empowering Insurance Efficiency through Innovation." This quote encapsulates the company's dedication to advancing the industry through transformative technology.

(The writer is Mansi Praharaj.)

TOP

Indian insurance sector saw landscape changing in 2023 - The Economic Times – 22nd December 2023

The Indian insurance sector adapted to the changing landscape during the year 2023 with some regulatory changes, digitalisation, said top industry officials. The year also saw the government not proceeding in favour far reaching controversial amendments to the insurance laws that stood the test of time.

"The year 2023 saw some market-moving developments for the industry including the government's decision to levy tax on income arising from insurance policies with an aggregated premium worth Rs 5 lakhs every year, starting April 2023," Sumit Rai, Managing Director and CEO, Edelweiss Tokio Life Insurance Company Ltd told IANS. He said that there was a sustained emphasis on digitalisation to reimagine customer and distributor management processes.

"The Insurance Regulatory and Development Authority of India (IRDAI) brought multiple reforms, focussing on three prominent themes – strengthening the ecosystem, improving accessibility & reach, and safeguarding policyholders' interest," Rai added. The year that is going to end saw IRDAI trying to ease the way of doing business for the insurers – life and non-life- by cutting down the paperwork.

"The introduction of 'use and file' method for launching life insurance products dispensing with filing of some documents gave the insurers the freedom to design products as well as fixing accountability on the insurer by filing compliance certificates by the CEO," C.L. Baradhwaj, Executive Vice President (Legal & Compliance, Future Generali Life Insurance Company Ltd told IANS.

He said that the IRDAI deregulated the payment of commission to the intermediaries, issued guidelines on remuneration for Non-executive Directors and Key Management Persons in order to promote accountability of senior management team by linking their performance and remuneration to key company performance parameters.

Baradhwaj said the sectoral regulator in order to increase the insurance penetration brought in a new distribution channel at the village level through its guidelines on “Bima Vahaks” to market parametric product “Bima Vistaar.” According to Anil Kumar Aggarwal, Managing Director and CEO, Shriram General Insurance Company, the sector adeptly adapted to a changing landscape, prioritising digital transformation. “Regulatory changes influenced market dynamics, urging companies to enhance flexibility, innovation, and responsiveness,” Aggarwal told IANS.

As regards the industry trend, Aggarwal said the digitalisation emerged as a transformative trend and major players invested in the same. “Rapid adaptation allowed us to align our services with evolving consumer expectations,” Aggarwal added. With regard to mergers and acquisition (M&A) activity in the sector, Aggarwal said it was moderate, reflecting a cautious approach. “Strategic alignments were observed, signaling the industry's proactive response to evolving market dynamics and fostering a more competitive landscape. A measured acceleration in M&A activity is plausible next fiscal year.

Companies are likely to explore synergies to navigate challenges and foster a more resilient and competitive industry landscape,” Aggarwal remarked. One of the disappointments for the insurance industry in 2023 was the decision of the government not to move ahead with the controversial amendments to the insurance laws that was proposed in 2022. By amending the insurance laws, the central government had proposed to allow regional insurance companies, reduce minimum startup capital from Rs.100 crore, change investment norms and other measures. The first Chairman of IRDAI N.Rangachari had told IANS that measures proposed by the government may result in mushrooming of small insures and the return of pre-1956 period.

Prior to 1956, there were several hundreds of small life insurers who were issuing policies in a restricted manner and sold in an unrealistic manner, while claims were not paid. Queried about their expectations as to 2024 Aggarwal said it would be transformative, with continued digital integration, regulatory clarity, and strategic partnerships being pivotal for sustained sectoral growth. On his part Rai said the IRDAI licensed three new players in 2023 and it is expected more number of players to be allowed next year. “IRDAI has said that it is looking to issue licenses to 20 new insurers in the immediate future. Additionally, the regulator is also likely to relook the capital requirements, making it entry of new players easy. With an increased competitiveness in the market, the sector will see more innovation, improved distribution models, automation and more,” Rai said. “One of the awaited developments of 2024 is that the government will table the Insurance Laws (Amendment) Bill 2022 as it has the potential to bring another round of positive reforms and bolster growth prospects of the industry,” Rai added.

He said the Bima Trinity - Bima Sugam (online marketplace), Bima Vistaar (affordable protection to masses) and Bima Vaahak (women centric distribution channel)- initiative of IRDAI with a target to provide insurance for all by 2047 is expected to take off next year at different intervals. “We expect the regulator to proactively push the industry to leverage technology including new-age solutions like artificial intelligence and machine learning to create better and simplified solutions (insurance products). We will see more niche products coming into the market in the medium-term as the overall efforts of the regulator through initiatives like state-level insurance project provide higher clarity of nuanced needs of the customers across geographies,” Rai said. The year also saw the four government owned general insurance companies - National Insurance Company Ltd, Oriental Insurance Company Ltd, United India Insurance Company Ltd and The New India Assurance Company Ltd – carrying out restructuring measures. The rejig measures were suggested by the consultancy firm EY.

TOP

All-in-one insurance product, Bima Vistaar, to be rolled out in Q1 of FY25 – The Hindu Business Line – 22nd December 2023

Bima Vistaar, the first of its kind all-in-one affordable insurance product for life, health, and property cover, is set to be rolled out in the first quarter of the next financial year. “The product design and other key aspects for rolling out Bima Vistaar have almost been completed. We need a technology platform to launch the product, which is being looked into by the Life and General Insurance Councils,‘ a senior official of the Insurance Regulatory and Development Authority of India (IRDAI) told businessline on Friday.

Product roll out
"In all probability, the product will be rolled out in the first quarter of FY25," the official said, adding that the ecosystem required for the launch of the product is being put in place." The launch of Bima Vistaar is significant because it is part of the "Insurance Trinity," along with Bima Sugam, a one-stop digital platform; Bima Vistaar; and Bima Vahak, a women-led field distribution force. These are all major components of IRDAI's vision to achieve insurance for all by 2047 while bridging the existing gaps in product design, pricing, and distribution, among others.

"It is noteworthy that the insurance industry is also looking forward to the launch of the product and is bullish on it. The regulator is not in favour of imposing any policies or decisions on the insurers, and everything is being done in a consultative manner," the official said.

Bima Vahak
The launch of Bima Vistaar will also bring Bima Vahak, the women-led insurance distribution channel. The guidelines for putting the channel in place have already been issued, and the regulator said the Bima Vahak guidelines will come into effect with the rollout of Bima Vistaar. IRDAI believes that women 'Vahaks' will be better positioned to convince women members of rural households of the need for affordable social security and take cover through Bima Vistaar.

On Bima Sugam, the official said there has been 'great interest' in the mega digital platform not only from the domestic insurers but also from those abroad. "The first task is to develop relatively small platforms to launch Bima Vistaar and Vahak effectively. Later, these can be integrated into the larger platform of Bima Sugam," he said. New technologies, including artificial intelligence (AI) and machine learning (ML), are being used to create a digital platform to reach last-mile connectivity in insurance.

(The writer is B Naga Sridhar.)

TOP

INSURANCE REGULATION

Claims ratio of health cover segment back to pre-Covid level: Irdai – Financial Express – 29th December 2023

The claims ratio of health insurance segments have fallen to FY19 levels after a spike during the peak of the Covid-19 pandemic. The net incurred claims ratio of health insurance business dropped to 89% in FY23 as compared to 109% and 94% in FY21, data from the Insurance Regulatory and Development Authority of India's (Irdai) annual report 2022-23 show.

Death claims from life insurance came down 32% to Rupees 41,457 in FY23 from Rupees 60,822 crore in FY22. Sector-wise, the net incurred claims ratio (net incurred claims to net earned premium) of public sector health insurers dropped to 105% in FY23 from 126% in FY22. For private sector health insurers, it dropped to 87% in FY23 from 105% in FY22. For standalone health insurers, it dropped sharply to 62% from 81% during the same period.

Segment-wise, the net incurred claims ratio of individual health businesses came down to 76% in FY23 from 96% in FY23. For group business, it fell to 96% from 119% during the same period. The gross direct premium (within India) of non-life insurers grew 16.4% to Rupees 2.6 trillion in FY23 as compared to Rupees 2.2 trillion in FY22. The premium underwritten from Health (including personal accident) grew 21% year-on-year to Rupees 97,664 crore in FY23 from Rupees 80,502 crore in FY22.

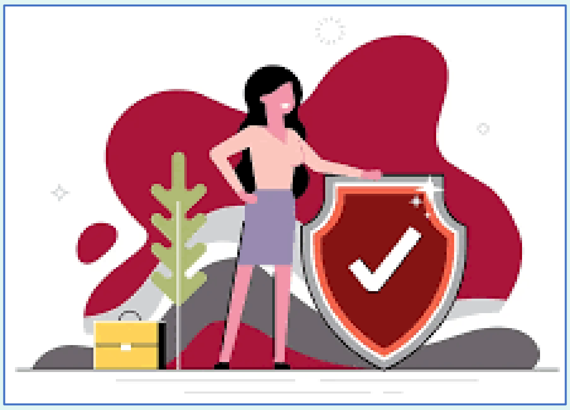
The health segment accounts for 38% of the total premium of general insurers. Five states — Maharashtra, Karnataka, Tamil Nadu, Gujarat and Delhi — contributed about 64% of the total health insurance premiums in FY23. During FY23, general and health insurers paid Rupees 70,930 crore for 23.6 million health insurance claims. The average amount paid per claim was Rupees 30,087.

Two-thirds of the claims were settled through Third Party Administrators (TPAs) and the rest were settled through in-house mechanisms. The annual report, citing data from Swiss Re Sigma Report, says that India's overall insurance penetration dropped to 4% in 2022-23 from 4.2% in FY22. The same from life insurance dropped to 3% from 3.2% during the same period. For general insurers, it remained stagnant at 1%.

(The writer is Saikat Neogi.)

TOP

IRDAI report shows marginal decrease in life insurance policies sold to women in India – BNN – 28th December 2023



In an invigorating revelation, the Insurance Regulatory and Development Authority of India (IRDAI) has presented a study showcasing a marginal decrease in the ratio of life insurance policies sold to women in India. The fiscal year 2022-23 saw a shift from 34.7% to 34.2% compared to the previous year, translating to 97.38 lakh policies out of 2.84 crore in total.

The Gender Divide and Regional Disparity
The Life Insurance Corporation of India (LIC), the largest life insurance company in the country, sold a higher fraction of policies to women (35.81%) as compared to private insurers (30.13%). This disparity brings to light the differing strategies and target demographics of public and private entities in the insurance sector. In a geographical perspective, Karnataka, Kerala, Mizoram, Sikkim, and Meghalaya led the way with the highest shares of policies sold to women. However, Ladakh, Haryana, Jammu & Kashmir, Uttar Pradesh, and Gujarat lagged behind with noticeably lesser shares.

The Claim Settlement Quandary
A significant finding in the study was the marginal dip in the life insurance claim settlement ratio, sliding from 98.64% to 98.45%. Both LIC and private insurers witnessed a decrease in their claim settlement ratios, indicating a potential area of concern for policyholders. In a parallel vein, the health insurance sector presented a different narrative. While 85.66% of claims were settled by policy count, only 71.62% were settled by the amount paid, pointing to a trend of partial settlements and revealing the ongoing battle between inflated hospital costs and insurers' hesitations to fully reimburse these costs.

Insurance Penetration: A Gradual Decline
Despite the ambitious 'Insurance for All' goal set by the IRDAI for 2047, the study noted a slight drop in insurance penetration in India. Life insurance penetration dwindled from 3.2% to 3%, and non-life insurance remained stagnant at 1%. Overall, insurance penetration experienced a dip from 4.2% to 4%, a disconcerting trend in a country where insurance is yet to gain widespread acceptance. However, a silver lining emerged with a slight increase in insurance density in the life insurance sector, hinting at the potential for a gradual shift towards better insurance coverage.

(The writer is Rafia Tasleem.)

TOP

50% of complaints against pvt life insurance companies in 22-23 were unfair business practice grievances: IRDAI - The Economic Times – 27th December 2023

Fifty percent of total grievances lodged against private life insurers in 2022-23 were complaints about unfair business practices, according to the IRDAI's annual report for FY2022-23. The report was released on the Insurance Regulatory and Development Authority of India (IRDAI) website on December 27, 2023.

Total number of grievances lodged against public sector life insurers in 2022-23 was much higher at 81,494 as against 45,884 grievances lodged against private sector life insurers. However, the share of unfair business practices (UFBP) grievances in the total grievances was much higher in case of private sector at 23,129 which is 50.4% of 45,884. As against this, the percentage of UFBP grievances in total grievances against public sector life insurers in India was only 3.65% (2978) in 2022-23, as per the annual report.

The total number of grievances lodged against all life insurers in India decreased from 1,54,826 in 2021-22 to 1,27,378 in 2022-23, as per the report. Grievances against private sector life insurers increased from 40,624 in 2021-22 to 45,884 in 2022-23 whereas those against public sector life insurers fell from 1,14,202 to 81,494. Here, it is worth mentioning that the share of public sector life insurers in the life insurance industry as such is higher than that of the private sector as of now.

