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# INSUNEWS - WEEKLY E-NEWSLETTER

23RD – 29TH MARCH 2024

## Insurance Term for the Week

## Incontestability Clause

An incontestability clause in most life insurance policies prevents the provider from voiding coverage due to a misstatement by the insured after a specific amount of time has passed. A typical incontestability clause specifies that a contract will not be voidable after two or three years due to a misstatement.

Incontestability clauses help protect insured people from firms who may try to avoid paying benefits in the event of a claim. While this provision benefits the insured, it cannot protect against outright fraud.

The incontestability clause in life insurance policies is one of the strongest protections for a policyholder or beneficiary. While many other legal rules for insurance favor the insurance companies, this rule is notably and strongly on the side of the consumer.

Conventional rules for contracts stipulate that if false or incomplete information was provided by one party when making the contract, then the second party has the right to void, or cancel, the agreement. The incontestability clause forbids insurance companies from doing this.

**QUOTE OF THE WEEK**

**"Change your opinions, keep to your principles; change your leaves, keep intact your roots."**

**VICTOR HUGO**

## INSIDE THE ISSUE

## INSURANCE INDUSTRY

***Disappointed that our suggestions on strengthening policyholder protection framework were not considered, says insurance brokers' association chief | Simply Save – Moneycontrol – 27th March 2024***

The Insurance Regulatory and Development Authority of India (IRDAI) has recently rolled out a host of final regulations, including product and policyholder protection regulations, which are pertinent for policyholders. The regulations will come into effect from April 1.

For one, the IRDAI board decided to scrap the provisions on surrender value proposed in its December draft, so the status quo continues – endowment policyholders will not be eligible for higher surrender values or early exit payouts proposed earlier. In addition, it has also retained the proposed Protection of Policyholders regulations, without any changes.

Now, life insurance companies are understandably content with the outcome as they had opposed the higher surrender value provisions. But this is a setback for policyholders who often have to surrender policies due to their unsuitability, having been mis-sold these policies or if they find out that they are unable to pay premiums over the long-term. Put simply, they will continue to incur higher losses.

Likewise, the Insurance Brokers Association of India (IBAI) is also disappointed that many of its suggestions on strengthening the policyholder protection regulations were not taken on board, though it is hopeful that they will be incorporated in master circulars to be issued in future.

Moneycontrol spoke to Sumit Bohra, President, IBAI to understand IBAI's stance on the new policyholder protection rules. Here are the key takeaways from the interaction:

- We are obviously disappointed that our suggestions on making policyholder protection regulations more robust were not taken on board

- However, there is this concept of master circulars that IRDAI comes out with. Since most regulations finalised now are principle-based, we still hope that the master circulars issued in future will capture our suggestions.

- For one, we felt the definition of 'grievance' specified in the regulations to be inadequate. It was too generic – instead, we need regulations with more teeth. Timelines should have been specified along with penalties for insurers who fail to adhere to the timeframe to resolve grievances.

- Individual policyholders are essentially laypersons who do not understand insurance jargon. So our contention was that intermediaries like brokers should be allowed to represent customers at grievance redressal forums.

- We had also raised an objection against the use of the word 'knowingly' in the definition of 'mis-selling'. A mis-sale is just that, whether it was done knowingly or not should not make any difference. No distributor will admit that he did it knowingly, though most of the times, that is indeed the case.

- Policyholder education is key to tackling mis-selling. It is important to set the right expectations. For example, in non-linked, secure return plans such as endowment policies, it is important to make them aware that the returns (IRR or internal rate of return) will not be more than 6.5-7 percent. So, if someone were to promise returns of 10 percent, it is a red flag.

- Policyholders staying put throughout the policy tenure is in the interests of insurers, intermediaries and insured. However, the desire to make (quick) money and short-sightedness often results in mis-selling.

- Therefore, trail-based commission model is much better than paying out upfront commissions to distributors. As an intermediary, if I have a longer period of commission receipts, I will make sure policy runs for a long-term period of time. This will curb mis-selling (as agents are likely to sell policies that suit policyholders' needs and also, the incentive to churn policies comes down).

***(The writer is Preeti Kulkarni.)***

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## *E-insurance now mandatory for all policyholders: What it means for you – Business Standard – 27th March 2024*


India's insurance regulator (Irdai) is making things digital! From April 1, 2024, all insurance policies will be issued electronically. Here's a breakdown:

**What is e-insurance?**
It's managing your insurance plans (life, health, etc.) electronically in a secure online account called an e-Insurance Account (EIA).

**Why is it good?**

- No more paperwork! View, download, and manage all policies in one place.
- Less risk of losing documents compared to physical copies.
- Update details once in your EIA and it reflects across all linked policies.
- Easily track policy details and renewal dates.

The Insurance Regulatory and Development Authority of India (Irdai) recently introduced the "Protection of Policyholder Interest" Regulation 2024, effective from April 1, 2024. This regulation mandates the conversion of all insurance policies into electronic format. In an e-mail interview with Business Standard, Vivek Bengani, CEO of CAMS Repository, sheds light on the implications of e-insurance, addressing concerns ranging from operational security to the battle against scams.

**1. Is holding an e-insurance policy compulsory for all policyholders?**
"It is now compulsory for all policies to be issued in electronic form, irrespective of the application method. This initiative not only offers convenience but also significantly increases the security and management of policyholder portfolios," Bengani said.
He pointed out that the majority of private life insurance companies and non-life insurers have accepted the electronic Insurance Account (eIA) mechanism, actively encouraging policyholders to digitise their policy holdings.

**2. Several customers have reported receiving emails from PolicyGenie by CAMS Repository containing sensitive information such as PAN, phone number, and name. Can you confirm the authenticity of these communications and advise on the appropriate steps recipients should take?**
In response to the rising concerns over email scams, Bengani reassures policyholders, "The emails from PolicyGenie by CAMS Repository are part of our efforts to onboard policyholders onto the eIA platform, adhering strictly to the communication protocol defined by Irdai. Our robust security mechanism ensures the protection of customer data at all times."

**3. What are the red flags for a fake mail? What should people do to protect their data?**
As an Insurance Repository, CAMS Rep will never send any sales or marketing communication to eIA holders enticing them to purchase insurance or pay any money. eIA and basic services offered are free of charge for the policyholder. CAMS Rep (or any IR) has the mandate to maintain policies in digital form and help policyholders realise the maximum benefit from their insurance portfolio. We do not call our customers seeking personal information.

If customers see any deviation from these norms, they can and should immediately connect with our helpline or support email to let us know. CAMS Rep maintains detailed records of all communications sent to its customers and is periodically audited by Irdai to ensure security standards are complied with.

**4. What are the primary advantages of transitioning to an e-insurance policy from traditional paper-based policies?**
The transition to e-insurance is not merely about digital conversion but also about significantly improving the policyholder experience. Bengani explains, "Holding an e-policy provides unmatched security and the convenience of managing an entire insurance portfolio in one place."

"We have seen many instances where policyholders move out of India and find this mechanism so handy. Many insurers have been able to connect to their policyholders and settle unclaimed amounts as they could find updated contact details through eIA," he said.

**5. How does the consolidation of insurance policies into an e-insurance account benefit the policyholder in terms of management and oversight?**
With the consolidation of insurance policies into a single e-insurance account, policyholders gain a level of oversight and management previously unattainable. "Our platform, Bima Central, is evidence of the ease of use and management it offers to policyholders," Bengani adds.

"Our 7 million customers will have access to Bima Central, which is a first-ever integrated & aggregated benefit realisation platform. It allows the eIA holders to view their consolidated benefits (across policies), renew policies, update nominees, and bank accounts on their policies in real-time with insurers. As insurers are getting onboarded, there are new use cases like policy loan, premium financing, claim readiness getting added to the platform," he said.

**6. Could you outline the security measures in place to protect policyholders' information within the e-insurance system?**
Addressing security concerns, Bengani assures, "We are an ISO 27001 Certified Company, so we ensure that all security controls are maintained, following all necessary norms and conditions. Data stored in our servers are encrypted. All security control measures are tested on a regular basis. This includes two-factor authentication for login, regular VAPT Testing (Vulnerability Assessment Penetration Testing) to assess emerging cyber threats, dark trace, etc., to ensure that our servers, network, data, and applications are secure at all times. Strong internal control and governance in place through a Board approved cybersecurity and crisis management policy. In fact, CAMSRep was the first Insurance Repository to complete the cybersecurity audit as per Irdai's latest infosec guidelines in 2023."

**7. Are there any cost implications for policyholders when converting existing policies to e-insurance policies?**
"Opening an e-Insurance Account and converting to e-Policies are offered at no cost to the customer. We aim to make the transition as seamless and cost-effective as possible for all policyholders," he said.

