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INSURANCE INSTITUTE OF INDIA

INSUNEWS - WEEKLY E-NEWSLETTER

24TH AUGUST – 30TH AUGUST 2024

Insurance Term for the Week

Policy Schedule

A policy schedule is the outline of the coverage provided by your insurance policy.

This is usually the first page or first few pages of a policy package you might receive from your insurance provider.

It is the part of the insurance contract that identifies the policyholder and details the property and persons covered, the amount of coverage, the exclusions, the deductibles, and the payment mode and schedule. It may also include other key coverage information like additional clauses, warranties and conditions that are specific to your policy.

Despite covering the key information most insureds need to know, the policy schedule is not a standalone document. Reading the schedule gives you a general idea of your coverages but you'll need to read it alongside the actual policy wording if you want to really understand your coverage and avoid any unintended losses.

Policy schedule is also known as a schedule of insurance.

QUOTE OF THE WEEK

"The measure of success is not whether you have a tough problem to deal with, but whether it is the same problem you had last year."

JOHN FOSTER DULLES

INSIDE THE ISSUE

INSURANCE INDUSTRY

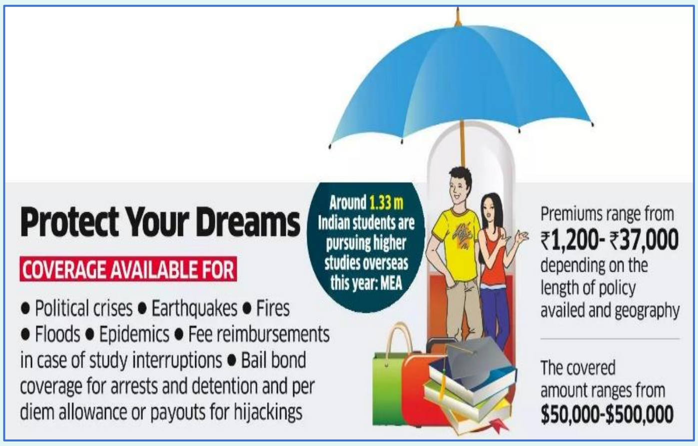
Studying Abroad? Insurers go the extra mile to cover risks – The Economic Times – 30th August 2024

Insurers are tweaking and diversifying their products to meet the requirements of Indians pursuing studies abroad, whose number is growing every passing year. According to a ministry of external affairs estimate, 1.33 million Indian students are pursuing higher studies overseas this year. While the risks they face have increased with heightened geopolitical tensions - many Indian students had to leave Ukraine after the start of the Russia-Ukraine war - and high healthcare costs in several countries, there had not been many insurance plans addressing their specific needs. Insurance companies now see this as an opportunity.

HDFC Ergo is considering allowing students to customise their insurance packages. Tata AIG recently launched a policy with protection for two to three years, while ICICI Lombard covers accommodation expenses and return travel costs if the insured is advised to leave by authorities where they are studying.

Premiums have also increased for travel insurance to risky regions.

"For destinations like Israel or any other territory where individual situations could be much harsher, we have seen pricing go up by 20-25%, largely because of the trip cancellation uncertainty around travel," said Hiten Kothari, chief underwriting officer at HDFC Ergo.



The insurer is exploring unbundling its offerings, giving students the option to customise their insurance packages by adding overseas medical coverage. As universities abroad mandate insurance coverage for international students, Indian insurers are stepping up to meet such demands too. "Universities abroad are trying to make insurance compulsory, with requirements that insurance companies in the student's home country cannot always match, such as an unlimited sum insured or plans affiliated with the Affordable Care Act (in the US)," said Jaideep Deorukhkar, vice president-sales agency and travel at Tata AIG. "The cost of university policies is much higher than what we charge for an entire year," he said.

To compete, Indian insurers are introducing flexible and comprehensive plans that rival those offered abroad, often at a lower cost. Tata AIG recently launched a policy called Travel Guard Plus, which is suitable to the student segment, and it has an extended student guard cover offering coverage that spans two to three years. ICICI Lombard plans cover fee reimbursements in case of study interruptions, bail bond coverage for arrests or detention, per diem allowance and pay-outs for hijacking, said Priya Deshmukh, its head of health products, operation and services. Additionally, a 24-hour Smartline assistance helps students with travel emergencies and other needs like rebooking flights or arranging accommodations, Deshmukh said.