Grievances on Unfair Business Practices registered against life insurers

Grievances	2021-22			2022-23		
	Public	Private	Total	Public	Private	Total
Total No. of grievances on Life Insurers	1,14,202	40,624	1,54,826	81,494	45,884	1,27,378
No. of UFBP grievances	3,509	22,207	25,716	2,978	23,129	26,107
Share of UFBP grievances to total grievances (%)	3.07	54.66	16.61	3.65	50.41	20.50
Share of UFBP to new policies sold (%)	0.02	0.3	0.09	0.04	0.11	0.09

Source: IRDAI annual report

The report also states that in order to provide a channel to receive grievances against insurers, IRDAI has set up a Grievance Call Centre. It has also put in place the Bima Bharosa portal as an online system for grievance management that is not only a gateway for registering and tracking grievances online but also acts as an industrywide grievance repository for to monitor IRDAI disposal of grievances by insurers. The total number of grievances registered against life insurers declined by about 17.73 per cent in 2022-23 from previous year and the ratio of total Unfair Business Practices grievances to new policies issued remained at 0.09 per cent in 2022-23.

Insurers have been advised to take up the issue of mis-selling seriously by doing a root cause analysis to identify the major causes, says the report. Some of them are: ascertain suitability of product, place controls on various channels based on the vulnerability of the channel and have a strategy on dealing with complaints of mis-selling. The definitive way of reducing mis-selling is to make the members of the public aware of the concept of insurance, kinds of insurance policies, risks covered, benefits offered, exclusions, and conditions etc. This is sought to be achieved through various efforts of financial education to improve financial literacy, the report adds.

(The writer is Pragati Kapoor.)

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Life insurance companies paid over Rs 42,000 crore as commissions in FY 2022-23: Irdai report - The Economic Times – 27th December 2023

The Insurance Regulatory and Development Authority of India (Irdai) has released its FY 2022-23 annual report. As per the report, the life insurance companies paid a total commission of Rs 42,322 crore during FY 2022-23. The commission expenses slightly increased to 5.41% in FY 2022-23 from 5.18% in FY 2021-22. The percentage is expressed in terms of commission paid as the percentage of the premium received.

This comes as a surprise as the growth in commission payment has been much more than the growth in premium. Total commission outgo increased by 17.93% during FY 2022-23 compared to the previous year as per the annual report. However, the total premium grew by 12.98% during the year, per the report.

Private life insurers are catching up with LIC in higher commission payment
Further analysis of the commission data reveals that there is a marked difference between public and private life insurers when it comes to commission payment rise. Private-sector life insurance companies paid more money as commissions as compared to public-sector life insurance companies. The ratio of first-year commission to premium received in private sector companies grew from 10.94% in 2021-22 to 15.78% in FY 2022-23 - an increase of almost 5%.

However, despite this spike in private sector commission payment it is still very less than what is paid by the LIC of India. There was a very low growth in the public sector company's first-year commission increased from 26.55% to 27.61% - a hike of approximately 1% only.

What comes as a surprise that this growth in commission payment by life insurance companies has come despite a dip in the first-year premium collection. For private-sector companies, the first-year premium collection decreased from Rs 73,943.39 crores in FY 2021-22 to Rs 70,834.75 crores in FY 2022-23. However, for public sector companies, the first-year premium collection increased from Rs 36,649.35 crores in FY 2021-22 to Rs 39,089.94 crores.

Where is this higher commission going?
A life insurance company offers different types of policies such as Unit-linked, term insurance, and non-linked endowment policies. Assessment of the IRDAI data suggests that there has been a substantial increase in the premium collected from non-linked policies (such as endowment plans, term plans etc.) as compared to unit-linked policies. After multiple reforms by IRDAI the commission structure in ULIPs were reduced significantly however the higher commission structure on non linked traditional plans continues.

The premium collected from non-linked policies - offering life coverage - increased from Rs 4,45,678.26 crore to Rs 5,05,741.57 crore. On the other hand, linked policies insurance premiums collected grew from Rs 88,625.45 crore to Rs 91,479.51 crore. Traditional products contributed to 86.59% of the total premium collected and the share of ULIPs stood at 13.41%.The business from traditional products grew by 14.40% and the same for ULIPs is 4.61%.

This means that private life insurance companies are focusing more on selling non linked plans including endowment plans than UILIPs which has resulted in higher growth in commission payment. There has also been a substantial increase in the profit of the life insurance industry. The profit of the life insurance industry grew by 452% in 2022-23 with a profit after tax of Rs 42,788 crore as against Rs 7,751 crore in FY 2021-22. The substantial increase in profit is due to increase in the LIC's profits as announced in the annual results.

(The writers are Preeti Motiani and Naveen Kumar.)

TOP

LIFE INSURANCE

India's insurance sector saw 25% rise in surrenders and withdrawals from life insurance policies in 2023 - Business Today – 28th December 2023

The year 2022-23 has seen a surge in the surrenders and withdrawals of life insurance policies. It has increased by 25.62 per cent to Rs 1.98 lakh crore compared to Rs 1.29 lakh crore in 2021-2022. The jump has been attributed to several factors ranging from rise in inflation and issues related to mis-selling of insurance policies. According to the 2022-2023 annual report of Insurance Regulatory and Development Authority of India (IRDAI), the life insurance sector disbursed total benefits amounting to Rs 4.96 lakh crore, approximately 64.08 per cent of the net premium. Interestingly, the benefits paid due to surrenders or withdrawals rose remarkably by 25.62 per cent to 1.98 lakh crore. This increment was dominated by public sector insurers, accounting for 56.27 per cent of the total, with the remaining being accounted for by private insurers. Moreover, out of the total surrender benefits, 62.51 per cent were from unit liked policies for private insurers and 1.56 per cent for the public life insurer.

Compared it to the previous year that total benefits paid in the fiscal year 2021-22 stood at Rs. 5.02 lakh crore, approximately 73.10 per cent of the net premium. This included a major contribution from LIC, who accounted for 70.39 per cent of the total payments, with the remaining 29.61 per cent coming from private players. The surrender benefits for 2021-22 were centered primarily on ULIP policies, with LIC paying out 1.96 per cent and private insurers at a high of 78.29 per cent.

Swiss Re forecasts global premiums for life insurance to grow by 0.7 per cent in real terms in 2023 in comparison to the 10-year trend of 1.3 per cent growth. High inflation leading to high level of policy surrenders is likely to impact the profitability of the sector, as per the IRDAI report. The report also provided insights into death claims in the individual life insurance sector for the year 2022-23. Out of the total 10.76 lakh death claims, 10.60 lakh were settled by companies, equaling a total payout of Rs. 28,611 crore. Meanwhile, there was a rejection of 4,340 claims amounting to Rs 24 crore. According to statistics, the industry's settlement ratio decreased to 98.45% in 2022-23 from 98.64 % in 2021-22.

(The writer is Teena Jain Kaushal.)

TOP

Life insurers' premium income rises nearly 13% to Rs 7.83 trillion in FY23 - Business Standard - 27th December 2023

Premium income of life insurance companies grew 12.98 per cent to Rs 7.83 trillion in fiscal 2023 while that of general insurers increased by 16.4 per cent to Rs 2.57 trillion, as per the Irdai's annual report released on Wednesday.

Private sector life insurers have clocked a growth of 16.34 per cent in premiums, while the public sector life insurer recorded a 10.90 per cent rise in premiums, the Insurance Regulatory and Development Authority of India (Irdai) said in its Annual Report 2022-23.

Renewal premium continues to contribute the majority of total premiums underwritten by life insurers at 52.56 per cent in 2022-23. The rest 47.44 per cent is contributed by the new business premium. However, the growth in new business premium was higher at 17.90 per cent compared to renewal business at 8.88 per cent, as per the report.

During 2022-23, Irdai said, life insurers issued 284.70 lakh new policies under individual business, out of which public sector insurers issued 204.29 lakh policies (71.75 per cent) and private life insurers issued 80.42 lakh policies (28.25 per cent). Profit after tax of the life insurance industry grew over five-fold to Rs 42,788 crore in 2022-23 against 7,751 crore in the preceding fiscal.

The public sector reported 800 per cent profit profit, while private insurers together registered an increase by 72.36 per cent in 2022-23. The life insurance industry reported gross expenses of management of Rs 1.31 trillion during 2022-23, 16.88 per cent of the total gross premium. As per the report, the non-life insurance industry has underwritten a total direct premium of Rs 2.57 trillion in India, registering a growth of 16.40 per cent from the previous year.

As many as 27 private sector insurers (including standalone health insurers) have underwritten Rs 1.58 trillion against Rs 1.30 trillion in 2021-22. Public sector general insurers constitute 38.42 per cent of the market share, while the private sector general insurers have the remaining 61.58 per cent. Commission expenses and operating expenses constitute a major part of the total expenses.

The gross commission expenses of public sector general insurers, private general insurers, standalone health insurers and specialised insurers stood at Rs 6,341 crore, Rs 10,192 crore, Rs 3,487 crore and Rs 125 crore, respectively for 2022-23. The underwriting losses of non-life insurers increased to Rs 32,797 crore in 2022-23 (Rs 31,810 crore in the previous year). The losses increased by 3.11 per cent over the previous year.

As per Swiss Re Sigma Report, the life insurance penetration in India has been reduced from 3.2 per cent in 2021-22 to 3 per cent in 2022-23 and the same for the non-life insurance sector remained at 1 per cent in both these years, Irdai said. As such, India's overall insurance penetration reduced to 4 per cent in 2022-23 from the level of 4.2 per cent in 2021-22.

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Life insurance firms to seek more time from IRDAI to assess changes in policy surrender fees – The Telegraph – 27th December 2023

Life insurance companies may seek more time from the regulator IRDAI to evaluate the proposed modification to the surrender value of non-linked life insurance policies. Insurers are worried an increase in the surrender value will impact their margins in case of non-participating policies and discourage persistency. However, the increase in surrender value is expected to encourage more uninsured individuals to opt for long-term policies.

Earlier this month, IRDAI came out with an exposure draft on a more encompassing product regulation. It seeks to repeal six regulations following recommendations of the regulation review committee. Comments were sought till January 3, 2023, which may see an extension. A key change is the rules on surrender value: the amount payable on the withdrawal or termination of a policy during the term.

The regulator has proposed the creation of a premium threshold for each product, which sources said lacks definition and clarity. “There shall not be any surrender charges imposed on the balance of premiums beyond such threshold limits, irrespective of the time of surrender,” the draft regulations said.

“The proposed changes in the surrender charges are looking to eliminate any surrender penalty above the threshold premium, which means a material and increasing change in the surrender value for higher ticket policies with increased premium," Emkay Research said. "The proposal is still in the draft stage, to be applied prospectively, and there is no clarity on threshold premium, making it extremely difficult to gauge the extent of the impact on individual life insurers.”

There is however an initial understanding that the higher surrender value payout could impact the value of new business margins. While proposing the changes, the regulator has said the surrender value shall be fair and reasonable to the policyholders and shall be close to the expected maturity value towards the end of the term. But there is a flip side. “The accidental outcome of the proposal by the regulator, to improve policyholders’ friendly aspect, is an indirect nudge or encouragement towards surrenders – and this goes against the philosophy of positioning life insurance as the long-term savings and protection product,” Emkay said.

TOP

A wrap up of select insurance soundtracks of 2023 – Businessworld – 27th December 2023

As we bid adieu to 2023, a year tinged with economic volatility and geopolitical tremors, the life insurance industry finds itself at pivotal crossroads. While external headwinds persist, the internal compass points firmly towards growth and reimagination. Here’s a look at the four dominant trends that shaped the Life Insurance Sector in India this year.

Consumer Centricity: Insuring Smiles, Not Just Assets
The winds of change have blown in a refreshing direction for consumer-centricity in life insurance. Millennials and Gen Z, comprising over 40 per cent of policyholders, are emerging as key drivers of

growth; their unique preferences shaping the landscape. Demand for personalised insurance solutions surged in 2023. Consumers prefer policies that align with their unique lifestyles and financial goals.

They seek solutions that are both flexible and customized, desiring seamless omnichannel experiences and value-added services that go beyond the conventional death benefit[iii]. They prefer term insurance with riders as they further fortify a term insurance policy. For example: the accidental death benefit rider or a disability rider, which provides an additional sum assured in the event of the policyholder's demise or disability due to an accident, enhances the financial protection offered by the base term insurance policy, ensuring comprehensive coverage against unforeseen circumstances.[iv] They seek bite-sized insurance products. For example: A specific illness policy that covers Dengue, or a travel insurance that safeguards your backpack or a cab ride insurance that insures passengers in the hired cab in case of accidents or thefts.[v] Insurers will continue to innovate and offer tailor-made products that resonate with the diverse preferences of the Indian demographic.

Regulations: The New Kid on the Agility Block

Regulatory bodies have displayed remarkable agility and boldness in responding to emerging challenges and opportunities in the dynamic insurance sector, with the Insurance Regulatory and Development Authority of India (IRDAI) at the forefront. For example, the use and file method gives an insurer the flexibility to modify its product basis the change in underlying assumptions; allowing addition of new funds in existing products; and launching new plans for specific customer segments, such as individuals prone to diabetes.[vi] There is an increased focus on enhancing transparency and consumer protection[vii]. 2023 witnessed the evolution of standardized disclosure practices, empowering consumers with clear and comprehensive information to make informed decisions about their life insurance investments. The Regulator has mandated each life insurer to adopt a state and drive insurance awareness and penetration under State Insurance Plan initiative. This move will go a long way in driving the objective of "Insurance for All" by 2047. The regulatory framework encourages innovation to ensure that the industry stays at the cutting edge of technological innovation. The surge of Insurtech bears testimony to this.