***(The writer is Surbhi Gloria Singh.)***

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## *Which domestic insurance companies have been identified as systemically important for financial stability of the economy in FY2023-24? - The Economic Times – 27th March 2024*

Domestically systemically important insurance companies are those that are considered as too important to fail. As a consequence there is a perceived expectation that the government would support these insurers in case of any financial distress. Which are these 'too important to fail' insurance companies in India?

The list, for financial year 2023-24 comprises three companies - LIC, GIC and New India Assurance - all 3 PSUs. As per a press release from the IRDAI dated March 27, 2024, Life Insurance Corporation of India,

General Insurance Corporation of India and New India Assurance Co. Ltd continue to be identified as Domestic Systemically Important Insurers (D-Slls) for FY2023-24. This list is the same as in 2022-23.

Domestic Systemically Important Insurers (D-Slls) refer to insurers of such size, market importance, and domestic and global inter connectedness, whose distress or failure would cause a significant dislocation in the domestic financial system. Therefore, the continued functioning of D-Slls is critical for the uninterrupted availability of insurance services to the national economy.

D-Slls are perceived as insurers that are 'too big or too important to fail' (TBTF), says the release. This perception and perceived expectation of government support may amplify risk-taking, reduce market discipline, create competitive distortions and increase the possibility of distress in the future, as per the release. These considerations require that D-Slls be subjected to additional regulatory measures to deal with systemic risks and moral hazard issues.

The release further states: Given the nature of their operations and the systemic importance of the D-Slls, these insurers have to carry forward their efforts on the following:

i. Raise the level of corporate governance;
ii. Identify all relevant risks and promote a sound risk management framework and culture.

Consequently, D-SIIs are being subjected to enhanced regulatory supervision, the release adds.

It may be noted that State Bank of India, ICICI Bank and HDFC Bank have been classified as domestic systemically important banks.

The Reserve Bank had issued the Framework for dealing with Domestic Systemically Important Banks (D-SIBs) on July 22, 2014. The D-SIB framework requires the Reserve Bank to disclose the names of banks designated as D-SIBs starting from 2015 and place these banks in appropriate buckets depending upon their Systemic Importance Scores (SISs). Based on the bucket in which a D-SIB is placed, an additional common equity requirement has to be applied to it.

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## *Those serious about retirement aren't attracted to NPS tax benefits – The Economic Times – 25th March 2024*

While retaining its sharp focus on term plans, Policybazaar is now looking to sell annuity products without much concern for competition from the NPS, Santosh Agrawal, CBO, Life Insurance, Policybazaar tells. Edited excerpts:

**What do you think of Irdai's proposal on increase in surrender charges?**
It's a customer-friendly move, but in the short term, the industry will face challenges. There will be a rebalancing from a commercial perspective because there will be lesser left for the distributor and manufacturer. We will have to make products more customer-friendly because only then will insurance penetration go up. It's a step in the right direction and the sooner we accept and manage it, the better it will be. We are giving all our partner-manufacturers the confidence that the entire margin hit will not be taken by them alone. We will also absorb the margin. There will be an impact on distributor payout also and not all distributors will be forthcoming in accepting this change. So, of course, there will be a balancing act and it will happen in two or three stages. It may not be factored in fully in this particular change, and may take another iteration or so for it to happen. From the industry perspective, there have been a few shocks in the recent past (Rs.2.5 lakh limit on Ulips, Rs.5 lakh limit on traditional plans), so absorbing a shock every year becomes difficult. The industry will accommodate and adjust, but it will happen over time.

**Are people informed enough to make online life insurance purchases from aggregators like Policybazaar?**
If you are coming to an online platform on your own, it suggests you have the ability to make an online purchase, which is an indicator that you are Internet-savvy and educated. So everything has to be written on the platform because we are not depending on an individual to communicate. Product features are mentioned on the website and enough literature is available to make an informed decision. The information is nonjargonised and in a language that is easily consumable for a layman. Plus, assistance is provided on recorded calls, so we ensure that the information is factual and correct.

**What is the percentage share of life insurance plans sold on Policybazaar?**
Nearly 40% of our business is term insurance, and of the remaining 60%, almost 90% is Ulips and 10% is non-participating plans.

**Why is your term plan sale much higher than traditional plans, which is the case for most life insurers?** There was a reason we started Policybazaar. Our vision on protection is very clear and we invest a lot in it. Unlike most distribution houses, where the same adviser or agent is tasked to sell life insurance, we have an earmarked term department, which is an independent entity that only sells term insurance. So you cannot substitute term for any other product. Almost 25% of the country's retail term plans are bought through Policybazaar. Manufacturers also depend a lot on Policybazaar for term insurance sale.

We do not sell participating plans because customers do not understand these fully and it's subject to misselling. Ulips make for most of our sales because we sell for the long term of over 10 years, and there is no negative 10-year cycle in the market. Ulips have a very low margin, but we are able to sustain because we sell in volumes. We've been in operation for 15 years and have broken even for the first time in the last quarter. It's a long-term game for us.

On the non-participating side, tax was one reason people were buying these plans and that's not a sustainable reason to buy. The product should be able to stand on its feet. Along with Ulips, annuity is a customer-friendly product. We are trying to see how to sell annuity, though we have younger customers because of the online buying mechanism. We are releasing a TV campaign on retirement and, if it does well, we should be able to get more customers above 45 years.

**Won't you face competition from the NPS?**
NPS is a good product, but it's just accumulation and then it invests in annuity. People know of the NPS because of tax benefit, but Rs.50,000 is not a meaningful amount. The people who are serious about retirement are not attracted by Rs.50,000. They plan how much pension they need and invest accordingly.

**What innovations are likely in life plans?**
One thing that the life insurance sector wants to do is health insurance. There are, of course, indemnity plans that health insurance companies sell, but there are critical illness benefits that life insurers can sell. An indemnity plan can cover you for Rs.10-20 lakh, but if you have a serious illness like cancer, for which the treatment cost is very high, having a specific cancer cover is a good idea. Through life insurance fixed benefit products, you can buy a large cover at a very reasonable price. If you see globally, life insurance companies sell health, and general insurance is a different category. So health is a big area that remains unexplored.

The other area is retirement, with a lot of scope for innovation. Companies are launching annuity plans where you can surrender the plan and get 100% of your money back. There's something called balance of premium, where the amount you invest in annuity will come back to you even if you die early. So a lot of creativity and innovation is required because our industry has not really focused on pension and retirement.

**What's the average size of term plans sold?**
The average life cover we sell is Rs.94 lakh, up from Rs.87 lakh two years ago. A lot of people also buy Rs.1 crore cover even though they have high incomes. The thumb rule is to buy a cover that is 10 times your annual income, but Rs.1 crore has become a number to go to and people are underinsuring themselves. So we are trying to educate them to buy the right amount of cover.

Most products we sell are to salaried individuals, but now we are trying to insure the self-employed, where penetration is very low because we ask for traditional income documents. We're trying to arrive at the right income through surrogates of lifestyle, credit score, etc. The other area is to give term insurance to women, especially housewives. We should acknowledge that they generate income, maybe indirectly, and add value. We've seen a healthy shift from 7-8% of women buyers to 13% at this year's exit.

***(The writer is Riju Mehta.)***

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## *Banks to insurers: Using the ombudsman system to get complaints resolved – Business Standard – 24th March 2024*

Consumer complaints to the Reserve Bank of India (RBI) rose to 703,000 in 2022-23, up 68 percent over the previous year, according to a recent report by the banking ombudsman. The RBI ombudsman addresses complaints regarding deficiencies in banking services. Markets regulator Securities and Exchange Board of India (Sebi) discontinued its ombudsman in July 2023. "In its place, Sebi has introduced an online complaint system called 'SCORES' (Sebi Complaints Redress System), where complaints can be filed against securities market players, companies, intermediaries, and market infrastructure institutions," says Vidhan Vyas, founder, Vyas Legal. A complainant cannot initiate the grievance resolution process by directly approaching the bank ombudsman. "A complainant should first contact customer care, file an online complaint via email or the bank's website, or visit a branch. If the issue remains unresolved, it should be escalated to the grievance redress team," says Gaurav Aggarwal, chief product officer-credit products, Paisabazaar. If the customer care team is unable to help, contact a grievance redress officer (level 1) or a nodal officer. If it still remains unresolved, escalate the matter to the principal nodal officer.

Contact the RBI's banking ombudsman next. "Adhere to the bank's grievance redress policy. Do not skip the levels in the redress mechanism. Only if the bank deviates from its policies and no amicable resolution is provided within the pre-defined period should one reach out to the RBI ombudsman," says Aggarwal. When contacting the ombudsman, state the bank's name and address, provide documents supporting the complaint, and state the extent of your loss. If you have a grievance against a mutual fund house, approach it first. "Contact the fund house through a call to their customer services team, or via email (displayed on their website). You may also walk into their official point of contact centres or the contact centres of the Registrar and Transfer Agent," says Rajen Kotak, investor relations officer, ICICI Prudential Mutual Fund. Every fund house has an escalation matrix through which a complaint can be escalated if it is not resolved satisfactorily in the first instance. If you are still not satisfied, approach Sebi through its SCORES platform. Choose the query type and name of the fund house, and provide the other details that are asked for. Brokers must display a complaint ID in their offices, on their websites, and account opening forms. Send an email to this ID to complain. "If a broker does not satisfactorily address a grievance, complain to the relevant stock exchange by providing your client ID and specifying the complaint category," says Shrey Jain, founder and chief executive officer, SAS Online. Investors can also file a complaint at SCORES. "Submit complaints to exchange platforms or regulators within the stipulated period to avoid complicating the resolution process," says Jain.