Nikhil Jain, founder of the international mobility marketplace ForeignAdmits, highlighted student worry emanating from rising healthcare costs, necessitating better insurance coverage. For instance, the UK's Immigration Health Surcharge has increased substantially, with a 12-month master's course now costing £1,164 in IHS fees, up from £705. "It's a flat fee for all international students," he said. Similarly, costs have risen by 5-15% in US and Canada, he said.

(The writer is Neil Ghai.)

TOP

Investment and insurance: Invest in Ulip with above 10-year horizon - Business Standard – 28th August 2024

Leading private life insurers such as HDFC Life, ICICI Prudential Life, and Max Life witnessed a rise in the share of sum assured contributed by unit-linked insurance plans (Ulips) in the first quarter of 2024-25, according to a report by Kotak Institutional Equities.

Meanwhile, Nithin Kamath, founder and chief executive officer (CEO) of Zerodha, tweeted recently that while Ulips promise the best of both worlds—investment and insurance—the reality is that they offer the worst of both. He added that it was best to separately buy a term insurance plan and mutual funds.

Market buoyancy driving shift

One key factor behind the shift in favour of Ulips is regulatory interventions.

"The Insurance Regulatory and Development Authority of India (Irdai) introduced stricter regulations. It provided clarity on the extent of charges that could be levied. It ensured more transparency on charges and better communication in this regard," says Nitin Rao, head, products & proposition, Epsilon Money Mart.

This forced insurers to introduce more cost-effective, customer-friendly products. "Manufacturers have eliminated the policy administration charge," says Rao.

The Indian equity market's performance has also played a part. "The continued buoyancy of the Indian market has played a major role in driving investors, especially the younger population, towards Ulips," says Nitin Mehta, chief distribution officer–partnership distribution and head of marketing, Bharti AXA Life Insurance.

Market-linked returns

Being market-linked, Ulips have the potential to offer higher returns than traditional insurance plans.

Investors can select equity, debt, and hybrid funds to match their asset allocation. "The flexibility to switch between fund options within a Ulip allows investors to adapt their investment strategy to market conditions," says Mehta. These switches attract zero or minimal charges.

The five-year lock-in is useful for investors who tend to use up the money meant for long-term goals or withdraw money from equities during downturns.

Be prepared for lock-in

The mandatory five-year lock-in restricts liquidity.

Investors need to be prepared for volatility. "Market fluctuations can impact returns, given the risks associated with any equity investment," says Mehta.

Some Ulips could still be expensive due to a long series of charges- fund management, mortality, surrender, switching, and so on.

In Ulips, age affects the mortality charge— the cost levied for providing insurance. It is higher for older people, affecting their returns.

In a Ulip, if a fund underperforms, the customer cannot move to another insurer's fund until the lock-in ends.

Who should invest?

A long horizon is a must. "Ulips are best suited for individuals planning for a significant financial milestone 10-15 years later," says Pankaj Gupta, managing director & CEO, Pramerica Life Insurance.

Younger people, who usually have a longer investment horizon which allows them to handle the interim volatility, may go for them, according to Mehta.

Risk-averse investors should avoid them. Those who desire greater liquidity, and the option to reduce cover, should go for a term plan-mutual fund combo.

Points to remember
Before purchasing, check the various charges associated with a Ulip.

Between type I and II, choose the one that suits your needs. A type I Ulip provides a death benefit equal to the sum assured or the investment fund value, whichever is higher. A type II Ulip provides a death benefit that includes both the sum assured and fund value, but usually comes with a higher premium.

Finally, understand the fund options available and assess their long-term track record.