Risk Management: Strengthening the Core

Innovations and best practices in risk management are a perpetual phenomenon that will always be the bedrock of our industry. From climate change-induced catastrophes to cybersecurity threats, the risk mosaic is becoming increasingly complex. Thus, continued investments in robust risk assessment frameworks, diversifying portfolios, and fostering a culture of risk awareness are crucial to ensuring long-term sustainability.

Technology: The Byte-By-Byte Futuristic Advancement

Technology is the linchpin of transformation for the life insurance sector. Technological innovations have permeated every facet of the industry, revolutionizing operations, and customer interactions. GenAI is revolutionizing chatbots, transforming them into unstructured, multilingual, voice-enabled self-service channels, breaking language barriers, expanding options, reducing call centre reliance, and offering availability beyond traditional working hours. 2023 saw data analytics integration in underwriting enhanced risk assessment, improving policy pricing precision and reducing cycle times. Blockchain fortified against fraud, securing policyholder data, while smart contracts sped up claims processing for a more reliable consumer experience.

Insurance companies took advantage of the India Stack [now known as India Digital Public Infrastructure (DPI). It is enriched with diverse libraries and integrations, facilitates seamless data collection with customer consent, bettering convenience for both customers and organisations and concurrently improving fraud detection models. This digital transformation has helped boost customer satisfaction, personalize offerings, and unlock new revenue streams.

2023 has witnessed a market brimming with potential, customers demanding personalized experiences, products morphing to fit contemporary needs, regulations guiding responsible growth, operational efficiency ensuring sustainability, digital transformation unlocking the future, and risk management frameworks safeguarding our journey. This medley of change presents both challenges and opportunities, urging us to adapt, innovate, and relentlessly pursue excellence. Thanks to the outstanding work done by insurance companies in 2023 coupled with regulatory finesse and of course consumer confidence, we can look forward to an extraordinary chapter in the book of Indian Life Insurance as we step into 2024.

(The writer is Rushabh Gandhi.)

TOP

Innovations in Life Insurance: A Look Back at 2023 - The Economic Times - 25th December 2023

Even as life insurers registered an impressive 18 percent growth in premium collection in FY2022-23 compared with the previous fiscal, several challenges including elevated inflation levels, falling household savings and rising geopolitical tension continue to bear down on the life insurance industry across the globe. However, even in the face of such a complex macroeconomic environment, life insurers have doubled down on their efforts to embrace cutting-edge technologies and continue to capitalize on opportunities presented by the post-COVID wellness revolution. Let us explore key innovations that dominated the life insurance landscape in India in 2023 and how they will play an increasingly important role in revolutionizing the life insurance space in the foreseeable future.

Rapid adoption of cloud-based operations to pursue operational excellence
As consumer preferences shift towards shopping through digital channels, with an increasing appetite for combo life insurance solutions, life insurers have had to develop and introduce new insurance products that are highly attuned to varied individual requirements. To achieve this speed and flexibility, the life insurance industry has seen increased adoption of cloud-based technologies and computing solutions, which in turn have helped insurers in streamlining functions such as claims processing, underwriting, compliance, customer servicing requests as well as fraud detection. What's more, migrating legacy systems and processes to the cloud have resulted in improved security, infinite scalability and helped insurers to reduce prevalent silos that were inhibiting product and service-based innovation. As life insurers aim to build and scale new product platforms based on customer-centric growth strategies, it is imperative that they fully transition to become cloud-first organizations and explore the full extent of capabilities afforded by cloud computing technologies.

Proliferation of Embedded insurance solutions for improved convenience
With increasing adoption of digital payments, insurers are making insurance more accessible by introducing affordable insurance solutions that are integrated into digital platforms. Also known as embedded insurance, life insurers have been tapping into digital customer touchpoints such as travel booking apps to offer personalized life insurance products, thereby attracting new customers, and establishing new revenue streams. To do this, insurers have been leveraging the power of advanced technologies like Artificial Intelligence (AI), Machine Learning (ML), Internet of Things (IoT) and Blockchain amongst many others, to increase penetration of underserved consumer segments with relevant insurance solutions that were previously unviable due to the high customer acquisition costs (CAC) associated with traditional selling channels. Life insurers are also able to lower distribution costs by scaling operations efficiently, utilizing the built infrastructure to reach out to a wider audience by collaborating with more partners across the digital landscape.

Introduction of Automated underwriting processes and new-age risk assessment models
It is becoming increasingly clear that technologies like AI and big data analytics are rapidly transforming how insurers are assessing insurance risks, helping them automate underwriting processes while also

catering to new consumer segments. This is especially true for the life insurance segment where it is vital to understand the nuanced needs and risks specific to different customer groups, underscoring the need for a data-driven decisioning process that relies more on predictive data analytics than traditional risk assessment models. Life insurers on their part are enhancing their technology stack to quickly and accurately assess the risks involved in insuring new customers, all the while introducing new convenience features like pre-approved life insurance covers, instantaneous premium quotations, and faster turnaround times during policy issuance.

Improving customer engagement using wellness tools

As individuals recognize the importance of securing physical and mental wellbeing through adequate insurance protection, life insurers are ramping up wellness initiatives that help consumers with actionable insights. By integrating AI, advanced data analytics and game mechanics into bespoke engagement platforms, a few trend-setting life insurers are helping their customers maintain better physical and mental health, utilizing virtual assistants and chatbots to constantly engage with them on an everyday basis. In addition to improved customer engagement levels, insurers are also rewarding those who practice adequate risk prevention with lower premiums, thereby transforming the value proposition offered to policyholders. With more players set to launch their own wellness tools that work in conjunction with activity-tracking devices, life insurers that are ahead of the curve will benefit from increased customer loyalty and go beyond an insurer's traditional role to emerge as partners for healthier living.

TOP

Have a life insurance policy that does not suit your need? How to find out and get rid of bad insurance covers – The Economic Times – 25th December 2023

There is just one good reason to buy life insurance: safeguarding the family's financial future if the breadwinner dies. However, there are plenty of wrong reasons to do the same. Topping the list is the need to save tax. The assured returns and enormous maturity amount also look tempting. Your parents may be pushing you to buy one. Or maybe the seller is a friend or relative who can't be refused. Whatever be the reason, millions of Indians are holding life insurance policies that don't suit their needs. Meet Mitesh Sinha (see picture), who bought an insurance policy on the advice of a friend two years ago. "I was looking for a plan that would give me guaranteed income in retirement," he says. He is pouring Rs.85,000 a month into the plan, and will get Rs.1.7 lakh a month after 12 years. The catch: the guaranteed income will only be for 10 years. The return on the investment is less than 6 percent.

(The writer is Babar Zaidi.)

TOP

How much returns can you expect from your life insurance policy; how to calculate – The Economic Times – 25th December 2023

It is easy to calculate the returns from your mutual funds and stocks. Most fund houses mention annualised returns earned by investments in your portfolio. There are also portfolio trackers that tell you how your investments have performed. However, calculating the return from your insurance policy is not so easy. The insurance premiums are paid over several years and some policies even give out periodic payments. Therefore, a simple point-to-point or CAGR calculation cannot be used here. Also, unlike mutual funds and fixed deposits, there are no calculators for insurance policies, and the ones offered by insuretech portals are not very useful.

The formula for IRR = IRR (B2 : B12)

The only option for a buyer is to do the calculation himself. The IRR (internal rate of return) calculation can tell you the returns that a policy offers. The concept of IRR is very complex and takes into account the inflow and outflow to arrive at the final figure. However, this complexity can be managed by using the inbuilt IRR function in MS Excel (see graphic). In the example considered here, the annual premium of Rs.25,000 is paid over 10 years and the maturity amount is Rs.3,50,000 in the 11th year. The IRR in this case is 6.04%. The outflow (premiums) are in negative, and inflow (payments and maturity amount) are in positive. In case the payments are made at different times of the year, the XIRR function can be used. This takes into account the exact date of inflows and outflows, and accordingly calculates the returns. So, the next time somebody wants to sell you an insurance policy, calculate the returns before signing on the dotted line. The 20-25 minutes you will spend on the calculation might save you 20-25 years of getting locked into a suboptimal investment.

(The writer is Sameer Bhardwaj.)

TOP

Hold tight, don't let go of a policy cover – The Hindu Business Line – 25th December 2023

Surrender of insurance policies is set to become less loss-making as the regulator has proposed lower charges and better payout. Long-term financial decisions are difficult to make and sometimes we even wish we could roll them back. A life insurance policy is a long-term commitment made with an important responsibility in mind. However, when circumstances change, we need a way out, but surrender of your policy should be your last option. We may need to move away from an investment commitment for various reasons. The premium is unaffordable because of straitened finances. Or, the change could simply be in our own minds and we realise this may not be the best investment to continue with. At this point the options are to abandon the policy and let it 'lapse', surrender it or make it "paid-up". In each case, we can stop paying the premium, but the benefits we sacrifice or retain are very different. When the policy lapses, we lose out on the coverage and the premium already paid.

When we surrender, the insurer offers you a lump sum payment if you have held the policy for a specified minimum period, and coverage ceases. The third is the best of the three where, if the policy is eligible to become 'paid-up', a reduced life cover continues till the maturity date. This won't be strictly proportional, but is better than losing it all. There are options better than these as well. If you can take a loan against your policy, you can turn that money around and pay instalment premiums, even of several policies. Ask your insurer for a premium holiday. However, only some types of policies allow it. But have a game plan to make it up as soon as you can. Should the policy lapse, you can also revive some types of policies. Check if you can fund the premium through other sources. Loan against fixed deposit is an often-forgotten source of funds. The other caution is, do not foreclose a deposit and lose out on interest. If under pressure, some FDs offer partial pre-closure and you can check that out. As said before, let surrender be your last resort in insurance, unlike in spirituality which pervades the air in this month of Margazhi.

(The writer is K Nitya Kalyani.)

TOP

Surrender fee: Insurers propose dual structure as regulator pitches for a hike – The Economic Times – 23rd December 2023

The life insurance industry is proposing a dual structure in response to the regulator's pitch for an increase in the surrender value for non-participating policies, said people with knowledge of the matter. The insurers have suggested a higher surrender value for short-term policies while retaining the existing model for long-term ones as they attempt to comply with the consumer-friendly proposal and manage profitability as well. The insurers had met during a Life Insurance Council meeting earlier this week. A higher surrender value on non-par policies, which guarantee survival or maturity benefit without depending on insurers' profit, could lead to an increase in more people giving up on policies prematurely, according to the insurers. This could result in a decline in persistence levels — or the proportion of policyholders who opt to pay premiums regularly — for the life insurance sector, according to them. Long-term products are those with a premium paying term of over 10 years. The Insurance Regulatory and Development Authority of India (IRDAI) had last week issued a draft paper recommending an increase in the surrender value for policyholders. "While a higher surrender value is expected, we have expressed our concern about a rise in surrender leading to lower persistency," said a senior insurance executive.

IRDAI has proposed changes to how surrender charges are calculated on non-participating, traditional insurance plans. It suggests that such charges should apply up to a threshold of the premium paid each year. Any amount beyond this limit should be paid to the customer as surrender value. For example for someone with a Rs 1 lakh annual premium for the first three years and a Rs 25,000 yearly limit, the surrender charges will only apply to Rs 75,000 (Rs 25,000x3). Any premiums beyond the threshold would be refunded to the customer, potentially boosting guaranteed surrender values. Currently, surrender values are determined based on a percentage of the premium, increasing with the number of premiums paid each year.

In a short-term policy, such as a five-year plan, anyone surrendering it in the third year has paid most of the premium and is closer to maturity, so the industry is fine with a higher surrender value. However, in a long-term policy surrendering early, say in the third year of a 10 or 15-year plan, maturity is still some time away. To be sure, the IRDAI paper doesn't differentiate between short-term and long-term policies on higher surrender values. Non-participating traditional products are highly profitable for insurers due to wider margins. For example, state-owned Life Insurance Corp of India (LIC) expanded the share of such products to 10.7% in September from 7.12% in March 2021. It wants to increase the share of non-par in the annualised premium equivalent to 15% as it offers higher margins.

(The writer is Shilpy Sinha.)

TOP

GENERAL INSURANCE

Navigating the general insurance landscape: A reflective review and forward outlook – The Economic Times – 28th December 2023

In 2023, the General Insurance (GI) industry has continued to register double-digit growth month after month and has witnessed many new initiatives by our forward-looking regulator.

With the introduction of Expense of Management (EOM) norms for non-life insurance companies, discussions around a complete cashless settlement system in health insurance across the nation, implementation of Customer Information Sheet (CIS), advanced talks about executing BIMA SUGAM, BIMA VAHAK, and BIMA VISTAAR, it would be an understatement to say that this has been an exciting year for the industry.