Contact the insurer first. If your complaint is not resolved, go to its grievance redress cell and grievance redress officer. "File your complaint in writing with all supporting documents. Ensure that your complaint is acknowledged. Insurers are expected to resolve grievances within 15 days," says Tarun Mathur, co-founder and chief business officer, general insurance, Policybazaar.com. Approach the ombudsman's office if you are not satisfied with the insurer's resolution. "If your claim is rejected, repudiated, or partially settled, you may contact the insurance ombudsman within one year," says Mathur. If a settlement is reached during a hearing before the ombudsman, it becomes the award. If not, the award is decided on merit. Only the complainant can escalate the grievance to another forum or court. If the complaint remains unresolved after two weeks, escalate it to the Insurance Regulatory and Development Authority of India (IRDAI). "Register a complaint on IRDAI's Bima Bharosa portal," says Naval Goel, chief executive officer, PolicyX.

The Income-Tax ombudsman, established in 2003 to handle tax grievances, has been withdrawn and alternative mechanisms have been set up. "The I-T Department's e-Nivaran initiative provides a paperless online grievance redress mechanism. It is integrated with the department's portal to ensure direct handling by the relevant authorities. It addresses a range of issues, including refunds and I-T return filings," says Sanjay Jain, a senior advocate at the Supreme Court. Grievances are typically resolved within 20-45 days. The Centralised Public Grievance Redress and Monitoring System is an online portal for submitting and tracking grievances. It allows citizens to report issues to the relevant departments and monitor progress. The system is directly monitored by the higher authorities. "Taxpayers may also approach the higher authorities within the tax department, such as the commissioners or the Central Board of Direct Taxes (CBDT), for issues that require higher-level intervention," says Jain. Finally, customers can approach the Income Tax Appellate Tribunal, the High Courts, and the Supreme Court for legal redress.

***(The writers are Bindisha Sarang & Karthik Jerome.)***

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## INSURANCE REGULATION

### *New insurance surrender value rules to come into effect on April 1. Details here – Live Mint – 27th March 2024*

Insurance regulator Insurance Regulatory and Development Authority (IRDAI) has released a set of new regulations in relation to the surrender value of insurance policies. The new set of rules will come into effect from the next financial year i.e. April 1, 2024.

According to the latest guidelines, surrender values for life insurance policies are set to decrease if the policies are surrendered within three year.

But if the policyholder surrenders the policy between fourth and seventh year, it would lead to an increase in the surrender value, as per the guidelines released by IRDAI.

The latest rules which will come into force are as follows:

1. If the policy is surrendered during the second year, a total of 30 percent of total premiums would be paid
2. If the policy is surrendered during the third year, 35 percent of total premiums stand to get paid
3. If the policy is surrendered between the fourth and seventh year, a total of 50 percent of total premiums would be paid
4. If the policy is surrendered during the last two years, 90 percent of total premiums would get paid

However, for non-single premium life insurance policies, a guaranteed surrender value will be given after the payment of insurance premiums for a minimum of two years in a row.
In reference to these regulations, Adhil Shetty, CEO, Bankbazaar.com, says that these steps will act as a booster for the insurance sector.

"These newly-instituted regulations are designed to foster good governance pertaining to pricing mechanisms and to ensure the provision of guaranteed surrender value, coupled with comprehensive disclosures to policyholders. These steps are likely to act as a booster for the sector and make it a win-win situation for customers and insurance issuers," he said.

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## *Irdai retains surrender value norms, positive for life insurers: Analysts – Business Standard – 26th March 2024*

The Insurance Regulatory and Development Authority of India (Irdai) decision to retain the existing surrender value norms, amid requests from life insurance companies, is deemed positive for the companies, say analysts. In the final surrender value norms included in the product regulations announced by Irdai in a gazette notification late last week, the status quo was maintained under the surrender value regulations. The norms will be effective on April 1, 2024.

In December 2023, the insurance regulator proposed to increase the surrender value paid by insurance companies to policyholders.

Insurance industry leaders believed that higher surrender values could lead to the premature exit of policyholders from long-term insurance policies. Further, in a presentation to the regulator, industry officials also explained that these companies invest in longer-tenure government securities, and the proposed regulations could result in insurers liquidating these assets to pay policyholders, affecting the industry's growth.

**A SNAPSHOT**

- Increased surrender value might prompt premature exits from long-term policies
- In the revised norms, surrender value percentages vary based on policy duration and type:
  **For non-single premium products:** 30% in the second year, 35% in the third year, 50% between four and seven years, and 90% in the last two years
  **For single premium products:** 75% within three years, and 90% in the final two years
- Sale of index-linked insurance products tied to underlying publicly available index's net asset value


However, the final regulations by the regulator are mostly similar to the existing regulations for surrender values. "This status quo provides a big relief to life insurers, who otherwise had the tough task of balancing the impact of increased surrender value on lapsing customers by tinkering with the distributor's payout, providing benefits to persistent policyholders, and maintaining shareholders' profitability (value of new business margins)," analysts at Emkay Global Financial Services said.

In the new norms, the guaranteed surrender value (GSV) under the revised regulations for other than single premium products is 30 per cent if the policy is surrendered in the second year, 35 per cent in the third year, 50 per cent between four years and seven years, and 90 per cent during the last two years. For single premium products, the GSV will be 75 per cent if surrendered within three years and 90 per cent if surrendered in the last two years of the policy tenure.

An industry official noted that the regulation is broadly in line with the existing regulation on surrender value, with policyholders getting a near 8-10 per cent benefit in longer tenure (above five years) non-participating (non-par) policies. "The regulations have completely gone back to the existing ones. This will largely benefit insurance companies. The benefit would largely go to the entities and likely limit the benefit to policyholders because the earlier draft had a clear-cut focus on bringing benefits to them along with bringing more accountability to insurance companies," said Jinay Gala, associate director, India Ratings & Research.

Furthermore, the final product regulations also note that the sale of index-linked insurance products will be linked to the net asset value of the underlying publicly available index. Meanwhile, in the case of non-linked par products, maturity benefits will reflect the asset share and the bonus accruals during the term.

Under non-linked, non-par individual savings products, the benefit shall be guaranteed in terms of an absolute amount at the inception of the policy.

In the case of savings products, except for term insurance products with the return of premiums, the insurance regulator noted that survival benefits, including maturity benefits, shall result in at least a non-zero positive return to the policyholder. Further, pension products offered by life insurers to individuals are mandated to have defined assured benefits that are payable either in case of death or any health contingency, if covered. Also, defined assured benefits should be payable upon vesting under non-linked pension products, whereas for linked pension products, there is an option to pay the assured benefit for linked insurance products.

***(The writer is Aathira Varier.)***

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## *Irdai allows firms to offer customised insurance to match customer needs – Business Standard – 25th March 2024*

From April 1, when we buy insurance for a car or take out a health cover, insurance companies can offer a product totally customised for us. This is the biggest change in the insurance product place to have happened in the Indian market. That there is no flash in the pan has been made clear by the insurance regulator when it announced these changes through a series of gazette notifications on Friday. This is a big deal for someone planning to buy insurance, as most of us do. This also offers a big elbow room to the companies to reward customers who take care of themselves, giving them cheaper products. For the economy, this means good news as insurance penetration rises. "The regulator will effectively have no say in how an insurance company prices its products," said Alok Yagnik, former head of reinsurance business at Oriental Insurance Company.

For big insurance companies like New India Assurance, HDFC Ergo or ICICI Lombard, the development offers them the chance to stand out in a crowded market. It will be particularly necessary, as in a related development the regulator has launched Bima Sugam, the insurance e-marketplace. The Indian insurance market, both life and non life, was pushing towards liberalisation in recent years. The trend had become sharper under the present Insurance Regulatory Development Authority of India (Irdai) chairman Debasis Panda. The most drastic of these was those announced last week. In them, the regulator has replaced 34 regulations with a bunch of eight "principle-based consolidated regulations, following comprehensive review of the regulatory framework for the insurance sector," noted a release issued after the board meeting. What do these changes mean for the customer after the regulator has scrubbed clean those maze of regulations? The change is likely to be felt most in the retail sector.