Understanding Ulip taxation

- Ulips offer tax deduction under Section 80C up to Rs 1.5 lakh in a financial year
- Ulips purchased on or after February 1, 2021, enjoy tax-exemption on maturity proceeds if the annual premium (in aggregate) is up to Rs 2.5 lakh; if the aggregate annual premium exceeds this amount, the maturity proceeds become taxable (death benefit remains exempt)
- If you buy two new Ulips on or after February 1, 2021, and their total premium exceeds Rs 2.5 lakh, the payout from both will be taxable
- Ulips purchased before February 1, 2021, remain exempt from tax provided their sum assured is equal to or more than 10 times the annual premium

(The writer is Himali Patel.)

TOP

INSURANCE REGULATION

Insurance for all by 2047: IRDAI, Insurers discuss strategies, road map – The Hindu Business Line – 26th August 2024

The Insurance Regulatory and Development Authority of India (IRDAI), the General Insurance Council discussed strategies to be adopted to achieve insurance for all by 2047 with the industry. A major focus of the discussions in the “Insurance for All” Vision Meet hosted by insurance councils over two days hosted by the Insurance Councils in Mumbai during August 23-24, was on defining the concept of “Insurance for All” and developing mechanisms to measure and monitor progress towards the goal. The participants explored the necessity of diversifying insurance products and providers to better reflect the diverse demographics of India. Expanding distribution channels was also a key topic, aimed at ensuring that insurance products are accessible to every segment of society. Additionally, the discussions covered strategies for providing affordable insurance products, integrating advanced technology, and enhancing the role of the State Insurance Plan.

“All these discussions and deliberations were aimed at developing a detailed roadmap to achieve the ‘Insurance for All’ vision by 2047,’’ IRDAI and General Insurance Council said in a joint release. The participants explored the necessity of diversifying insurance products and providers to better reflect the diverse demographics of India. Expanding distribution channels was also a key topic, aimed at ensuring that insurance products are accessible to every segment of society. The meet also addressed several additional focus areas critical to the future of the insurance sector. These included the need for growth capital and capacity building, as well as the importance of effective reinsurance and risk management strategies.

Emphasis was placed on adopting customer-centric approaches to improve service delivery, expedite claim settlements, and swiftly resolve grievances. Enhancing the efficiency of distribution channels was another important point of discussion. Innovations in insurance technology (Insurtech) were also highlighted, which would play a key role in achieving insurance for all, the release said. The meet held under the leadership of the IRDAI Chairman, Debasish Panda and was facilitated by the General Insurance Council led by Tapan Singhel, Chairman of the General Insurance Council & MD & CEO of Bajaj Allianz General Insurance, with the primary objective to collaboratively craft a foundational framework that would guide the vision of achieving the target of insurance for all.

TOP

Irdai asks cos to make insurance affordable – The Times of India – 26th August 2024

Insurance regulator Irdai has asked companies to come up with strategies for providing affordable insurance products to achieve the goal of insurance for all by 2047. The move is significant given that high premiums in health insurance are causing many in the senior age group to drop out because of affordability. The insurance councils hosted the "Insurance for All" vision meet on Friday and Saturday in Mumbai to lay the groundwork for the vision of insurance for all by 2047.

A major focus was on defining the insurance for all concept and developing mechanisms to measure and monitor progress. One of the ideas discussed in the meeting was to increase the diversity of providers who, in turn, will bring in a broad range of insurance products, thereby increasing competition and reducing pricing. Another one was widening distribution channels for insurance to make it more accessible, particularly in underserved areas.

Companies suggested that the use of Insurtech can streamline operations, reduce administrative costs, and improve efficiency. These savings can then be passed on to consumers in the form of lower premiums. Participants said that strengthening the state insurance plan is crucial for making insurance more affordable.

TOP

Irdai forms task force to tackle challenges, boost growth of surety bonds – Business Standard – 23rd August 2024

The Insurance Regulatory and Development Authority of India (Irdai) has formed a task force to address challenges and drive the growth of surety bond insurance. The task force comprises representatives from insurance companies, banks, and reinsurers. The insurance regulator and the General Insurance Council brought key stakeholders of the surety bond market together at a Surety Conclave in Mumbai to discuss key aspects including collaboration between banks and insurers, data sharing, and expanding the scope of surety bonds. Speaking at the conclave, Debasish Panda, chairman of Irdai, said: "Surety bonds play a crucial role in supporting India's infrastructure development. By addressing the challenges and fostering collaboration, we can unlock the full potential of this valuable financial instrument. Today's discussions have paved the way for meaningful collaboration among stakeholders, which will be instrumental in overcoming these hurdles."