The GI industry is entirely focused on achieving the glorious mission of 'Insurance for All' by 2047, set by the insurance regulator. The industry is at an inflection point, and in 2024, many transformative developments are anticipated to reshape the sector; let us see what these are. Bringing nationwide 100 percent cashless claims settlement in health insurance remains a key priority; the move will streamline the claims process and reduce the financial burden on the policyholder.

The GI industry is working closely with all concerned stakeholders to accomplish this vision. The other significant initiative would be implementing the 'Customer Information Sheet' (CIS), which will give customers a concise overview of policy terms, claim timelines, and grievance procedures. These measures will bring unprecedented transparency and improve customer experience by many folds. When delving into the trends shaping the sector, it is imperative to acknowledge the role of technology and digitization. Over the last few years, insurers have employed new-age technologies to improve their process, do better risk assessments, and offer swift claims settlement.

Technologies like AI, ML, Big Data, and Analytics will continue to revolutionize the insurance industry, from providing personalized solutions for customers to enhancing operational efficiency to quick claim settlement through drones; technology will be integrated into every facet of the GI industry. Better Data analytics and technology will further strengthen the industry's endeavour to eliminate fraud. Gen AI's capacity to provide responses and solutions tailored precisely to each customer's requirements will improve customer satisfaction like never before.

However, this increased dependency on technology also necessitates creating a robust cyber security system to protect sensitive data and customer details. One major challenge that the global insurance sector is grappling with is the changing climate, and Indian insurers are no exception to it. India is witnessing an alarming increase in natural catastrophe (NAT CAT) events like floods, inundation, cyclones, and landslides. It pushes insurers to reassess their underwriting practices and risk models and re-engineer more efficient claims processes for swift customer service post-natural disasters.

The need for country-wide Parametric Insurance (Index-Based Solution) is at an all-time high, and we will likely see some concrete development in this direction in the coming year. On the backdrop of these climate changes, there is a rising momentum within the industry to embrace sustainable and eco-friendly practices. The primary force that will propel the GI industry in the coming year is the dream to bring every Indian under the ambit of insurance. Realizing this ambition entails further improving the availability, accessibility, and affordability of insurance. Three initiatives that will help enhance the mentioned factors are BIMA SUGAM, BIMA VAHAK, and BIMA VISTAAR. Together, this trinity will simplify insurance processes for policyholders, shield them against a wide range of risks, and improve awareness about insurance at the grassroots level. That is not it; as insurers foray deeper into the Indian landscape and enter new geographies, we will see a rise in collaboration between insurance companies, government bodies, insurtech startups, and other stakeholders. The constant effort to bring down costs for the customer will remain the focus, whether through eliminating fraud or better use of technology.

The industry and government have worked tirelessly towards ensuring that every citizen is protected by health insurance and that a protection net can be provided against natural calamities; there will be further progress in this direction, with significant work already done. Innovative products will emerge, and parametric covers will become more relevant, especially for providing mass protection to citizens. We also anticipate the growth of new distribution models, which will take insurance products and services to the very doorstep of customers. We might see more insurance companies, bringing in more competition and options for customers. It would benefit the industry by ushering in more investment and spur innovation, awareness, and penetration. To sum it up, 2024 will be a landmark year in advancing the insurance sector's mission of achieving 'Insurance for All' by 2047. Overall, the industry will make firm strides to reach every nook and corner of the country to become a crucial driver for financial inclusion and significantly impact society, with customer focus being the central theme.

(The writer is Tapan Singhel.)

TOP

Three state-owned non-life insurers fail to meet solvency requirements: RBI report – The Economic Times – 28th December 2023

Three state-owned insurance companies are failing to meet regulatory solvency requirements and 24 debt schemes out of 299 mutual fund schemes have shown stress under tests, the Reserve Bank of India said in its latest Financial Stability Report. The solvency ratio for public sector non-life insurers' group is sub-optimal with three of the four PSU insurers recording the ratio below the baseline prescription, the RBI said in its report released on Thursday. The minimum solvency ratio requirement set by the

Insurance Regulatory and Development Authority of India (IRDAI) for insurance companies in India is 150 percent. The higher the solvency ratio, the better will be the ability of the insurer to meet its liabilities

(The writer is Gayatri Nayak.)

TOP

Public sector general insurance firms to soon have EDs – Bizz Buzz – 27th December 2023

The Appointments Committee of the Cabinet (ACC), headed by Prime Minister Narendra Modi, has finally approved the proposal of the Department of Financial Services to frame guidelines for appointment of EDs in all public sector general insurance companies.

The much delayed interview for filling up the six posts of directors in the PSU general insurance industry will happen soon as, much like the PSU banking sector, the government has now cleared the move to appoint executive directors in place of general manger & directors (GMDs) in a PSU general re/insurance company. The sole state-run life insurer, LIC is already having a good number of EDs in place.

Unlike a GMD, who used to continue with the same salary which he or she was drawing as a general manger, an ED of PSU general insurance company will now receive a higher salary, which is yet to be fixed by the government. Thus we will soon have two EDs each in GIC Re, New India Assurance (NIA), National Insurance Company Limited (NIC), Oriental Insurance Company (OIC), United India Insurance Company (UIIC) and Agriculture Insurance Company who are members of the GIPSA, the official coordinating agency for all these six companies, said a December 21 notification by the ACC, which has been reviewed by Bizz Buzz.

Only LIC, GIC Re and NIA are listed companies. Though, the proposal to convert the post of GMD into ED was initiated some years back, the government has notified the resolution only after ACC's recent approval. Going by the new appointment framework, all general managers of PSU non-life insurance companies, who have served for a minimum service of one year and a residual service of at least one year on the date of vacancy of the ED post, are eligible, says the notification.

Meanwhile, the minimum service and residual service requirement maybe relaxed with the approval of the Union Finance Minister, if sufficient candidates are not available in the zone of consideration. Under the circumstances, in order to shortlist candidates for the forthcoming interview of EDs, the government has to include names of officials, who have become general managers in FY24, with the special permission of finance minister Nirmala Sitharaman.

Currently, there are only three serving GMDs in PSGICs each of who is working at OIC, NIA and UII whereas nine posts of GMDs are lying vacant. Also, now it is clear that all future posts of CMDs in the PSU general insurance industry will be filled up by promoting officials who have become EDs and unlike earlier occasions, GMs will not be eligible for CMD interviews. Two posts CMDs in the PSU general insurance industry will fall vacant as S. Tripathy will be completing his terms in UII in February-end after reaching 60 while similarly Neerja Kapur will be calling it a day in April-end after reaching 60.

There is a possibility that both Tripathy and Kapur may be given extensions as there are not many senior officials in the PSU general insurance industry, who have completed two years of services and still have two years residual services, one of key eligibility criteria of a candidate to be shortlisted for the CMD interview. Only Hitesh Joshi, general manager, GIC Re and BS Rahul, general manager, Agriculture Insurance Company (AIC) are the two senior officials in the whole of PSU general insurance industry, who are eligible for shortlisting but government normally shortlists five candidates for the selection of two CMDs. Before conducting any possible interviews for appointing two CMDs, the government will first appoint six EDs out of which there can be names for shortlisting of larger number of candidates for filling up two CMDs but none of these candidates would have completed at least one year as ED, one of the criteria for the selection of CMDs in the PSU general insurance industry.

In future, only EDs will be eligible to become CMDs in PSGICs. While CMDs are treated equivalent to the post of additional secretary in the DFS, the yet-to-be appointed EDs are likely to be treated at par with Joint Secretaries. The government's headhunting agency Financial Services Institution Bureau (FSIB), which selects top officials of PSU banks insurance companies, will be selecting EDs. The recommendation of FSIB will be valid for a period of up to one year or as per orders issued by the Government of India, and maybe extended with the approval the ACC.

(The writer is Kumud Das.)

TOP

HEALTH INSURANCE

Health Insurance flexes with renewed tech focus, shift to preventive care - The Economic Times – 29th December 2023

Traversing the landscape of healthcare finance with the vision of 'health for all' has left a mark in 2023. The surge in telemedicine, addressing the need for safe and convenient healthcare, is gearing up for further expansion in 2024. This transformative shift is reshaping healthcare, notably with the growing use of online consultations and remote services. According to experts, in 2023, Artificial Intelligence (AI) played a crucial role and is set to gain even more prominence. The use of AI for precise diagnostics, a standout trend, is projected for substantial growth in 2024. AI's pivotal role in streamlining insurance processes, detecting fraud, and enhancing healthcare system efficiency remains crucial.

The integration of digital health solutions into daily life is steadfast, seamlessly embedding healthcare technology. The success of remote patient monitoring, a cost-effective solution for reducing hospitalization expenses, is poised for further refinement, promising enhanced accessibility to healthcare services. A notable shift towards preventive care was observed in 2023, marking a departure from reactive health management. "The proliferation of wellness apps, fitness wearables, and incentivized programs from insurance providers is guiding individuals towards healthier lifestyles. Rooted firmly in 2023, this trend is set to solidify in 2024, fostering a holistic approach to well-being," said Aniruddha Sen, Co-founder, Kenko Health.

Crucially, there is a heightened focus on preventive health financing. According to Sen, anticipated innovations from insurance providers are expected to introduce policies incentivizing proactive health measures. This aligns with the industry's commitment to providing accessible, cost-effective healthcare, centered around individual and community well-being, he added.

Health Insurance Industry demonstrates strong growth

The year 2023 continued to witness focus on technology, ensuring a seamless and hassle free experience for the consumer, especially in Claims. This included development of innovative health insurance products for individuals, as well as facilitation of automated solutions in the underwriting process, and claim settlement like the WhatsApp bot based solution, said Ajay Shah, Head – Distribution, Care Health Insurance on a similar line.

Be it claim intimation, uploading documents, claim tracking, submitting the claim form or claim processing, all aspects related to claim management can now be accessed within a few clicks on a user-friendly digital portal, he added. Health insurance industry demonstrated significant growth in GDP for FY23 from INR 73,598 crore to INR 90,677 crore with a growth rate of 23%. Within the health, for retail segment, the growth percentage has increased by 15%, from INR 30,738 crore to INR 35,427 crore while Group – health has seen a growth of 26%, from INR 36,357 crore to INR 45,781 crore for FY23. The data suggests that the health insurance segment has played a pivotal role in driving the growth of the non-life insurance industry in 2023, with increasing consumer awareness and demand for a comprehensive health coverage, Shah pointed out

IRDAI's efforts in streamlining health insurance

The IRDAI has initiated efforts to simplify Customer Information Sheets (CIS) for health insurance policyholders. The goal is to enhance transparency and clarity in insurance documentation, ensuring policyholders fully understand the terms and conditions of their coverage. Further, it is also working towards establishing a robust Health Exchange platform that will serve as a centralized hub for health insurance-related activities – Bima Sugam. This will create a centralized platform for interaction between insurers and policyholders. Bima Sugam is designed to facilitate seamless processes for various aspects of health insurance management such as getting a health insurance policy, claim processing or renewing the same. "Proactive measures introduced by the honourable regulator, embracing technological advancements and customer-focused solutions, aim to position India as a leader in insurance innovation. These initiatives address changing market demands and contribute to an efficient and transparent insurance landscape," Shah concluded

(The writer is Sheersh Kapoor.)

TOP

Extend insurance coverage to congenital anomalies, say paediatric surgeons – The Hindu – 28th December 2023

Children born with congenital anomalies, be they external or internal, should benefit from insurance but few insurers include children in policies that parents take, say paediatric surgeons. In October, the Indian Association of Paediatric Surgeons wrote to the Insurance Regulatory and Development Authority of India (IRDAI) appealing that treatment for congenital anomalies, internal or external, be included in insurance policies. In developed countries when parents take policies, their children are automatically covered for all ailments. In India, however, children with congenital anomalies are not included, they pointed out.

"An anomaly is no fault of the child or parent but a pure accident of nature. An external anomaly has a huge negative impact on the child's quality of life and indirectly burdens the nation if not treated timely," say pediatric surgeons. While the Pradhan Mantri Swasthya Suraksha Yojana (Ayushman Bharat) and State-sponsored health insurance schemes include children, the same does not apply when parents take policies on their own even from government insurance companies, they added. Association president Ramesh Babu said insurance cover would especially help families excluded from State-sponsored health schemes, as they were not under the below poverty line. An earlier direction from IRDAI advised private insurance companies to not exclude congenital internal diseases but is silent on external defects. The association wants IRDAI to revise a circular including the term 'external or internal' as not an exclusion if parents own a policy.