From April, when someone wishes to buy insurance against fire risks, the underwriter will not pore over rules set by the regulators to decide which risks to cover. For a person taking out a motor or a health insurance, the best options till now were limited to getting discounts, from a menu as established by Irdai. If those applied, the customer was in luck. In most cases, for two persons approaching the desk of adjacent insurance companies for the same type of risks, the premium was the same. Not any more. Each of these risks will mean different premiums for different customers. This massively raises the scope of savings even as people take out more insurance products. For the insurance industry, this is a big deal.

As new types of manufacturing process come into play, new hazards also appear. But whether to cover those was something the underwriters at the 23 insurance companies till now decided based on several guidelines. Instead, it will be the boards of these companies which will decide them. For instance, in the case of fire risk, the companies got the freedom to set rates for most categories in 2008. But ruinous competition among them — where discounts sometimes reached a dizzying 99 percent of the rack rates — forced the sole Indian reinsurer GIC Re to step in by 2017 and establish some order. In this context, Irdai has now just put the onus on every sort of fire and engineering risks onto the board rooms of the underwriting companies. How Irdai has wiped the slate clean is evident from the simple language used in the gazette notification. "In exercise of the powers conferred by sub section (1) of Section 64 ULA of the Insurance Act, 1938 (these risks) stand entirely de-notified and no longer in force", from April 1, 2024.

"Denotification of various tariff-driven businesses was a much-needed step. So, Irdai has moved in the right direction," said BK Sinha, senior vice-president, Unison Insurance Broking Services. But it also has risks. "Just 10 days before the new financial year, this is a huge change," said the chief executive officer (CEO) of an insurance company. Companies may have to convince their reinsurance partners that costs will not rise. There is no doubt that the liberalisation will also benefit the bottom line of the underwriting companies. In recent years, as customers got Net savvy and did more digital purchase of insurance products, the role of insurance bazaars became prominent. Standing out from the crowd had become difficult for the companies which sold the insurance products. Now, they can attract customers to their tents for a personalised buy.

***(The writer is Subhomoy Bhattacharjee.)***

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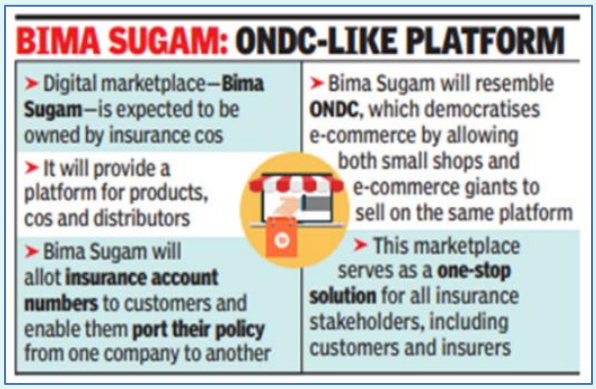
## *IRDAI gives approval to set up insurance e-marketplace – The Times of India – 23rd March 2024*

The insurance regulatory has announced the creation of an ONDC-like electronic marketplace - Bima Sugam - which will serve as a digital public infrastructure. The marketplace is expected to be owned by insurance companies. Besides providing a platform for products, companies and distributors, Bima Sugam will allot insurance account numbers to customers and enable them to port their policy from one company to another. Irdai chairman Debasish Panda had earlier said that Bima Sugam would be a UPI-like moment for the insurance industry.

Other than buying and selling insurance, insurance companies would be able to plug into the platform through API (application programming interface) to even service claims. It is not aimed at putting online distributors out of business as they can also be part of the platform.




"This marketplace serves as a one-stop solution for all insurance stakeholders, including customers, insurers, intermediaries, and agents, thereby promoting transparency, efficiency, and collaboration across the entire insurance value chain," Irdai said in a statement. Industry experts said that Bima Sugam would resemble ONDC (Open Network for Digital Commerce), which democratises e-commerce by allowing both small shops and e-commerce giants to sell on the same platform. Small businesses are supported by service providers for logistics and other requirements.

Irdai board this week replaced 34 regulations with six and also approved the setting up of Galaxy Health and Allied Insurance company by the former promoter of Star Health. Galaxy Health is the sixth insurance registration to be granted by the regulator in around one year and takes the total number of standalone health insurers to seven. Earlier this year, the regulator had granted in-principle approval to Narayana Health to set up a health insurance business in India.

Two old regulations about insurers' minimum business duties in rural, social sector, and motor third-party areas, as required by the Insurance Act, 1938, are now combined. Changes are made to how these obligations are measured: for rural duties, it's now measured by Gram Panchayat, social sector includes cardholders and scheme beneficiaries, and motor third-party obligations are measured by insurance renewal for certain vehicles. The new regulations cover rural, social sector, and motor third-party obligations, establish the Bima Sugam digital marketplace, streamline insurer registration, governance, and product offerings, regulate foreign reinsurers, and enhance actuarial and financial functions while prioritising policyholder protection.

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## *Bima Sugam e-market, life cover surrender value, corporate governance norms among 8 regulations approved by IRDAI – The Hindu – 23rd March 2024*

The Insurance Regulatory and Development Authority of India (IRDAI) has approved eight regulations covering a clutch of crucial aspects, from policyholders interests, rural and social sector responsibilities of insurers, corporate governance, and one on the proposed insurance e-marketplace Bima Sugam. As many as 34 regulations have been replaced with six regulations and two new regulations introduced, after a comprehensive review, to enhance clarity and coherence, the regulator said on Friday on the approvals granted at the 125th authority meeting in Hyderabad earlier this week. On the IRDAI (Bima Sugam - Insurance Electronic Marketplace) Regulations, 2024, it said the aim was to establish a digital public infrastructure towards universalisation and democratisation of insurance in line with the 'Insurance for all by 2047' vision. The marketplace will serve as a one stop solution for all insurance stakeholders, including customers, insurers, intermediaries and agents.

Pitched as UPI moment for insurance in his interaction with the media by IRDAI chairman Debasish Panda, Bima Sugam, along with the women-led distribution channel Bima Vahak and comprehensive insurance cover Bima Vistaar, form the trinity proposed to enhance insurance penetration, especially in the hinterland. On the IRDAI (Insurance Products) Regulations, 2024, concerning the surrender value on certain life covers among others, the regulator said six regulations had been merged into a unified framework to enable insurers to swiftly respond to evolving market demands, enhance ease of conducting business and boosting insurance penetration.

These regulations promote good governance in product design and pricing, including strengthening of the principles governing guaranteed surrender value and special surrender value along with disclosures thereof. The IRDAI (Rural, Social Sector, and Motor Third Party Obligations) Regulations, 2024 while consolidating existing norms has set Gram Panchayat as the new unit of measurement for insurers' rural obligations, extends scope of social sector to cover cardholders and beneficiaries under various schemes, and prescribes unit of measurement for motor TP obligations to be renewal of coverage to goods carrying vehicles, passenger carrying vehicles and tractors.

The other regulations encompass pivotal domains such as operation of foreign reinsurance branches as well as aspects of registration, actuarial, finance, investment and corporate governance. The IRDAI (Registration, Capital Structure, Transfer of Shares & Amalgamation Insurers) Regulations, 2024, streamlines seven regulations into a single comprehensive framework. The aims is to foster growth of the insurance sector by simplifying various processes, including registration, transfer of shareholding, capital structure, amalgamation of insurers and listing of shares and the streamlining is intended to enhance ease of doing business, the regulator said.

Establishing a robust governance framework for insurers, defining roles and responsibilities of the board and management are the focus on the IRDAI (Corporate Governance for Insurers) Regulations, 2024. "This is for the first time the governance aspects under existing guidelines are notified in the form of regulations, which highlights the importance of governance in the functioning of an insurance company," IRDAI said.

Nine regulations have been consolidated into a single framework to enhance efficiency and responsiveness of insurers' actuarial, finance, and investment functions under the IRDAI (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024, it said. The regulations emphasise the preparation and reporting of regulatory returns in line with applicable standards to ensure transparency and accuracy in assessing the insurance company's state of affairs thus safeguarding policyholders' interests and facilitating ease of doing business within the insurance sector.

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## LIFE INSURANCE

### *Govt notifies bonus for Postal Life Insurance, Rural Postal Life Insurance schemes for FY25 - The Hindu Business Line – 23rd March 2024*

The Centre has approved a simple reversionary bonus for Postal Life Insurance Scheme and Rural Postal Life Insurance Scheme for fiscal year 2024-25. There is no change in the rate.

According to a notification, under the Postal Life Insurance Scheme, rate of bonus will be ₹76 per thousand of sum assured for whole life assurance (WLA). Similarly, for endowment assurance (EA) (including joint life and children policies), it will be ₹52 per thousand of sum assured. Anticipated endowment assurance (AEA) will fetch ₹48 per thousand of sum assured. In case of convertible whole life assurance (CWLA), whole life bonus rate would be applicable, but on conversion, endowment assurance bonus rate will be applicable.