A surety bond is a risk transfer mechanism whereby an insurance company provides a guarantee to the beneficiary that the principal or contractor will meet their contractual obligations. The discussions at the meeting highlighted the need for regulatory support and industry-wide cooperation to address issues such as the right of recovery by the Ministry of Corporate Affairs, the status of secured creditors, and the need for faster court settlements. During the conclave, the industry also discussed various challenges, including regulatory parity, enforceability of surety indemnity agreements, and data access and data-sharing agreements. In terms of regulatory parity, industry participants are advocating for equal legal recourse for insurers under the Insolvency and Bankruptcy Code (IBC), as enjoyed by banks. They are also seeking to strengthen the enforceability of agreements between insurers and bond beneficiaries. Efficient data sharing between institutions is also considered a key concern.

Tapan Singhel, chairman of the General Insurance Council (GIC) and managing director and chief executive officer of Bajaj Allianz General Insurance, echoed these sentiments: "The collaboration between bankers and insurers, coupled with seamless data sharing, will be key to taking surety bonds to the next level. The formation of a task force is a critical step forward in ensuring that surety bonds become a cornerstone of India's infrastructure growth story."

Other attendees included Dinesh Khara, chairman of the State Bank of India, Sunil Mehta, chief executive officer of the Indian Banks' Association (IBA), and T K Manoj Kumar, chairman of the Warehousing Development and Regulatory Authority (WDRA).

(The writer is Aathira Varier.)

TOP

LIFE INSURANCE

GST Council may consider relief on life insurance premium – The Hindu Business Line – 29th August 2024

The GST Council is likely to consider giving relief on life insurance premium. As on date, insurance premium attracts GST up to 18 percent. It is believed that Fitment Committee (the committee of officers from Centre and State) has favoured relief on life insurance premium, while discussion is on for relief on health insurance. The Committee examines representations regarding revision of rates on goods and services, does the ground work and finally gives suggestions to the GST Council. Accordingly, the GST Council discusses each individual issue and gives the final recommendations which are then implemented by the Centre, States and the Union Territories. In the past, the Committee on three occasions did not heed to representations for revision in rate on the grounds that there was standard rate during pre-GST regime and reduction or exemption could lead to distortion of tax structure. According to the agenda note for 31st GST Council meeting (December 22, 2018), a proposal for reduction in rate of tax from 18 percent on service of insurance was brought before the Committee. Another proposal was related pertaining with to lowering GST to 5 percent from 18 percent on health insurance. However, the Committee did not agree to any of these two proposals.

In the discussion on the first proposal, the Committee noted: "Exemption would lead to ITC reversals and shall increase the compliance burden on part of the insurance company. Exemption of output services will lead to blockage of ITC and shall increase the cost of output services to the consumer." The issue of GST on insurance again popped up before the 37th meeting of GST Council, when a comprehensive proposal came up. With references from Financial Services Department and IRDA, the proposal was brought before the GST Council. This included lowering GST to 5 percent from 18 percent on health insurance, term life insurance, motor third party insurance premium and exemption from GST on purchase of annuity from accumulated pension amount. The Committee recommended that these might not be accepted to reduce GST on insurance service from the existing rates now. Further, it said that GST collection from financial and other related services such as insurance, pension etc is over ₹1.24 lakh crore (₹72,012 crore in cash and ₹52,150 crore in credit). Service tax of 15 percent was levied on insurance sector in the pre-GST era. Therefore, any reduction of GST to 5 percent from 18 percent would lead to huge revenue loss to the government. However, the proposals may be revisited once the revenue position improves, it said.