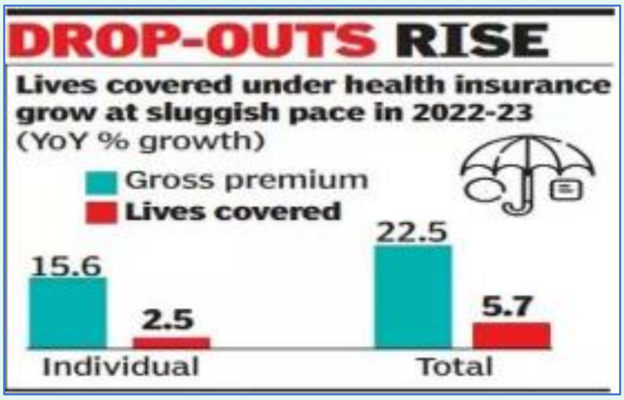
In an article Reasons Behind Patients Defaulting From Elective Pediatric Urology Procedures at a Tertiary Private Teaching Hospital in South India, which appeared in Journal of Indian Association of Pediatric Surgeons 2023, the authors Manjarie A.R., Raj S., and Babu R. said insurance denial was mainly responsible for parents postponing their children's elective pediatric urology procedures in India. "Universal insurance coverage for congenital anomalies might help overcome this most important cause of cancellations," the article concluded. Ramesh Babu, one of the authors, recalled incidents where parents opted out of treatment. A three-year-old child with hernia was denied insurance as the insurer said it was an external anomaly. The parents bore the emergency surgery expenses. Another child with recurrent urinary tract infection was denied an insurance claim as it termed the condition 'congenital'. The child went on dialysis for renal failure 15 years later. "Studies have shown that congenital anomalies form just 3 percent of all causes of infant mortality. Why can't children be covered for anomalies? It is a win-win situation for insurers as 97 percent of those who take the policy will not make claims," Dr. Ramesh said. Friday will be observed as Paediatric Surgery Day, and the surgeons are hoping for relief for affected children.

(The writer is R Sujatha.)

TOP

Health premium growth jumps, but coverage lags – The Times of India – 28th December 2023

Health insurance penetration in India has been growing at a sluggish pace despite the high growth of 22 percent in premium numbers. The number of lives covered under individual policies in March 2023 grew 2.5 percent to 528.9 lakh — lower than March 2021 levels. Overall, the number of lives covered under health insurance, including the group business, has increased 5.7 percent in FY23 from FY24. However, the health premium collected by the insurance industry has increased 22 percent to Rs 89,492 crore from Rs 73,052 crore in March 2022.



The sharp rise in health insurance premiums without a corresponding increase in the number of lives covered indicates that insurers are growing their business by collecting more premiums from the same policyholders. Before the onset of the pandemic, in March 2020, the total number of lives covered under individual health insurance policies was 432 lakh. After, however, the number jumped 22 percent to 531 lakh in March 2021. As the pandemic waned, a number of people dropped out, and the lives covered under individual policies fell to 516 lakh in FY22.

Government scheme enrolment has also dropped, partly because of states choosing to do their own insurance. From 36.2 crore in FY20, government scheme coverage fell to 34.3 crore in FY21 and declined to 30.6 crore in FY22. In FY23, the total number covered under government schemes was 29.8 crore.

According to agents, the value of health insurance affordability has been an issue and many older people, who are enjoying good health, are dropping out because of higher rates. One positive trend is that the claims-to-premium ratio has significantly increased from the pandemic levels. In FY23, general and health insurers settled 2.4 crore health insurance claims and paid Rs 70,930 crore towards the settlement of these claims

(The writer is Mayur Shetty.)

TOP

Health Insurance: The way to buy health insurance will change from January 1, new rule is going to come – India TV – 26TH December 2023

Health Insurance New Rule: With the new year coming into effect on January 1, 2024, a new rule related to buying health insurance is going to come into force. After this, the entire experience of buying health insurance will change for the customers and they will be able to easily understand the terms and conditions of the policy. A circular was issued by the Dasreal Insurance Regulatory and Development Authority of India on October 30, 2023, asking all health insurance companies to mandatorily issue a Customer Information Sheet (CIS) to customers. The objective is to tell customers about the basic features of the policy in very simple words.

What is CIS?
CIS is also known as Customer Information Sheet. It is written about the terms and conditions of the policy. According to the new circular, now all health insurance companies will also have to issue CIS to the customers while issuing the policy. It will have information about coverage, waiting period, limit, free look cancellation, method of taking claim and contact etc.

Customer's consent must be obtained
The Insurance Regulatory and Development Authority of India has said that after giving CIS to the customer, the companies have to get the consent of the customers that the CIS has been obtained on their behalf. This is expected to give insured a better understanding of their policy.

Option to return if you do not like the policy
According to the new circular of the Insurance Regulatory and Development Authority of India, after purchasing the policy, if a customer does not like it, then they can return it within a certain time. This will have a big advantage for the customers that they can easily understand the policy. If the policy does not suit their expectation then they can return it.

(The writer is Abhinav Shalya.)

TOP

Mitigating pollution with health insurance policy bl-premium-article-image – The Hindu Business Line – 25th December2023

A cloud of toxic air engulfed entire north India recently with the Air Quality Index (AQI) in Delhi NCR breaching the 500 mark, which is categorised as severe. Masks on faces, which a common sight during COVID-19, have made a comeback in public spaces. The situation is so grim that it even impacted the Cricket World Cup. On one hand, England players had to use inhalers because of high levels of pollution while the Bangladesh team cancelled a training session when they visited Delhi for a match. This year, the situation got pretty severe even before Diwali festivities began. The tragedy was it had become a recurring problem. And, prolonged exposure to high levels of air pollution leads to severe health problems. This makes health insurance a non-negotiable safety shield during these times. Rising pollution brings along severe health consequences. According to a recent study, exposure to polluted air has direct correlation to type-2 diabetes. The study, conducted over seven years among 12,000 men and women in Delhi and Chennai, found breathing air with high levels of PM2.5 particles results in high blood sugar levels and increased type 2 diabetes incidence.

According to medical experts, breathing air with high levels of pollutants is similar to smoking 25-30 cigarettes a day. The short-term implications include eye irritation, itchy throat, and respiratory issues like loss of breath. However, prolonged exposure can also lead to a raised risk of lung cancer and chronic heart disease. It also reduces life expectancy by taking several years off a person's life. Another important factor is how pollution hampers the active part of lifestyle. Doctors advise people to stay indoors and avoid physical activity, especially exercise, during periods of high levels of air pollution. While this helps us avoid short-term health risks, it also leads to a sedentary lifestyle which may have long-term health implications. This is especially so for people who may already be going through health complications like diabetes, which require regular physical activity to keep it under check. While there's little we can do about pollution right now, we do have control over protecting ourselves financially from the higher risk of chronic illnesses it brings. The reassuring part is health insurance offers extensive coverage for such health troubles. Here's how to safeguard yourself with the right coverage:

Those with diabetes can take comfort in specialised health insurance plans that provide coverage for pre-existing diabetes right from day one. In fact, those suffering from chronic diabetes can also opt for health insurance plans that provide extensive coverage. These are the individuals with high blood sugar levels who require insulin to keep diabetes under check. The extensive coverage includes not only emergency assistance but also regular health check-ups and monitoring. This empowers policyholders and equips them with the right information to better manage their health. Health insurance generally covers hospitalisation expenses which may be caused due to ailments arising out of high levels of pollution.

However, if one lives in a city that sees regular bouts of toxic air, it is advisable to get OPD coverage as well.

That is because air pollution can lead to some short-term health complications which may not need hospitalisation, but may need medical attention including doctor consultations and medical tests. Having OPD coverage spares you from out-of- pocket expenses owing to eye problems, cold and cough, respiratory problems, skin allergies, etc. It is also a good idea to get a Critical Illness cover which gives the policyholder a lump sum amount if they are diagnosed with any listed critical illness like cancer or heart disease. The hospitalisation bill can shoot to ₹40-50 lakh in this case. After all, the connection between pollution and such ailments is well-established. This coverage can be used to cover the high cost of medical treatment which is common with such ailments, and also to replace any loss of income arising out of that. The importance of an adequate sum insured cannot be stressed upon enough, especially in metro cities. Sum insured of at least ₹50 lakh-₹1 crore is important for those exposed to high levels of pollution consistently. Also, a cover of ₹1 core for two adults in a metro city is quite affordable at about ₹1,300 monthly premium. This helps one afford critical medical care, which is crucial for chronic ailments aggravated by pollution like lung cancer, the cost of which can run significantly high. Medical experts say breathing air with high levels of pollutants is similar to smoking 25-30 cigarettes a day, raising the risk of lung cancer and heart disease.

(The writer is Siddharth Singhal.)

TOP

How India's health insurance preferences have changed over the last three years – Moneycontrol – 25th December 2023

The last three years have changed the world far more than several decades could, especially the healthcare landscape. It was just one virus that wreaked havoc and millions of people across the world landed up in hospitals.

People ended up losing their lifetime savings to afford the treatment for COVID-19 while many others could not even afford it. That was the tipping point. It was the moment of collective realisation that how important health insurance is in vulnerable circumstances like these.

In the last three years since that moment, there has been a remarkable transformation in the way people perceive health insurance – in India as well as on a global scale. Before the pandemic, health insurance was more of an afterthought at best, especially when it came to middle-class and lower-income households. However, that has completely changed now and people understand that it is a necessity. It is not just the awareness about having a health insurance plan, people's preferences have evolved, and insurance companies are trying to keep up. This has also led to many improvements in what health insurance policies offer today compared to a few years back. Let's take a look at what policyholders seek in health plans and what is on offer.

Sum Insured

The biggest change that has been witnessed in policyholders' preference is about having enough coverage. With the rising costs of healthcare, the choice of the sum insured now leans towards the higher side. Our data suggests that a few years back a health insurance plan with up to Rs 5 lakh sum insured was a popular choice for most individuals and families. However, post-pandemic, it's not surprising that health insurance plans with higher coverage limits, such as Rs 10 lakh sum insured, have become more popular. Similarly, Rs 1 crore sum insured is the most preferred family floater plan now.

Another important change is that policyholders now look beyond just the basic coverage for hospitalisation. More people now understand that financial protection is imperative not only in case of medical emergencies but also for routine medical expenses, preventive care and critical illnesses.

Waiting period and sub-limits
A major pain point for policyholders was the long waiting period traditional health insurance policies had when it came to pre-existing illnesses. In several policies, the waiting period was as high as four years. That meant that even after opting for a health insurance plan, you were not covered for a long period of time for any pre-existing ailments. This was especially problematic for those who suffered from diabetes, hypertension, thyroid issues, etc. The good news is that modern health plans now offer the option to start coverage for pre-existing diseases right from day one. And such plans are now the preferred ones.

Another change has been in sub-limits under the health plans which were quite common a few years back. So, despite having high coverage, policyholders would often find that they had to pay a substantial amount from their pockets because of sub-limits imposed on room rent, ICU charges, specific illnesses like cataract surgery, modern treatments and alternative treatments. Over the years, there has been a shift towards more transparent and comprehensive health insurance plans with no sub-limits. So one can utilise the entire sum insured on different components of treatment without any sub-limit.

Restoration and Cumulative Bonus Benefits
Earlier, most policies would offer a No Claim Bonus of up to 10 percent for every claim-free year and reduced at the same rate after making a claim during the policy period. However, now there are many plans in the market that help policyholders increase their sum insured by up to 10 times if they make no claims. In fact, there are also plans that do not revoke the no-claim benefits even in case a claim is made.

The restoration benefit has also transformed in recent years. Earlier, this feature allowed policyholders to restore their maximum coverage limit once during the policy term if it gets exhausted due to claims. However, there were some strict conditions involved like the restoration benefit was not applicable for the same illness or the same person within the same policy year. The new-age insurance policies, though, allow for the restoration of the maximum coverage, up to the sum insured, an indefinite number of times after the initial sum insured is exhausted. Moreover, they also allow for the restoration of the coverage limit for the same medical condition, if it recurs within the same policy year after the initial sum insured is exhausted.

Other Benefits
Apart from the transformation in preferences as well as options in health insurance plans, there are also certain changes when it comes to certain specific instances. For example, in the past, comprehensive global coverage was relatively rare in health insurance plans. However, many insurance companies now offer global health insurance for individuals and families. Also, until a few years ago, health insurance plans often did not provide coverage for mental illness or outpatient department (OPD) expenses to the extent that they do today. These changes reflect an increasing recognition of the importance of mental health and the evolving needs of policyholders. Even when it came to maternity benefits, there were very limited options. On the contrary, there are many options today with many insurers even providing coverage for the newborn baby. To sum up, the post-pandemic years have seen both policyholders and policies evolve and mature to suit modern-day needs. And this journey has just begun.

(The writer is Siddharth Singhal.)

TOP

Select a global health plan covering planned and emergency hospitalization – Business Standard – 25th December 2023

Reliance General Insurance recently launched Reliance Health Global, a policy that offers global healthcare coverage. Several general and health insurers today offer these plans amid growing demand. “Today, many high net worth individuals (HNIs) prefer to go to the United States (US), United Kingdom, Europe, Singapore, etc., essentially to a destination known to offer the best treatment for the critical illness they are suffering from. Having a global plan allows them to avail of treatment abroad without worrying about the costs," says Bhaskar Nerurkar, head-health administration team, Bajaj Allianz General Insurance. Besides HNIs, executives who travel abroad frequently, also buy these policies. Travel insurance plans cover two aspects. One is journey-related mishaps, such as flight delays or cancellations, loss of baggage, and so on. They also cover emergency treatments required due to an ailment or an accident while travelling.