Rate of terminal bonus will be ₹20 per sum assured of ₹10,000, subject to maximum of ₹1,000 for WLA and EA policies with term of 20 years or more. "The rates of bonus for the Financial Year 2024-25 will be applicable from April 1, 2024," the notification said. Interim bonus at the rates mentioned above will also be payable for all claims arising due to maturity or death until future valuation is completed, the notification added.

Last reported number of policy holders was given for the fiscal year 2021-22 in the report of Comptroller and Auditor General (C&AG). At the end of FY22, the number of policy holders under Postal Life Insurance Scheme was over 47.5 lakh and under the Rural Postal Life Insurance Rural scheme, the number of subscribers was over ₹57.81 lakh.

Another notification gave bonus rate for Rural Postal Life Insurance. According to the notification, the rate for WLA will be ₹60 per thousand of sum assured. Similarly, for EA (including children policy), rate will be ₹48 per thousand of sum assured. It will be ₹45 per thousand for AEA (including gram priya policies). In case of CWLA, whole life bonus rate would be applicable, but on conversion, EA bonus rate will be applicable. Similarly, terminal bonus of ₹20 per sum assured of ₹10,000, subject to maximum of ₹1,000 for WLA and EA policies with term of 20 years or more.

Postal Life Insurance (PLI), the oldest in the country, was introduced on February 01, 1884 as a welfare scheme for the benefit of postal employees and later extended to the employees of Telegraph Department in 1888.In 1894, PLI extended insurance cover to female employees of P&T Department when no other insurance company covered female life. It now covers employees of Union Government and State governments, Central and State public sector undertakings, universities, government aided educational institutions, nationalised banks, local bodies, autonomous bodies, joint ventures having a minimum of 10 per cent government/PSU stake, credit cooperative societies, etc. PLI also extends insurance cover to the officers and staff of the defence services and paramilitary forces.

Rural Postal Life Insurance (RPLI) was introduced on March 24, 1995 for rural people on recommendations of the Official Committee for Reforms in the Insurance Sector headed by ex-RBI Governor RN Malhotra. The prime objective of the scheme is to provide insurance coverage to the rural public in general and to benefit weaker sections and women workers of rural areas in particular and also to spread insurance awareness among the rural population.

***(The writer is Shishir Sinha.)***

***TOP***

## GENERAL INSURANCE

***Pay Rs 20 for Rs 2 lakh cover: What PM Suraksha Bima Scheme is all about - Business Standard – 27th March 2024***


The Centre has processed and settled 96.55 percent of claims filed under the PM Suraksha Bima Yojana as of February, disbursing Rs 2,610 crore in total, according to a Finance Ministry official. The scheme, which provides insurance for death or disability due to accidents, has settled approximately 173,000 claims since its launch in May 2015. Currently, it covers 432.9 million people.

**What is PM Suraksha Bima Yojana?**

The Pradhan Mantri Suraksha Bima Yojana, introduced by Prime Minister Narendra Modi, is a government-sponsored accident insurance scheme. It offers financial protection against accidental death and disabilities to individuals aged 18 to 70. According to the finance ministry, Suraksha Bima Yojana requires an annual premium of Rs 20 per individual and offers a payout of Rs 2 lakh for accidental death or total disability, and Rs 1 lakh for partial permanent disability.

**What's excluded?**

Suicide-related deaths.
Partial disabilities not resulting in total loss.
Temporary disabilities.

**How to register for PM Suraksha Bima Yojana?**

Individuals can register through participating banks or insurance companies, with many banks facilitating online policy acquisition via internet banking. Registration can also be done by sending a text message from a registered mobile number to the toll-free numbers provided.

**Benefits of PM Suraksha Bima Scheme**

1. The scheme offers a renewable accidental death insurance cover each year.
2. The annual premium is Rs 20 per individual
3. Automatic premium deduction from the subscriber's bank account.
4. Subscribers have the option to renew the scheme annually or opt for long-term enrollment.
5. Tax benefits are available under Section 80C on premiums paid.

**Claim process**

To claim benefits, the insured or nominee must inform the bank immediately after an accident. Required documents, including the claim form, FIR, and death or disability certificates, must be submitted within 30 days. The bank then forwards the case to the insurance company for verification and processing, aiming to complete the process within 30 days.

**Eligibility and required documents**

The scheme is open to individuals aged 18 to 70 with a savings account. The Aadhaar card is the primary document required for KYC purposes, and if the bank account is not linked with Aadhaar, a copy must be submitted with the application form. The scheme allows for easy enrolment with minimal documentation.

***(The writer is Surbhi Gloria Singh.)***

***TOP***

***International student travel insurance premiums cheaper in India: Future-proof your overseas studies – Financial Express – 26th March 2024***


Indian students going abroad for higher education should opt for an international student travel insurance for comprehensive protection. It provides coverage for unexpected situations, such as study interruptions, sponsor protection and is issued for a longer time period, unlike traditional travel policies that are issued for up to 180 days. They should purchase the policy from India as it is much more affordable than buying it abroad.

A student travel insurance plan is designed for those between 16-40 years, enrolled in full-time courses at an accredited college or university and who have valid passports. It offers coverage for one to two years, with the option for renewal. This renewal option aligns perfectly with the extended timelines of academic programmes and offers a continuous safety net throughout a student's course tenure.

A student travel insurance policy is designed to safeguard students from unexpected expenses that may arise during their educational journey overseas such as baggage loss, flight delays, medical costs, passport/laptop theft, and legal fees. Such a policy also covers mental health issues and maternity which are not covered by the regular travel insurance. International student travel insurance can be extended or renewed to accommodate changes in the student's academic plans. The policy is renewable up to five years while a travel policy can be renewed up to one year only.

Beyond the tangible benefits of student travel insurance like safeguarding policyholder's health and possessions, it also offers compassionate visit provisions, which cover emergency travel expenses for family members to the student's host country or the student visiting their family, says Rakesh Goyal, director, Probus Insurance Broker. Additionally, such insurance plans offer round-the-clock assistance services, including help with language barriers, locating healthcare providers, and legal support. "Regular travel insurance may not offer these specific benefits. Students should opt for international student travel insurance for comprehensive coverage tailored to their unique needs while studying abroad," he says.

Sponsor protection is an invaluable feature, particularly for those who rely on financial support from sponsors back in India. Manas Kapoor, business head, Travel Insurance, Policybazaar.com, says in the event of an unforeseen crisis, these policies can ensure that the sponsors' financial contributions to the student's education are safeguarded, reducing the stress on both policyholder and their sponsors. "Some student travel insurance policies even provide the option for a refund of tuition fees, covering interruptions in policyholder's studies due to unforeseen events," he says.

**Premium and coverage**

The premium depends on factors such as the country of travel (USA/Canada vs rest of world), duration of coverage, the level of coverage, the student's age and any additional benefits or riders chosen. Students should buy the policy from India as it is less than one-third of the price they would have to pay abroad. The sum insured ranges between $50,000 to $1 million and students should choose an appropriate sum insured that will give them adequate protection during the entire duration of the stay.

While cost is a major factor in this insurance, it is always advisable to get the best coverage possible. Sharad Bajaj, COO, InsuranceDekho, says the ideal sum insured depends on factors such as the cost of healthcare in the destination country, the student's medical history, and the level of coverage desired. "It is advisable to opt for a sum insured that adequately covers potential medical expenses, including emergency medical evacuation and repatriation, without being excessive."

**Watch list**

Before buying a student travel insurance policy, the student must check with the university enrolled if they have any specific insurance mandates. For instance, some universities abroad would require medical

and accidental cover and some might require cover for drug abuse, mental rehabilitation, cancer screening, etc. In case a student has a pre-existing disease, he should give high preference to pre-existing coverages and their conditions, limitations, or exclusions applicable.

***(The writer is Saikat Neogi.)***

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## HEALTH INSURANCE

### *Poor claims ratio, 'hidden' clauses—India's health insurance firms need new business models – The Print – 27th March 2024*

If you have been admitted to a hospital in India, then you know that dealing with insurance claims can delay your stay long after the treatment is over. Indian health insurance is notorious for a poor claims ratio, and "hidden" clauses that can result in partial coverage or sometimes denial of coverage. Improving regulation is an obvious fix to the problem. However, deeper reform requires aligning the incentives of patients, doctors and insurance companies, so that quality health care is provided at competitive prices. This may require new approaches and potentially new business models.

**Difficulties in providing health insurance**

A basic illustration can help one understand the challenges of health insurance provision. Imagine that there is only one procedure covered by an insurance firm and it costs Rs 100. The firm insures 10 people, charging a premium of Rs 11 each. This means they have an amount of Rs 110. Let's assume that only one person will fall ill. The firm pays Rs 100 when they get hospitalised and keeps the remaining Rs 10 to cover its own costs.