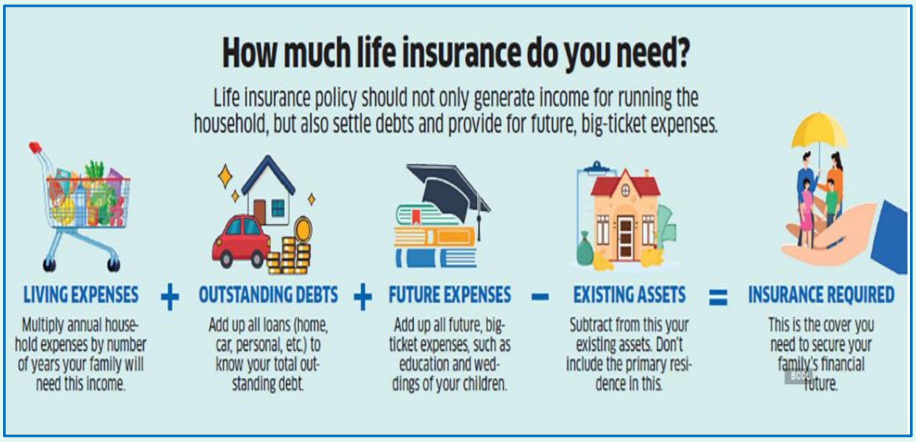
Agenda note for 47thth GST Council (June 28-29, 2022) mentioned one more proposal before the Fitment Committee regarding removal of GST on life and health insurance. After consideration, the Committee said: "This is a new exemption request. Exemption/lowering GST rate will lead to cascading of input taxes and result in distortion of tax structure. No change recommended." For the same meeting, the Committee considered another proposal talking about on exempting GST on premium payable on group insurance policy for senior citizens and reducing GST on health insurance premium for senior citizens, but said that it should not be accepted.

(The writer is Shishir Sinha.)

TOP

Do you have enough life insurance cover to protect your financial goals? – The Economic Times – 27th August 2024

Life insurance is the most crucial aspect of financial planning because it protects all other goals, says Amit Jhingran, Managing Director & CEO of SBI Life Insurance (see interview on page 4). "Don't look at insurance as an expense. It's crucial for your family's financial future," he says. However, this critical component is often missing in the average financial plan. According to this year's India Protection Quotient survey by Max Life Insurance, 32 percent of respondents admitted they did not have sufficient life cover.



His stock investments have given handsome returns. The equity funds he chose are among the top performers. He also bought a house three years ago, just before real estate prices surged. When it comes to managing his finances, Noida-based Himanshu Gupta (see picture) has nailed it.

Or has he? Though his investments are doing very well and he has a steady job, Gupta has no life insurance, which leaves his family unprepared for an unforeseen event. He is the primary earning member of the family, bringing in almost Rs.2.2 lakh of the total Rs.2.7 lakh monthly household income. There is a sizeable Rs.31.5 lakh outstanding home loan, and another Rs.5.5 lakh loan for a car. If something untoward happens to him, his wife and daughter will be left in the lurch.

For most people, it's hard to imagine what their family will go through if they die. It's a scenario they should seriously consider. The lifestyle will be severely curtailed if the sole breadwinner is no more. Mutual fund SIPs will stop, so will the loan EMIs. If there is a large outstanding home loan and not enough assets to repay it, the family may even lose the house.

How to protect all your goals

Will Rs.1 crore insurance be sufficient to protect your goals? Experts say that the life insurance plan should be big enough to replace the income of the individual, pay off all debts, and provide for future, bigticket expenses (see graphic). The good news is that it takes very little to secure the financial future of one's family. Pure protection term plans cost very little. A 30-year-old needs to pay less than Rs.1,000 a month for a cover of Rs.1 crore for 30 years. This works out to as little as Rs.32 a day, the price one pays for a soft drink. "The cost of life insurance is actually very small compared to the safety net it provides," says Casparus Kromhout, Managing Director and CEO of Shriram Life Insurance.

The bad news is that people find enough reasons to not buy life insurance. Gupta understands the importance of insurance because he has bought a health plan in addition to the group health cover from his employer. He also knows that he needs life insurance, but hasn't bought it yet. "I know a term plan is necessary, but I haven't been able to decide which company to go with," he says. This indecision can prove very costly if something happens to him. "If you know how important life insurance is, but keep putting it off, it's time to switch gears," says Kromhout of Shriram Life Insurance.