However, they have limitations as far as healthcare coverage is concerned. Says Nerurkar: "They are essentially short-term policies. They offer coverage if you suddenly develop a condition while abroad. But they will not cover you if you go abroad for the planned treatment of a major pre-existing ailment." A global health plan can also offer a higher sum insured and several other features. "Our policy offers a sum insured of up to US $1 million, much higher than a travel policy offers. Additionally, it covers travel and visa charges from India, accommodation expenses for up to 60 days, and organ donor-related expenses for both the insured and the companion, which may not be covered by a standard travel insurance plan," says Rakesh Jain, chief executive officer (CEO), Reliance General Insurance. The cost of treatment, especially in countries like the US, is much higher than in India, which makes a large sum insured essential. According to Stanford Healthcare, a US-based healthcare institute, heart procedures can cost between $800,000 and $2.3 million. "Make sure the sum insured is at least a million dollars because big medical procedures can easily cost more than $750,000," says Nayan Ananda Goswami, co-founder and head of sales and service, Sana Insurance Brokers. Check whether the global health policy offers cashless or reimbursement-based coverage. "If it offers reimbursement, then you will need to arrange a large sum of money, which would be a hassle," says Siddharth Singhal, business head-health insurance, Policybazaar.com.

COSTS AND CONDITIONS

Insurer	Product	Sum insured (₹)	Premium (₹)	Covered/(Not covered)
Manipal Cigna	Lifetime + global 2 (WW cancer)	50 lakh domestic*	44,396	27 listed critical illnesses, PT*** /(EH**)
Reliance Health	Health Infinity (global)	1 cr	45,911	PT*** emergency hospitalisation, and day care
Manipal Cigna	Lifetime + global 1 (WW 27 CI)	50 lakh domestic*	35,021	Only cancer/(EH)
Tata AIG	Tata AIG Medicare Premier	1 cr	59,843	PT*** covered; diagnosis in India /(EH)
Niva Bupa	Niva Bupa Aspire Gold+ with Borderless	1 cr	68,514	Planned Treatments and EH
Care Health	Care Advantage with WW cover	1 cr	61,187	Diagnosis in India for planned treatments
HDFC Ergo	HDFC Ergo Optima Secure Global Plus	1 cr	228,093	PT*** and EH outside India covered

*1 cr global; **Emergency hospitalisation; ***PT refers to planned treatments; CI refers to critical illness; WW stands for worldwide
Note: Premiums are for a 40-year-old male and female, plus a 10-year-old child; Source: Policybazaar.com

Jain suggests reading the policy document or the customer information sheet carefully to understand the terms and conditions, inclusions and exclusions of the policy. Nerurkar adds that understanding the sub-limits within a plan is critical. "Opt for plans that cover all illnesses rather than only a few critical illnesses," says Goswami. Emergency hospitalisation and daycare expenses should also be ideally covered. Some plans make it mandatory for you to get diagnosed first in India. "The claim of a customer who gets admitted directly in a hospital outside India would be rejected in such a plan," says Singhal. Avoid such plans. Understand the countries where coverage is available. In particular, check whether treatment in the US and Canada, where healthcare costs are among the highest, are covered. Ensure that the list of network hospitals overseas is wide-ranging and the service providers are of international repute. A person diagnosed with a critical illness is usually accompanied by a companion when he goes abroad for treatment. Some policies offer coverage for many of the expenses incurred by the companion. This is a useful feature to have. Make sure you have all-round coverage. "While you may have covered your spouse, children and yourself with a global health solution, don't omit to add an India cover for 360-degree coverage in and out of India," says Jain.

The writer is Sanjay Kumar Singh.

TOP

Health insurance: Govt to discuss 24-hr hospitalisation rule with Irdai – Business Standard – 25th December 2023

Considering the advancements in the medical sciences, the consumer ministry has said that it will discuss the minimum 24-hour hospitalisation rule with the insurance regulator Insurance Regulatory and Development Authority of India (Irdai) and the Department of Financial Services (DFS), a report in The Times of India (ToI) said.

According to the ToI report, the issue was raised by the National Consumer Commission chief on Sunday, December 24. The President of the National Consumer Disputes Redressal Commission (NCDRC), Justice Amreshwar Prasap Sahi, was speaking at an event on National Consumer Rights Day where ToI quoted him as saying, "There is a condition that if one is not admitted in a hospital concerned for at least 24 hours for surgery, then the claims will not be accepted. This often comes up in case of medical claims and medical negligence cases. Some district forums innovated and ordered that even if it's 23-and-a-half hours, the claims have to be paid. They have backed this with reasoning that now several treatments can be done in less than 24 hours. So, there is no need to make the insurance companies aware of this." Speaking to ToI, Union Consumer Affairs Secretary Rohit Kumar Singh said that we will take up the issue with Irdai and DFS to come up with a solution. Singh said that earlier, we had held discussions to introduce reforms to make documentation processes consumer-friendly.

Justice Sahi cited "landmark decisions" ordered by Punjab and Kerala district consumer commissions on cases related to medical insurance claims. The ToI report said that the Ferozpur District Consumer Commission, in August 2023, had held an insurance company liable for deficiency in service for wrongfully rejecting the complainant's medical claim based on the duration of hospitalisation being less than 24 hours. Consumer Affairs Secretary Singh praised the judgments by consumer commissions at the district and state levels, which have resulted in the disposal of 177,000 complaints this year against the filing of 161,000 fresh cases. In the case of NCDRC, the case disposal rate is 200 per cent, the ToI report stated.

TOP

MOTOR INSURANCE

Insurance claims for EVs shoot up – The Times of India – 29th December 2023

Insurance companies are witnessing an increase in the frequency and claim size for Electric Vehicles (EV) as even minor damages leads to replacement of components in the EVs. HDFC ERGO General Insurance says the overall frequency of EV claims has increased by 15% during the current year, when compared with last year. "As the child parts are not available for battery & powertrain in EV vehicles, minor damages also lead to replacement.

The cost of replacement of EV parts have increased around 15% as compared with Internal Combustion (IC) vehicles for similar segments," Parthanil Ghosh, president, retail business, HDFC ERGO General Insurance said. According to the automobile experts, unlike the IC vehicles, EV powertrains have fewer mechanical parts, and batteries, motor, controller and transmission constitute more than 50% of the overall EV cost. Incidents involving battery or powertrain damage results in higher claim sizes than in ICE powertrains.

Bajaj Allianz General Insurance says the four-wheeler EV claim size is 60% higher than the IC engine vehicles during Jan-Oct 2023 when compared with the same period (Jan-Oct) 2022. TA Ramalingam, chief technical officer, Bajaj Allianz General Insurance said, it is challenging to get the spare parts required for repair because each company might have unique parts, which are only sometimes readily available. "One of the biggest challenges with electric cars is the availability of child parts & repairability, which are significant concerns in EV four-wheelers," he said.

Neel Chheda, senior executive vice president-Auto, TATA AIG General Insurance said, the claim size for EVs has seen an increase due to the unique composition of EV powertrains. When contacted, Sohinder Gill, director general, Society of Manufacturers of Electric Vehicles said, the issue over the child parts in the EV industry is primarily attributed to the challenges in supply chain management within the EV industry in India. Noting that the decision to import parts from abroad arises from the early stages of domestic manufacturing for EV components in our country, he said.

"Furthermore, the industry grapples with significant challenges related to the availability of essential components and raw materials. The low volumes in sales discourage local component manufacturers to produce these parts in bulk thus making them costlier," he said.

Queried about the steps taken by the EV manufacturers to address this issue, he said, India has faced this issue since the entry into the EV domain, prompting the government to come up with initiatives such as the Production Linked Incentive (PLI) scheme. "The primary objective of these measures is to nurture the domestic manufacturing of EV parts within the country. This scheme motivates EV manufacturers to rely more on domestic components and products," Gill further said.

(The writer is Yogesh Kabirdoss.)

TOP

CROP INSURANCE

Ministry seeks extra Rs 5,000-crore for Fasal Bima this fiscal – Financial Express – 27th December 2023

With an increase in coverage of crop insurance amongst the farmers, expenditure under the Prashan Mantri Fasal Bima Yojana (PMFBY) is projected to increase by 28% in current fiscal to Rs 17, 500 crore compared to budget estimate (BE), official sources said. Against a BE for FY24 at Rs 13,625 crore, the finance ministry has released Rs 12,500 crore under PMFBY to the agriculture ministry so far.

"Looking at expenditure trends in the current fiscal because of higher enrollment of farmers, we expect an additional Rs 5,000 crore from the finance ministry in the last quarter for the crop insurance scheme," an official told FE. Sources said that the number of farmers enrolled under PMFBY is projected to touch a record 40 million in 2023-24, a 27% increase from the 31.5 million enrolled in FY23. An official said about 40% of farmers who would enroll under the crop insurance are those who had not availed loans from the banks.

In 2022-23, out of 31.5 million farmers enrolled, 39% were non-loanee farmers. "The crop insurance scheme is gradually moving towards a subscription-based model rather than a loan-based scheme," Ritesh Chauhan, CEO,PMFBY recently said. In terms of area, coverage of heavily subsidised crop insurance scheme is likely to touch 60 million hectare in 2023-24, which is an increase of around 21% from the 2022-23. The official said many states Andhra Pradesh, Maharashtra, Odisha, Meghalaya and Puducherry have opted for universalisation of crop insurance scheme which implies that the state government bears the cost farmers' premium.

Under the PMFBY which is currently being implemented in 22 states and union territories, the premium to be paid by farmers is fixed at just 1.5% of the sum insured for rabi crops and 2% for kharif crops, while it is 5% for cash crops. It is optional for the farmers to opt for PMFBY. The balance premium is equally shared amongst the Centre and states and in case of North-Eastern states, the premium is split between the Centre and states in a 9:1 ratio. The claim-premium ratio which was 99% in 2018-19 has declined to 68.2% in 2021-22; the claims for FY23 are still being settled.

Since the launch of the PMFBY in Kharif 2016, the gross premium collected has been Rs 2.01 trillion so far, against reported claims of Rs 1.52 trillion. The farmers' share in premium so far has been Rs 29,235 crore. Several insurance companies both the public and private sectors, are implementing crop insurance launched in 2016. Officials said that several states Gujarat, Andhra Pradesh, Telangana, Jharkhand, West Bengal and Bihar had exited the scheme, because of 'higher cost of premium subsidy' to be borne by them. Subsequently Andhra Pradesh has rejoined the scheme and sources said that Jharkhand has shown willingness to come on board of PMFBY.

(The writer is Sandip Das.)

TOP

SURVEY AND REPORTS

Deposit Insurance Fund with DICGC Rises 17.5 percent On-Year in September 2023: RBI FSR report – Moneycontrol – 28th December 2023

The Reserve Bank of India (RBI) Financial Stability Report showed that the Deposit Insurance Fund (DIF) with the Deposit Insurance and Credit Guarantee Corporation (DICGC) rose 17.5 percent on-year to 1.83 lakh crore at the end of September 2023. The DICGC covers all banks operating in India and extends insurance to bank depositors to maintain confidence in the banking system and promote financial stability. As of September 30, 2023, the number of registered banks was 2,009, comprising 140 commercial banks and 1,869 cooperative banks.

40 commercial banks including 43 Regional Rural bank Banks, two local area banks, six payments banks and 12 small finance banks. The financial stability report is a half-yearly publication that offers insights into the developments in the country's financial sector. With a deposit insurance limit of Rs 5 lakh, 97.9 per cent of the total number of deposit accounts (287.1 crore) are fully protected. Of the total assessable deposits of Rs 204.2 lakh crore, 44.2 per cent amounting to Rs 90.3 lakh crore were insured as on September 30, 2023, report said.

The report further said due to the difference in average deposit size, the insured deposits ratio (i.e., the ratio of insured deposits to assessable deposits) was higher for cooperative banks (63.9 per cent) than commercial banks (43.1 per cent). Deposit insurance premium received by the DICGC grew by 10.6 per cent (y-o-y) to Rs 11,628 crore during H1:2023-24, with 94.3 per cent contributed by commercial banks. The DIF with the DICGC is primarily built out of the premium paid by insured banks, recoveries from settled claims and investment incomes, net of income tax. DIF recorded an increase of 17.5 per cent (y-o-y) to reach Rs 1.83 lakh crore in September 2023.

TOP

Cancer among top causes of high insurance claims; medical inflation in India to rise to 11% in 2024: Survey – Outlook India – 26th December 2023

Medical inflation in India will increase to 11 per cent in 2024 from 9.6 per cent in 2023 as healthcare costs start to exceed the pre-pandemic levels, according to an international survey by the brokerage firm Mercer and Marsh Benefits, which published the report on its website. Global medical inflation rose to 10.1 per cent in 2021 and 2022 from the pre-pandemic level of 9.7 per cent in 2018 and 2019. It expects the medical inflation to be 12.4 per cent globally in 2023 and 11.7 per cent in 2024 due to the anticipated slowing of inflation.

The report "Health Trends 2024: Getting the right balance between managing costs and meeting employee needs" surveyed 223 insurers in 55 countries. Noting that rising medical costs are a primary concern globally, it has forecasted a double-digit rate increase in over half of the countries. Diseases like cardiovascular and cancer, it said, are significant drivers of claim costs and frequency. The rising costs, in part, are also because of less attractive public healthcare delivery, requiring employers to opt for "cost-containment mechanisms" within their insurance plans, it said.