This calculation goes awry if more than one person falls ill or if the procedure costs more than Rs 100. This can happen for several reasons. There may be an unforeseen health catastrophe such as Covid-19, where the number of people falling ill shoots up unexpectedly. People may neglect early signs of their illness, not get check-ups as frequently as they should, or may demand more expensive care than necessary. The more healthy people may drop out of the pool and stop paying premiums, reducing the collective amount. Doctors and hospitals might also be incentivised to provide relatively expensive procedures, especially when they know that the insurance firm will bear the cost. As a consequence, the firm may scrounge on paying claims, or deny coverage altogether.

This simple example shows the number of things that can break down. There are incentive issues caused by "hidden information" in all transactions. The insurance firm cannot know if the level of care provided by the hospital is proportionate to the underlying condition. It has few levers to cross-check the decisions of either the customer or the hospital. The patient does not know if the hospital has overcharged or if the insurance company is misbehaving. The hospital and insurance company do not know if the patient neglected her health and could have come in earlier. In an environment where there is, often legitimate, mistrust between all stakeholders, it is no surprise that the results are sub-optimal.

**Encouraging fair play**

According to a 2018 paper, Fair Play in Indian Health Insurance, deficiencies in regulation, weak enforcement, and poor grievance redress procedures lead to a lack of fair play in the health insurance system. These are an obvious fix to improve the working of health insurance firms and need to be taken up by the Insurance Regulatory Development Authority of India (IRDAI). The deeper solution needs mechanisms that will align the incentives of all stakeholders in the system. Some potential solutions are as follows.

First, insurance companies could incentivise regular check-ups for their customers to save expensive hospitalisations later. However, experience suggests that customers are often not willing to undergo tests, and fear the potential increase in premium if the check-up reveals an adverse condition. Mandatory check-ups before access to insurance, especially for older customers, may be difficult to operationalise but offer a possible solution to keep costs low and also provide less intrusive healthcare. Second, the design of protocols for health procedures may establish standards of care that hospitals should follow. This will allow insurance firms to evaluate whether the hospital is charging appropriately. Improving fair play in the medical establishment is as important as fixing the problems of health insurance.

Another model used across the world is combining health care with insurance. This is known as the Managed Care model. In this model, insurance firms and health care providers form a network through which preventive care is emphasised. An example of such a model is the Kaiser Permanente in the United States. Establishing institutional frameworks where potential patients are given preventive care such that fewer of them need hospitalisation will not only cut costs but also provide a better quality of life. Here, the incentive of the health care provider is aligned with that of the patient. The more hospitalisations that can be prevented, the better it is for everyone. This model has not yet taken root in India. In fact, only in January 2024, did one of the first such initiatives Narayana Health Insurance Limited, a subsidiary of Narayana Hrudayalaya, receive a license to operate as an insurance company. The early experiences of this initiative may help set up managed-care alternatives in India. The Indian market has some way to go before it can provide quality health care at competitive prices.

***(The writer is Renuka Sane.)***

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## *No more out-of-pocket expenses: The impact of 'Cashless Everywhere' on health insurance – The Economic Times – 27th March 2024*

Imagine a sudden health scare that lands you or a loved one in the hospital. Amidst the worry and stress of the situation, the last thing anyone wants to think about is the financial burden of medical treatment. Unfortunately, this scenario is all too common in India, where out-of-pocket health expenditure is high, accounting for nearly 48.2 percentof total health expenditure, according to a recent report. This highlights a glaring gap in healthcare coverage and the urgent need for robust health insurance policies.

**How health insurances come into the picture**

Health insurance provides financial protection against unexpected medical expenses, ensuring that individuals and their families can access quality healthcare without worrying about the costs. However, a typical health insurance policy's limitation when it comes to hospital networks, can become problematic. This situation may not only cause temporary financial strain but also add stress during an already challenging time. Additionally, the reimbursement process can be cumbersome, involving lengthy paperwork and delays, further complicating matters and hindering timely access to medical care.

This underscores the necessity of initiatives which allow policyholders to receive cashless treatment at any hospital of their choice, regardless of network status, to ensure timely access to medical care without the added stress of managing expenses. Recognising this need, the General Insurance Council (GIC) has recently announced the 'Cashless Everywhere' initiative in collaboration with various insurance companies, including Bajaj Allianz General Insurance Company.

The initiative will allow policyholders to receive cashless treatment at any hospital of their choice, even if it's not in the insurance company's network. This is a significant relief for many policyholders who previously faced challenges in accessing cashless treatment due to limitations in hospital networks.

**Benefits of the 'Cashless Everywhere' initiative**

The 'Cashless Everywhere' initiative brings several benefits to policyholders, offering a safety net during medical emergencies and reducing the financial burden associated with healthcare.

**Here are some key benefits and use cases where the initiative can act as a saviour:**

- Emergency medical care: Imagine a scenario where a policyholder requires urgent medical attention while travelling to a city where their insurance network does not have tie-ups with hospitals. In such cases, the 'Cashless Everywhere' feature allows them to seek treatment at any hospital of their choice without worrying about upfront payments

Note: Patients should ensure to confirm the provision of this facility to be in line with the hospital's operating procedures.

- Access to specialised treatment: Sometimes, specialised treatment or surgeries may only be available at hospitals that are not in the insurance network. With the 'Cashless Everywhere' initiative, policyholders can access these facilities without financial constraints, ensuring they receive the best possible care.
- Treatment for dependents: The initiative is also beneficial for policyholders who need to seek treatment for their dependents, such as elderly parents or young children, at hospitals outside the network. It provides peace of mind knowing that they can access cashless treatment for their loved ones in times of need.
- Medical evacuation: In cases where medical evacuation to a hospital outside the insurance network is required, the 'Cashless Everywhere' feature ensures that policyholders can receive timely treatment without worrying about the financial aspect, as per the policy offering.
- Reduced paperwork and hassle: One significant advantage of the initiative is the reduction in paperwork and hassle associated with the reimbursement claims. Policyholders can focus on their recovery rather than dealing with reimbursement processes.
- Financial security during travel: For policyholders who travel frequently for work or leisure, the 'Cashless Everywhere' feature provides an added layer of financial security, ensuring that they can access medical treatment wherever they are without financial constraints.

The 'Cashless Everywhere' initiative not only provides financial security but also offers peace of mind to policyholders, knowing that they can access cashless treatment at any hospital of their choice in times of need.

**How to avail Cashless Everywhere?**
If you're a policyholder, here are a few important guidelines to remember, according to the General Insurance Council (GIC):

For elective procedures: Make sure to inform your insurance company at least 48 hours before admission. This helps them process your claim smoothly.

Claims are subject to terms and conditions set forth under health insurance policy.

1. For emergency treatment: Notify your insurance company within 24 or 48 hours of admission. It's crucial to keep them in the loop for quick assistance.
2. Admissibility of claim: Ensure your claim is admissible as per the terms of your policy. Also, the cashless facility should align with the operating guidelines of your insurance company and the hospital connected to the claim.

Claims are subject to terms and conditions set forth under health insurance policy.

The 'Cashless Everywhere' initiative is a significant step towards making cashless health insurance more accessible to all. Following the above guidelines can help you navigate your health insurance smoothly, ensuring you get support when you need it.

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## *Why buying individual health cover in addition to group health is the right - The Economic Times – 24th March 2024*

It is an undeniable fact that the cost of healthcare has risen rapidly over the past decade. A bout of illness, a small medical procedure or even hospitalisation for a short span can potentially derail your financial planning and put you in a tough spot. Adding to this is the fact that health issues are an inevitable part of the ageing process. This brings us to the conclusion that a health cover is non-negotiable. Most companies today offer insurance protection as a part of employee benefits—with the option to enrol your family members as dependents under the same cover. While this is certainly a positive corporate practice, however, there are limitations to it, which individual coverage can help address by providing added financial protection against healthcare challenges. Here are a few reasons that you need to consider in your decision to buy an individual health cover in addition to the group health insurance offered by your company.


**Customisation**

Individual health insurance plans can be tailored to your specific needs. You can personalise your cover with add-on protection against additional illnesses—choose coverage options, deductibles, and coverage limits that suit your personal healthcare requirements. In contrast, group plans adopt a one-size-fits-all policy, and may not offer as much flexibility.

**Addressing coverage gaps**

Group health insurance plans often have limitations on coverage, such as exclusions for certain pre-existing conditions, or they may not cover certain treatments or medications. Another important fact to consider about group insurance is that since the company pays the premium for the coverage, the scope of coverage may be reduced when the company faces financial hardships, in case the group health insurance changes or the employer switches providers. With individual policy, not only do you get comprehensive coverage but you also ensure continuity in your healthcare relationships.

**Double protection**

Perhaps the biggest argument in favour of taking additional individual health cover is the fact that most group health plans offer coverage to employees and their family with a fixed ceiling limit varying between 2 to 3 lakhs. This means if your healthcare expenditure goes beyond the scope of the policy, you will be unprotected against the potentially high medical bills. With rising healthcare prices, inflation, and increase in lifestyle disease, this scenario is closer to reality than you think. Opting for additional individual health insurance will enable you to access quality healthcare without worrying about the financial ramifications.

**Portability**

Individual health insurance is tied to you, not your employer. You can take it with you if you change jobs or become self-employed, ensuring continuous coverage. With individual health cover, you no longer need to worry about not being protected against illnesses or emergencies when you are between jobs. Also, with individual insurance, you will be able to claim the accumulated benefits of not availing insurance coverage in the previous years—such as a no claim bonus or cumulative bonus.

**Taking advantage of tax benefits**

Opting for an individual health policy entitles you to tax deductions/benefits, which is an added advantage. You can avail the benefits of increased coverage while seeking an exemption on your taxes, resulting in savings. Investing in a robust individual health policy in addition to group health insurance is a wise idea. Consider your specific requirements and all your options before making a decision. Ultimately, your decision should align with your healthcare needs, financial situation, and long-term goals.

***(The writer is Raghavendra Rao.)***

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## SURVEY AND REPORTS

### *Banks forge customers' consent after withdrawing money illegally for Modi govt's insurance schemes: Report – Live Mint – 26th March 2024*

Some banks are now forging customers' consent after withdrawing money illegally from accounts for the Narendra Modi-led government's flagship insurance schemes, according to a report by Article-14.com. Many account holders across the country have reported unauthorised debits from their bank accounts for the central government's insurance schemes. Banks have enrolled customers without their consent in the life insurance scheme Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and accident insurance scheme Pradhan Mantri Suraksha Bima Yojana (PMSBY), as per the report.

Similar issues were reported in the case of the Centre's micro-pension scheme called Atal Pension Yojana (APY), Article-14.com said. Prime Minister Narendra Modi had launched these welfare schemes in May 2015 to provide financial security to the poor. The premium of PMJJBY is ₹436 a year and ₹20 a year for PMSBY.

The PMJJBY offers a cover of ₹2 lakh to a nominee in the event of a policyholder's death due to any reason. The PMSBY provides a cover of ₹2 lakh in case of death due to an accident and ₹1 lakh in case of a severe accident injury.

In APY, a policyholder gets a monthly pension of up to ₹5,000 after the age of 60 years.
Citing unnamed bank employees, the report said that bank staff enter fabricated data including bogus nominees to activate the insurance schemes without the policyholder's or account holder's consent.
The banks adopted such fraudulent practices to enrol customers in these schemes purportedly due to the government pressure, claimed the report.

"Often, those enrolled in insurance schemes without consent are not aware that they are paying a premium for an insurance cover. This prevents family members from availing the schemes' benefits, rendering their premium payments—unauthorised to begin with—futile," said the Article-14.com report. "New evidence reveals that this malpractice has since been institutionalised, with regional, zonal and even head offices executing these frauds and forcing branches to conceal."



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## INSURANCE CASES

### *Insurer can't cite negligence to refuse relief: HC – The Times of India – 25th March 2024*

The insurer can't raise the defence of negligence by the victim in a motor vehicle accident case when by the claimant has sought compensation under Section 163A of the Motor Vehicles Act, Karnataka high court observed recently while restoring the full amount of compensation in the case. Section 163A of the MV Act provides for payment of compensation to accident victims without going into who is at fault. Mahabaleshwar Krishna Bhat, 57, a music teacher and resident of Sirsi in Uttara Kannada district, was riding a bike on Sirsi-Hubballi road on a rain-hit July 6, 2012, when he rammed into a truck parked without indicators on. He sustained severe injuries on the head, leg and other parts of the body and died in hospital.

His wife and son moved the motor accident claims tribunal in Sirsi for compensation, claiming that the deceased was earning Rs 3,300 a month. On the other hand, Shriram General Insurance Company, the truck insurer, filed objections, stating that the application filed under Section 163A wasn't maintainable as the deceased himself had contributed to the accident by way of negligence.

On April 18, 2015, the tribunal awarded a compensation of Rs.1,47,600 with 6% interest, holding that the deceased himself had contributed 40% to the accident. Both the claimant and the insurer challenged the verdict.

**What SC had said**

After perusing the material on record, as well as the Supreme Court's decision in a case, Justice Vijayakumar A Patil pointed out that the top court had clearly spelt out that to permit the insurer to raise the defence of negligence would be to bring proceedings under Section 163A of the Act on a par with proceedings under Section 166 — it would not only be self-contradictory but also defeat the very legislative intention.

"It is crystal clear that in proceedings under Section 163A of the Act, the insurer cannot raise any defence of negligence on the part of the victim to counter a claim for compensation," the judge noted while directing the insurer to pay Rs 2,49,500 as compensation (with 6% interest). While Rs 2 lakh is payable to the wife of the deceased, the remaining sum is for the son.

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## PENSION

### *Accounts opened without permission under APY, 32% dropped out: ICSSR study – Business Standard – 25th March 2024*

Nearly one of three subscribers who dropped out of the central government's pension scheme for the unorganised sector, the Atal Pension Yojana (APY), did so because their accounts were opened without their "explicit" permission, a recent sample study by the Indian Council of Social Science Research (ICSSR) has shown. Bank employees did so without their concurrence to achieve enrolment targets set for them.

While 32 per cent of the subscribers dropped out due to the bank opening the APY account without permission, 38 per cent did so because they needed money, and 15 per cent did not have the money to run the account.

The study by the government think tank is part of a country-wide exercise to study 31 central government schemes and policy initiatives like the PM Ujjwala Yojana, PM Awas Yojana, Deendayal Antyodaya Yojana, and PM Krishi Sinchai Yojana. It surveyed 2,461 respondents in the Prayagraj division, Uttar Pradesh, to enumerate the awareness level, identify problems faced by subscribers in terms of accessibility and operating APY accounts, and evaluate causes for them dropping out of the scheme. A total of 119 subscribers of 342 have opted out.

The study also found there was a preponderance of subscribers in the lowest slab of Rs 1,000 because the monthly contribution for it was low and hence they could pass unnoticed. Tanuj Nandan, who teaches at the Motilal Nehru National Institute of Technology and is lead author of the study, said the high number of subscribers in the lowest of pension slabs had grown consistently over the years, thus making the other pension slabs mostly inconsequential.

"Initial analysis and discussion on the field reveal that banking agents are interested in target achievement and therefore open accounts of individuals without their explicit permission and they only get to know of it once they recognise some amount getting debited from their accounts. Since the contribution required for this slab is low, it often goes unnoticed and is one of the incentives for bankers to open accounts in this slab and complete the target," he added. Under the scheme, a subscriber has to make a monthly contribution of only Rs 46 for a Rs 1,000 pension slab at the age of 19 years, as compared to Rs 228 for a Rs 5,000 pension.

The study noted of the APY accounts at national level, the share of accounts in the Rs 1,000 per month pension slab had grown from 38.6 per cent in FY16 to 82.6 per cent in FY23, while the share of accounts in the highest Rs 5,000 per month pension slab had gone down from 46 per cent to 11 per cent over the same period. Besides, the study noted higher pension slabs under the scheme should be introduced because the earliest payouts under the APY will commence in 2035, and payouts would be substantially less in present-value terms. "The amount of return is not very attractive in the eyes of subscribers and at the same time the time period of return is also fixed in terms of payouts, which commence on attainment of 60 years of age. This makes the policy inflexible and less attractive. Hence, there should be premature payouts and return amounts should be increased by enhancing the premium paid," the study noted.

***(The writer is Shiva Rajora.)***

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## *NPS schemes gave upto 39 percent return on equity investment in the past 1 year. Details here – Live Mint – 25th March 2024*

In the past one year, equity investment in National Pension System (Tier-1) account has given a whopping return which is in the range of 33-39 percent. As we know, there are 10 pension fund managers of NPS and their return varies from one to another. The maximum return of 39.74 percent was given by Tata-Pension Fund. This was followed by ICICI-PF which delivered 38.93 percent and UTIRSL that gave 36.89 percent per annum.

Other pension fund managers with higher than 35 percent annual return on equity investments are Birla PF (35.06%), Kotak-PF (35.02%) and Max-Life (35.95%).

Returns delivered by other pension funds can be checked in the table below.

| Pension fund manager (PFM) | 1-year-return (%) |
|---|---|
| Tata-PF | 39.74 |
| ICICI-PF | 38.93 |
| UTI-RSL | 36.89 |
| Birla-PF | 35.06 |
| Kotak-PF | 35.02 |
| Max Life | 35.95 |
| Axis | 34.06 |
| HDFC-PF | 33.93 |
| LIC PF | 33.94 |
| SBI-PF | 34.06 |

(Source: npstrust.org.in/, returns as on March 22, 2024)

**Stable investment**

The National Pension System (NPS) typically invests in the large cap stocks and not in the mid and small caps. So, the investments are essentially safer and are not subject to extreme volatility as seen in the mid and small caps. Besides pension fund managers, subscribers can also determine the allocation of assets in their portfolio in the active choice wherein they can determine the proportion of assets across asset classes which include equity, government securities, corporate debt and alternative investment fund (AIF).