With health systems facing disruption from skills shortages as digital healthcare is still in its infancy, insurers resort to cost-containment, providing employers options to make changes. The report highlights that employer-sponsored healthcare provides opportunities "both in offering access to high-quality centres and in embracing digital health solutions", it said.

Managing Inflation

It recommends that employers negotiate with insurers to ensure that sensible cost containment measures, such as fraud, waste, abuse controls, and claims-sharing features, are updated and competitive. The study further stresses that insurers' practices, policy language, flexibility, willingness to innovate, and access to large pools of claims data give them the advantage "in shaping the future of employee benefits, but employers must also shape benefits to meet the needs of their workforces and anticipate, contain and mitigate business risk".

The survey finds that 86 per cent of insurers globally believe medical inflation had a significant impact on 2023 medical trends, 70 per cent expect AI to have a transformative effect on employer-sponsored healthcare over the next five years, and 42 per cent of insurers have not adjusted deductible and co-payments in line with inflation and have no plans to do so.

Non-communicable diseases like cancer, endocrine and metabolic illnesses, kidney failure, and heart attacks remain key health risks worldwide. According to the report, they are the top causes of high medical claims costs. Additionally, the World Health Organization (WHO) reports that the prevalence of diabetes has been rising more rapidly in low- and middle-income countries compared to high-income countries.

TOP

INSURANCE CASES

Insurance cos can't set limit on surgery expense' – The Times of India – 26th December 2023

How many times have you shelled out money from your pocket to pay that extra amount of the bill handed over by the hospital for surgery? Insurance companies clamp claim limits depending on surgeries, but they can't do so if this consumer court verdict is anything to go by. In a landmark judgment, the Vadodara consumer commission has ruled that an insurance company can't impose a cap on the maximum limit on medical expenses of its customer and deduct money from the claim amount. The commission made this observation after hearing the case filed by Pinkesh Patel, a resident of Chhani, whose father had to undergo a cataract surgery.

Patel had bought a mediclaim floater policy worth Rs 3 lakh for his family from Oriental Insurance Company in 2008. Patel's father had to undergo cataract surgery in his left eye in May this year and he incurred an expense of Rs 41,237. He filed a claim for reimbursement but the insurance firm agreed to pay only Rs 21,600 citing the maximum limit for cataract. Patel then filed a complaint in the Vadodara District Consumer Disputes Redressal Commission (additional) in June this year. He sought the remaining amount along with Rs 15,000 each towards legal cost and mental harassment.

'How did insurer fix claim limit'

The claim settlement letter submitted by Pinkesh Patel in the forum stated that he was entitled to get a maximum payment of Rs 24,000 as per the credit limit of which 10% would be deducted under the co-payment clause. The insurer argued that it paid Rs 21,600 as per the terms and conditions of the policy. The commission, however, ruled that the insurer has failed to show how it fixed the maximum limit amount. 'The treatment expense depends on the doctor, patient, medicines used during the surgery, and the cost of the lens. The cost of every surgery is not the same,' the commission said.

So, the opponent (insurer) cannot deduct the claim amount by reasoning that it's more than the maximum limit. The opponent has resorted to unfair trade practice by deducting the claim amount,' the commission added and ordered it to pay Rs 15,514 with 9% interest to Patel.

The forum also ordered the insurer to pay Patel Rs 2,000 towards mental harassment and Rs 1,000 for legal cost.

(The writer is Tushar Tere.)

TOP

Insurance firm told to pay up Rs 30L outstanding house loan – The Times of India – 23rd December 2023

A district consumer forum has directed SBI Life Insurance to clear the outstanding house loan of about 30 lakh of a deceased policy holder and pay a compensation of 1 lakh to his wife for repudiating the claim on the ground of suppression of material facts. The forum said not conducting medical tests before issuance of policy and then repudiating the claim in the guise of an investigation was unfair trade practice. In her complainant, N Lavanya said her husband was forced to take SBI Life RiNn Raksha covering the home loan of 50 lakh from SBI (Sindhi Colony) which was now merged with SBI (SP Road). Lavanya, who is also the co-applicant, said both of them had never filled any application for insurance while obtaining the loan and were also not aware of the terms.

After her husband died, her death claim was denied on the grounds of suppression of material facts. She contended that as bank officials had obtained signatures on unfilled application forms, the question of suppression of material facts did not arise.

SBI said they had not forced complainant's husband to take the insurance policy and had nothing to do with repudiation of the claim. The insurance firm, however, said declaration of good health was the sole basis to decide eligibility for insurance cover. They said if the policyholder had declared he was suffering from uncontrolled diabetes and fatty liver - which were discovered during their investigation - they would not have granted him insurance cover. They claimed that the question of signing on blank paper could not arise as it was an electronic application. The forum, however, rejected the official response.

(The writer is Nirupa Vatyam.)

TOP

PENSION

New rules: EPFO sets new timeframe limits for freezing and de-freezing accounts; know the details – The Times of India – 27th December 2023

The Employees' Provident Fund Organisation (EPFO) has notified a set of standard operating procedures (SOPs) to streamline the process of freezing and de-freezing individual or establishment accounts. The EPFO has introduced a time-bound process to freeze member IDs, universal account numbers, or establishments for verification purposes. This aims to boost the efficiency and security of funds while mitigating potential risks associated with fraud, impersonation, and forgery. According to the SOP document released by EPFO, the new guidelines restrict the timeframe for freezing accounts to 30 days, extendable up to 14 days for due diligence. EPFO underscores the importance of a precautionary verification process to guard against fraud, protect capital, and prevent unauthorised withdrawals. According to an ET report, EPFO has mentioned in the SOP document that the first and most important action is to protect the money in the account. It's necessary to freeze operations for MIDs/UANs/establishments when there's a chance of fraud or fraudulent withdrawal. As a vital social security organisation, EPFO serves over 60 million subscribers through schemes like the Employees' Provident Fund, Employees' Pension Scheme, and Employees' Deposit Linked Insurance Scheme.

EPFO's security measures and rapid response

To enhance account security, EPFO has implemented multiple layers of verification for member IDs, UANs, and establishments. The objective is to identify potential cases of suspicious accounts or transactions and prevent impersonation or fraudulent withdrawals, ensuring the security of funds and preventing any capital flight.

In the event of irregularities or fraud, EPFO assures swift actions to recover funds and resolve the issue. The SOPs dictate that fraudulent cases will be reported to the authorities for criminal prosecution, and field office officials will be held accountable for identified lapses. The SOP document further specifies that in cases of fraudulently withdrawn money, the concerned regional offices will quantify the amount and recover it, along with any applicable interest. These recovered funds will be re-credited to the genuine member's account, bringing closure to the incident and maintaining the integrity of the EPFO system.

TOP

EPFO subscribers alert! Covid withdrawal facility may be stopped soon: Report – Live Mint – 27th December 2023

The Employees' Provident Fund Organisation (EPFO) has reportedly shut the Covid-19 withdrawal facility that allowed its subscribers to take out a part of their retirement savings as Covid advances, the Economic Times reported. While there is no official notification in this regard yet. Mint could not independently verify this development. Amid the 2020 pandemic that had jolted the entire world, EPFO allowed its members to opt for two advances from the Employees' Provident Fund (EPF) account.

The provision for special withdrawal to meet the financial needs of members during the pandemic was introduced in March 2020, under Pradhan Mantri Garib Kalyan Yojana (PMGKY). An amendment to this effect was made by the Ministry of Labour & Employment in Employees' Provident Funds Scheme, 1952 by inserting therein sub-para (3) under paragraph 68L, through notification in the Official Gazette.

Under this provision, non-refundable withdrawal to the extent of the basic wages and dearness allowances for three months or up to 75% of the amount standing to the member's credit in the EPF account, whichever was less, was provided. EPFO, the retirement fund body, mandates both employees and employers to contribute 12 per cent of the basic salary and dearness allowance. It not only serves as a tax-saving instrument but also offers higher interest rates on investments.

EPFO adds 15.29 lakh members in October

The retirement fund body added 15.29 lakh members on a net basis in October, up by 18.22 per cent compared to the same month last year, according to payroll data released on December 20. Around 7.72 lakh new members have come under the social security coverage of EPFO in October 2023, an increase of 6.07 per cent over the year-ago month, a labour ministry statement said. Unlock a world of Benefits! From insightful newsletters to real-time stock tracking, breaking news and a personalized newsfeed – it's all here, just a click away! Login Now!

TOP

Employers can log in to EPF portal to check on liabilities – The Economic Times – 27th December 2023

In a move aimed at enhancing the ease of doing business for employers, the Employees' Provident Fund Organisation (EPFO) has rolled out automated solutions for damages and interest calculations which will enable employers to check their liability towards the retirement fund body every time they log in to their EPF portal, said a senior government official. Earlier, the EPF dues of employers could be checked only at the time of filing of electronic challan-cum-return (ECR) for a month which is due by the 15th of next month. "The EPFO is focusing on internal processes to simplify procedures which will aid in faster access to EPFO services to both employers and the employees," said the official, who did not wish to be identified. Establishments with at least 20 employees have to deposit 12 percent of the workers' basic wage and 12 percent of their own contribution with the EPFO every month as provident fund, pension and deposit-linked insurance, wherever applicable, to ensure social security for the employees.

The employers deduct this contribution from the monthly wages of the employees and have to mandatorily deposit it with the EPFO by the 15th of the next month. In case of a delay, the employers have to pay penalties and higher interest rates on PF deposits. As per the Employees' Provident Fund & Miscellaneous Provision Act, employers defaulting on contributions are liable to pay damages under section 14B and interest under section 7Q. The rate of interest varies from 5 percent per annum for delay of less than two months to 10 percent for delay of two-four months, 15 percent if it extends to four-six months and 25 percent if it is more than six months.

"The Indian Staffing Federation (ISF) welcomes such initiatives to make compliance easier. While the formal staffing industry plays a significant role to ensure compliances are always done timely, there are below 1 percent cases where delays due to UAN (universal account number) generation issues or mismatch arising from Aadhaar continue to impact the intention of full remittance timely transfers," said Suchita Dutta, executive director of ISF. "The nature of business is rolling payroll, thus we have requested the government to bring processes that allow timely deposits for all beneficiaries. Later the amount can be reallocated to the corrected UAN. Losing these remittances impacts individual beneficiaries and EPFO," she said. As per the draft annual report of the EPFO for 2022-23, a total amount of ₹15,254.06 crore was pending for recovery as on March 31 this year. Of this, ₹13,953.18 crore was the outstanding amount to be recovered from unexempted establishments. It included ₹4,567.74 crore of penal damages and interest while ₹1,300.88 crore was pending for recovery from exempted establishments.

(The writer is Yogima Seth Sharma.)

TOP

Fresh formal jobs creation falls 10% to 9.06 mn in 2023: EPFO data – Business Standard – 27th December 2023

The number of fresh formal jobs created fell by 10 per cent in 2023 compared to the previous year, reflecting slowdown in the pace of formal job creation, a Business Standard analysis of the latest payroll data shows. This is crucial as only the formal workforce enjoys social security benefits and is protected by labour laws.

Released by the Employees' Provident Fund Organisation (EPFO), the latest data available till October 2023 shows that 9.06 million new subscribers joined the Employees' Provident Fund (EPF) between January and October. The figure was 10.1 million in the corresponding period of the previous year.

The data also shows that the number of new young subscribers belonging to the 18-28 age group declined by 11 per cent to 5.97 million this year from 6.71 million in the corresponding period last year. This is crucial because subscribers in this age group are usually first-timers in the labour market, thus reflecting its robustness. Rituparna Chakraborty, co-founder, Team Lease Services, said the services sector, which is technology and knowledge based, forms the bulk of the formal workforce. Companies in the sector tried to rationalise their workforce, leading to a slowdown in hirings this year as revenues declined and demand was muted.

"The current trend among firms to bring their employees back to office after the pandemic means a large number of women prefer to stay at home and engage in household chores. This is leading to a decline in their participation in the workforce," added Chakraborty. Besides this, the EPFO data also showed that the number of new women subscribers declined by 12 per cent to 2.35 million from 2.68 million last year. This deterioration in the quality of employment comes in the wake of the lowest unemployment rate recorded in the country in the past six years. The recently released annual periodic labour force survey (PLFS) showed that the unemployment rate had dropped to a six-year low of 3.2 per cent in July-June 2022-23 from 4.1 per cent in July-June 2021-22.

Labour economist KR Shyam Sundar said the EPFO payroll data does not reflect a clear picture of employment generation in the country as it forms only a minuscule proportion of the labour force in the country. "EPFO data only shows the extent of formalisation of the workforce, which in turn means as many people (under the EPFO) will be getting social security benefits. If there is a slowdown (in this) as well, that is a matter of concern. The PLFS data also shows that people categorising themselves as self-employed, which basically consists of agricultural labourers and unpaid household help, has gone up in recent years," Sundar added. The PLFS survey has shown that the share of people engaged in agriculture has increased sharply to 45.8 per cent in 2022-23 from 45.5 per cent in 2021-22. Also, the share of people engaged in manufacturing has gone down to 11.4 per cent from 11.6 per cent during the same period. Meanwhile, a recent report by State Bank of India (SBI) claimed that India's labour market, including female employment, is undergoing a structural transformation. It said there is self-entrepreneurship in "all echelons" with higher educational attainment and access to formal credit with MUDRA Yojana and PMSVANidhi emerging as key enablers.