**Auto choice**

Alternatively, one can also opt for the auto choice option wherein allocation is made in a predetermined ratio based on the subscriber's age and risk appetite. There are three options in auto choice: conservative, moderate and aggressive. In conservative choice, allocation to equity can be up to 25 percent, in moderate choice, the maximum threshold is 50 percent and in the aggressive choice, the upper limit is 75 percent.

**Withdrawals**

One of the key distinctions between investment in NPS and other equity investments is that the withdrawals from NPS are severely restricted unlike other investment instruments.

However, after being an NPS subscriber for a minimum of three years, investors are entitled to withdraw up to 25 percent of their contribution for a number of emergency situations such as illness, education or marriage of children, construction of house, among other emergencies.

Notably, PFRDA last month released a master circular to revise the rules relating to partial withdrawal from the NPS fund.

***(The writer is Vimal Chander Joshi.)***

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## *Fresh formal job creation slows down in January, shows EPFO data – Business Standard – 24th March 2024*


The formal labour market in January experienced a slowdown as fewer fresh jobs were created during the month, the latest payroll data released by the Employee Provident Fund Organisation (EPFO) on Sunday shows.

In January 2024, the number of new monthly subscribers under the Employees' Provident Fund (EPF) declined by nearly 4 per cent to 807,865 from 840,584 in December 2023, according to the monthly payroll data.

In January last year, 830,047 subscribers joined the EPF. This data is crucial as only the formal workforce enjoys social security benefits and is protected by labour laws.

Of the total 807,865 new EPF subscribers in January, the share of young people belonging to the 18-28 age group also decreased slightly to 66.4 per cent (536,442) in January from 67.17 per cent (564,630) in the previous month. This is crucial because subscribers in this age group are usually first-timers in the labour market, thus reflecting its robustness.

Meanwhile, the share of women among the total new subscribers increased slightly to 25.32 per cent (204,569) during the month as compared to 24.8 per cent (208,685) in the previous month.

On the other hand, the net payroll additions — calculated by taking into account the number of new subscribers, the number of subscribers that exited, and the return of old subscribers to the social security organisation — increased by 2.5 per cent to 1.6 million in January from 1.56 million in December last year.

The net monthly payroll numbers are, however, provisional and they are often revised sharply the following month. That is why the new EPF subscriber figure has greater reliability than net additions.

"The payroll data highlights that approximately 1.2 million members exited and subsequently rejoined EPFO. These members switched their jobs and re-joined the establishments covered under the ambit of EPFO and opted to transfer their accumulations instead of applying for final settlement thus safeguarding long-term financial well-being and extending their social security protection," the labour ministry said.

According to the Centre for Monitoring Indian Economy (CMIE), which conducts its own Consumer Pyramids Household Survey (CPHS), the labour markets fared slightly better in January as the unemployment rate fell during the month to 6.8 per cent from 8.7 per cent in the previous month on the back of decline in the number of people looking for work. During January, the labour force participation rate (LFPR) inched down from 41.9 per cent to 40.6 per cent.

The monthly EPF subscription data released by the labour ministry is part of the government's efforts to track the formal job creation in the country by using payrolls as a measure.

***(The writer is Shiva Rajora.)***

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## IRDAI CIRCULAR

| *Circular* | *Reference* |
|---|---|
| Servicing to the policyholders - Special Measure for the current Financial Year 2023-24 | https://irdai.gov.in/web/guest/document-detail?documentId=4562229 |

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## GLOBAL NEWS

### *Japan: Further rise in bond yields seen as positive for life insurers –Asia Insurance Review*

Japan's recent adjustment of monetary policy is likely to have a moderately positive impact on economic capital and earnings for the country's life insurers in the next one to two years, says Fitch Ratings. The direction and scale of changes in Japanese bond yields will be key to the longer-term impact on their credit profiles.

The Bank of Japan's (BOJ) decision to raise its benchmark interest rate and abandon its yield-curve control framework supports Fitch's view that yen-denominated bond yields will rise moderately in the next few years, accompanied by a steepening of the yield curve for Japanese government bonds (JGBs). Life insurers benefit from these trends as the duration of their liabilities is longer than the duration of their assets, and Fitch expects their positive investment spread to widen.

**Shifting asset portfolios**

Japanese life insurers have been shifting their asset holdings further towards 'super-long' JGBs in recent years, seeking to reduce the asset/liability management mismatch — and interest-rate risk exposure — in response to a new economic value-based regulatory regime that will be introduced in Japan from the financial year starting April 2025.

However, Fitch believes this has not significantly reduced the upside to investment income from higher JGB yields, not least because JGBs rose to 37% of the total invested portfolio for Japan's nine traditional life insurers by the end of March 2023, from 34% a year earlier. The sector's exposure to earnings effects from portfolio valuation changes linked to yield shifts is not a factor, as yen-denominated bonds held for asset/liability management purposes are valued at book value under Japanese accounting regulations.

The life insurers' economic capital should also benefit from higher yields, since the value of liabilities will decline by more than the value of assets, given the duration mismatch. For example, Dai-ichi Life's sensitivity analysis as of end-March 2023 showed that a 50bp increase in the risk-free rate would lift its European Embedded Value (EEV) by 5%, while Sumitomo Life's analysis suggests that such an increase would raise its EEV by 3%. Increased economic capital would further strengthen the lifers' robust capital-adequacy positions. However, the improvements in capital adequacy alone are unlikely to drive rating upgrades among our rated entities, assuming the BOJ's tightening is in line with Fitch's baseline projection.

**Stronger yen**

The impact of monetary policy changes on the yen could have implications for the lifers that may mitigate the benefits from higher domestic yields. A stronger yen would reduce unrealised gains on foreign

bonds — which would weigh on economic capital, and also dampen earnings by reducing the yen value of coupon income from foreign bonds. However, if yen appreciation was associated with interest-rate movements in Japan and other countries — particularly the US — that would cause exchange-rate hedging costs for Japanese insurers to decline, which could be positive for net income.

**Inflation**

Stronger prospects for wage growth should bolster near-term upward pressure on prices and are likely to have supported the BOJ's decision to raise benchmark interest rates. However, there is still a risk that inflation could weaken relative to Fitch's base case, which would erode or reverse upward pressure on yen-denominated bond yields and the associated benefits for life insurers.

Alternatively, if the BOJ moves to raise rates to head off inflation stronger than in Fitch's base case, it could hurt domestic equity markets, to which life insurers also have substantial exposure. This would reduce their net benefits from higher yields, and in some scenarios could result in net negative effects on their credit profiles.

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## COI Training Programs

### Mumbai – April 2024

| Sr. No. | Program Name | Program Start Date | Program End Date | Details | Registration Link |
|---|---|---|---|---|---|
| 1 | Basics of Reinsurance | 15-Apr-24 | 16-Apr-24 | ClickHere | Register |
| 2 | Challenges in Fighting Fraud - Motor OD Insurance | 18-Apr-24 | 19-Apr-24 | ClickHere | Register |
| 3 | Sample survey data of RBI and Predictive Analysis for Insurance Industry | 18-Apr-24 | 18-Apr-24 | ClickHere | Register |
| 4 | Impactful Selling Strategies | 18-Apr-24 | 19-Apr-24 | ClickHere | Register |
| 5 | New Trends in Health Insurance | 24-Apr-24 | 24-Apr-24 | ClickHere | Register |
| 6 | Fire and Property Insurance | 25-Apr-24 | 26-Apr-24 | ClickHere | Register |
| 7 | Role of Govt. and Insurance companies in Micro and agricultural insurance | 26-Apr-24 | 26-Apr-24 | ClickHere | Register |
| 8 | Bancassurance in General Insurance | 29-Apr-24 | 30-Apr-24 | ClickHere | Register |
| 9 | Labour Laws for Corporates | 30-Apr-24 | 30-Apr-24 | ClickHere | Register |

## Certificate Courses offered by COI

### CC1 - Certificate Course in Life Insurance Marketing

**Course Structure –**

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

## CC2 - Advanced Certificate course in Health Insurance

**Course Structure –**

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

## CC3 - Certificate Course in General Insurance

**Course Structure -**

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

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

**Course Structure -**

| Particulars | Details |
|---|---|
| Course Date | 14th May 2024 – 16th May 2024 |
| Duration of the course | 3 Days |
| Mode of Teaching | Virtual Training sessions |
| Total hours of Teaching | 15 hours for online classes |
| Exam pattern | MCQ pattern |
| Target Group | Employees working in Fraud cells/ Claims Department/ Audit functions of the company |
| Fees for the course | Rs. 10620/- (Rs. 9,000/- + 18 % GST) |

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

## Post Graduate Diploma in Collaboration with Mumbai University

### Post Graduate Diploma in Health Insurance (PGDHI)

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

### Post Graduate Diploma in Insurance Marketing (PGDIM)

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