(The writer is Shiva Rajora.)

TOP

EPFO retires Covid advance facility – MSN – 27TH December 2023

The Employees' Provident Fund Organisation has withdrawn a special facility that allowed its subscribers to take out a part of their retirement savings as Covid advance, a move that comes nearly seven months after the World Health Organisation declared an end to Covid-19 as a public health emergency. The retirement fund body announced its decision in a formal meeting with its officials a week ago, an EPFO official, who attended the meeting, told ET on the condition of anonymity.

"While a notification in this regard is yet to be issued, efforts are being made to disable the provision of non-refundable Covid advance in the software, so that subscribers can no longer apply for it," the official added. Experts say the move is expected to impact consumption as much of the Covid advance was being used for discretionary purchases and other expenses. They also said the decision has come too late and that it had impacted the availability of funds at EPFO's disposal. "The facility of cash withdrawal from retirement savings has fuelled consumption but continuing the window for so long was not right. It has impacted supply of funds for EPFO, which could have been otherwise invested, indirectly affecting returns on EPFO investments for its subscribers," labour economist KR Shyam Sundar said. A trade union leader, speaking on the condition of anonymity, said this is a clear reflection of laxity on the part of the bureaucracy. "It took them so long to end the Covid withdrawal despite knowing that most of this withdrawal from one's retirement savings was being used for purposes other than medical," he said, adding that the burden on these beneficiaries have shifted to the future with reduced savings.

Over 22 million-or more than one-third-of EPFO's total subscribers had availed of the Covid advance in the three fiscal years starting from 2020-21, amounting to ₹48,075.75 crore, as per the EPFO's draft annual report for 2022-23. According to the report, the retirement fund body disbursed ₹17,106.17 crore in 2020-21, benefiting 6.92 million beneficiaries, ₹19,126.29 crore in 2021-22 to 9.16 million beneficiaries, and ₹11,843.23 crore to 6.20 million beneficiaries in 2022-23. The provision for Covid advance, which came into effect on March 28, 2020, saw 33 beneficiaries availing the facility in the four days till the end of FY20 (March 31, 2020), amounting to ₹0.06 crore.

EPFO has over 60 million subscribers and manages a corpus of more than ₹ 20 lakh crore. The government had in March 2020 notified amendments to the EPF Scheme, 1952 to provide for non-refundable advance to EPF members not exceeding the basic wages and dearness allowances for three months, or up to 75% of the amount standing to a member's credit in the EPF account, whichever was less, in the event of outbreak of an epidemic or a pandemic. This made all employees working in establishments and factories across India, who were members of the EPF Scheme, eligible for the non-refundable advance under the amended scheme, which came into effect on March 28, 2020.

TOP

As markets shake and stir, NPS investors opt for bond of trust – The Economic Times – 25th December 2023

The National Pension Scheme (NPS) is pouring funds into government securities, with the pace of bond investments being driven not only by state employees' default retirement plans but also a potential reduction in risk appetite for equities amidst steep valuations and higher interest rates. Latest data published by the Reserve Bank of India showed that the ownership of government bonds by pension funds was at a high of 4.32 percent of the outstanding stock of ₹103 lakh crore, or ₹4.48 lakh crore, in the quarter ended September. In the quarter ended March 2023, the ownership of government bonds by pension funds was at 3.50 percent of outstanding stock or ₹2.98 lakh crore. According to pension fund managers, the ownership of government bonds by pension funds can be broadly taken as a proxy for NPS investments in debt. The figures at the end of September are equivalent to roughly 44 percent of the ₹10.22 lakh crore worth of overall assets under management (AUM) of the NPS for FY24 as of November 30, data from the NPS Trust showed.

Last financial year, the growth in ownership of government bonds outstripped the growth in total NPS AUM. "It is correct to surmise that out of a total AUM of close to ₹11 lakh crore, around ₹4.5 lakh crore is in government bonds for the overall NPS. Total NPS AUM is around ₹10.5 lakh crore including the Atal Pension Yojana which is ₹32,000 crore," said Sumit Mohindra, CEO of ICICI Prudential Pension Fund Management. "Total NPS AUM grew by 22 percent from ₹7.36 lakh crore in FY22 to ₹8.98 lakh crore in FY23, equity grew by 22 percent, corporate bonds by 23 percent and government bonds by 25 percent," he said. ICICI Prudential Pension Fund Management is one of the pension funds registered under the NPS along with nine other pension fund management companies. A key factor driving the investments in government bonds is the retirement plans of government employees, which by default have a much larger share of debt. "The state government and central government employees' money, where the default scheme that the government has defined, is one where equity can be a maximum of 15 percent. So, a minimum of 85 percent is what the debt market would be, which largely goes into government bonds," Mohindra said.

Default schemes are not permitted for private pension fund managers and can only be carried out by SBI Pension Funds, LIC Pension Fund and UTI Retirement Solutions, all three of which fall in the 'government sector and other than government sector category'. The remaining seven pension funds registered under the NPS are in the 'other than government sector' category. While the RBI's data on ownership pattern of government securities is only available till the end of the September quarter, the pace of the increase in pension fund investments in bonds till that time is abreast with the overall AUM growth of the NPS till the end of November, the data showed. "NPS in the private pension fund space is clearly a case where there is a certain amount of preference which is given by the ultimate investor regarding the asset class. So it's quite clear that there is a growing preference which is going for debt," said Madan Sabnavis, chief economist at Bank of Baroda. "One of the reasons could be that we have seen that interest rates have been going up since last year so obviously there's a higher return which you're getting from debt. There would be a higher propensity for government bonds and lower risk appetite for equities," he said. From the end of FY23 to November 30, the AUM of the NPS has grown by 17.3 percent while the ownership of government bonds by pension funds has grown by 16.8 percent from the quarter ended March to the quarter ended September.

(The writer is Bhaskar Dutta.)

TOP

Introduction of UPI QR code for making NPS contributions may draw in younger subscribers – Financial Express – 22nd December 2023

The Pension Fund Regulatory and Development Authority (PFRDA) has recently allowed the NPS subscribers to deposit their contributions directly under the D-Remit process through the UPI QR code. This initiative aligns with modern trends, enhancing accessibility, efficiency, and will be appealing to tech-savvy, young subscribers.

The last few years, in fact, have seen a spurt in businesses using QR codes. All it takes to use a QR code is a camera on a smartphone (which is now a must-have in today's world). Users do not need to remember complex account numbers or provide multiple pieces of information. The convenience of making payments using QR codes has contributed to their widespread adoption in various industries and regions. One big example of businesses using this are restaurants using QR code menus, which have become quite popular.

"The introduction of QR code – UPI for D-Remit (Direct Remittance) would help in making NPS contributions more accessible, efficient, and flexible. This initiative by PFRDA will empower NPS subscribers to take control of their retirement savings and benefit from the advantages of systematic investment planning. Under this new mechanism, subscribers can utilise the UPI QR Code to transfer their contributions. For enabling the same, the subscriber must set up his virtual D-Remit account with the Trustee bank of the NPS architecture," said Kurian Jose, CEO, Tata Pension Management. According to Kurian, PFRDA's decision to introduce QR codes to make contributions to NPS (National Pension System) using UPI-enabled apps is in keeping with the times and a step in the right direction. Making payments using QR codes offers several conveniences like simplicity, speed, and versatility of the process which will boost the overall experience of subscribers in NPS.

NPS is a defined contribution savings mechanism, and the retirement corpus would depend on time that the retirement amounts have been given, to benefit from the power of compounding and hence the need to begin as soon as one starts earning. "These days the young perceive financial / retirement planning as a fuddy duddy complex tool to be undertaken only when one is around 40-50 years. Alas, by then it may be too late for the same. And hence the requirement to speak the language of the young through use of technology," said Kurian. Introduction of QR codes may draw in the younger subscribers who are extremely pro-technology and are always looking for technology-based conveniences like mobile payment apps, ride-sharing services, food delivery apps, social media platforms, streaming services, and smart home devices, among others.

(The writer is Sanjeev Sinha.)

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NPS adoption dips to 4 month low in October amid corporate slowdown: NSO – Business Standard – 22nd December 2023

The adoption of the National Pension System (NPS) by formal sector employees fell to a four-month low in October, according to data released by the National Statistical Office (NSO) on Friday. This fall is primarily on account of the slowdown seen in the adoption by the corporate sector employees. Data shows the cumulative number of new monthly subscribers under the corporate sector, central and state governments that adopted NPS fell by 3.2 per cent to 70,947 in October from 73,318 in September. Earlier, 54,715 new subscribers had joined the NPS in June.

Under the corporate component, which is voluntary in nature and includes people working in public-sector organisations, private limited companies or public-sector banks, among others, the number of new subscribers joining the NPS during the month declined by nearly 10 per cent to 10,341 from 11,421 in the previous month. As Business Standard reported earlier, the corporate segment has seen a decline in recent months due to the increase in the exemption limit of income tax to ~7 lakh announced in the FY24 Budget, as it no longer requires employees under this income bracket to opt for the NPS for tax-saving purposes. "People generally enrol under the corporate component as they see it as a tax-saving instrument rather than a long-term pension or savings product. So, when the finance ministry [decided to] raise the exemption limit earlier this year, people belonging to these income slabs saw no incentive to enrol under the NPS," an official requesting anonymity had said.

Apart from this, since the Union government has mandated the NPS for all its new employees, this can be used as a proxy to gauge fresh recruitments at the central level. Under the central component, new subscribers declined slightly to 18,780 in October from 18,937 in the last month. Similarly, 41,826 new subscribers joined the NPS in October from 42,960 in September under the state component. However, since a few states like Rajasthan, Chhattisgarh, Himachal Pradesh, Jharkhand, and Punjab had announced a return to the Old Pension Scheme (OPS), abandoning NPS, it cannot be used as an exact metric to gauge the hiring trend at the state level. Of the total new subscribers, the share of young subscribers belonging to the 18-28 age group increased to 49.5 per cent in October from 48.7 per cent in September. This is crucial because people belonging to this age group are first-timers in the job market and thus reflects the robustness of the job market.

(The writer is Shiva Rajora.)

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IRDAI CIRCULAR

Circular	*Reference*
Annual Report 2022-23	https://irdai.gov.in/web/guest/document-detail?documentId=4273788

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COI TRAINING PROGRAMS

Mumbai – January - February 2024

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Understanding Bond Markets for Insurance Investments	22-Jan-24	23-Jan-24	ClickHere	Register
2	Consumer Grievances and Redressal Machinery	31-Jan-24	31-Jan-24	ClickHere	Register
3	Managing Project Insurance	01-Feb-24	02-Feb-24	ClickHere	Register
4	Corporate Finance & Post listing compliances	01-Feb-24	02-Feb-24	ClickHere	Register
5	Motor Insurance (Own Damage) Workshop	05-Feb-24	07-Feb-24	ClickHere	Register
6	Regulatory Drawing Board–A Comprehensive Program for Insurance Regulators	05-Feb-24	10-Feb-24	ClickHere	Common
7	Cyber Security, Resilience and Cyber Claims	07-Feb-24	07-Feb-24	ClickHere	Register
8	Workshop on Soft Skills for team managers and team leaders	12-Feb-24	14-Feb-24	ClickHere	Register
9	Policyholders Service and Protection of Policyholders Interests for Life Insurance	15-Feb-24	16-Feb-24	ClickHere	Register
10	Market Segmentation and product placement – Non par products (ULIPs, Guaranteed maturity products and Annuities)	15-Feb-24	16-Feb-24	ClickHere	Register
11	Up-skilling teams on CRM	20-Feb-24	21-Feb-24	ClickHere	Register
12	Marine Hull & Energy Insurance- Underwriting & Claims	26-Feb-24	27-Feb-24	ClickHere	Register

Kolkata – January - February 2024

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Personal Tax planning & Life insurance - CT	22-Jan-24	22-Jan-24	ClickHere	Register
2	Managing Catastrophe Claims - CT (Kolkata)	23-Jan-24	23-Jan-24	ClickHere	Register
3	Managing Catasrophe Claims - CVT (Kolkata)	23-Jan-24	23-Jan-24	ClickHere	Register
4	Learning Aviation Insurance-Bracing for the future - CT (Kolkata)	07-Feb-24	07-Feb-24	ClickHere	Register
5	Learning Aviation Insurance-Bracing for the future - CVT (Kolkata)	07-Feb-24	07-Feb-24	ClickHere	Register
6	Wealth accumulation through ULIP & Annuities - CVT	08-Feb-24	08-Feb-24	ClickHere	Register
7	Raising Effectiveness of Business Development Executives & Managers- CT	20-Feb-24	20-Feb-24	ClickHere	Register
8	Augmenting Women Power in Leadership - CT (Kolkata)	22-Feb-24	22-Feb-24	ClickHere	Register
9	Augmenting Women Power in Leadership - CVT (Kolkata)	22-Feb-24	22-Feb-24	ClickHere	Register