The delay will also cost Gupta even if nothing happens to him. At 37, he is only three years away from turning 40, an age when medical conditions start appearing and premiums shoot up. If Gupta buys a cover of Rs.2 crore now, the premium would be around Rs.26,000 a year. This is around 2% of the Rs.12 lakh he puts into mutual funds and small savings schemes every year for his child's education and wedding. Once he crosses 40, the premium will shoot up to Rs.45,000. It could rise even more if he develops a health condition.

Keep in mind that the money required for household expenses and future goals will keep rising due to inflation. If you are worried about inflation, buy a plan that increases the life cover to keep pace with rising prices. The Yuva Term Plan launched by LIC last week offers this option to buyers. "The cover remains unchanged for the first five years and then increases by 10% every year till the fifteenth year. By the fifteenth year, the insurance cover would have doubled," says insurance consultant Vivek Laghate.

Get sufficient cover

Even those who have bought insurance may not have a sufficient cover. Meet Dharmendra More (see picture), who bought two term plans with a combined cover of Rs.35 lakh on the advice of a friend. Like Gupta, More is the primary earning member in his family. His wife Sakshi's income is enough to pay for household expenses, but won't cover the outstanding home loan of Rs.13.5 lakh and foreign education expenses for their two daughters. More is not buying any more insurance because his age and occasional smoking have pushed up the premium to unaffordable levels. If he didn't smoke, a cover of Rs.1 crore for 10 years would have cost him Rs.64, 000 a year. As a smoker, it is about 50% higher at Rs.1 lakh.

It is quite expensive, but more should keep in mind that if something were to happen to him, his family would be financially vulnerable. He should consider reducing other investments and buying life insurance to safeguard his family's future. "Saving is important, but financial protection ensures that your family is covered no matter what happens," advises Kromhout.

Himanshu Gupta, 37, Noida
Household income
Rs.2.7 lakh per month
Outstanding debt
Rs.37.5 lakh
Financial goals
Rs.60 lakh for child's education.
Rs.40 lakh for child's wedding
Life insurance
Nil

He understands the need for insurance, but has not got down to buying it. This delay is putting at risk the financial future of his family. He should buy a term cover of at least Rs.2 crore before he turns 40 and medical conditions start showing up.

Though pure protection plans provide substantial coverage at low cost, insurance agents are reluctant to recommend these policies. This is because they pocket more commissions on endowment policies and even Ulips. A distributor gets 25% of the annualised premium as commission in the first year of a 30-year endowment policy. In the second and third years, the commission is 7.5%, and from the fourth year onwards, it is 5%. The low premiums of term plans means lower commission for the distributor.

Not everyone needs insurance
Life insurance is important, but not everybody needs it. If you do not have any dependants or have built up enough assets, you don't need life insurance. Priyanka Joglekar (see picture) is single and her parents are financially independent. Instead of buying a term plan, she should consider buying a Ulip to build wealth. Ulips have higher charges than mutual funds, but they are also more tax-efficient. If the combined annual premium of all Ulips bought after 1 February 2021 is below Rs.2.5 lakh, there is no tax on gains. There is also no tax implication for switching from one fund to another in the Ulip. Such switching leads to taxation in mutual funds.

Dharmendra and Sakshi More, 53 & 47, Mumbai
Household income
Rs.1.75 lakh per month
Outstanding debt
Rs.13.5 lakh
Financial goals
Rs.60 lakh for daughters' foreign education.
Life insurance
Rs.35 lakh each

A friend advised Dharmendra to buy a term insurance plan of Rs.35 lakh three years ago. Sakshi also bought a term plan of Rs.35 lakh. He does not want to buy additional cover because the premiums have shot up due to his age and smoking habit.

Ulips usually give a cover of about 10 times the annual premium. However, in recent months, some insurers have launched Ulips that give a cover of up to 100 times the annual premium. Kotak TULIP (term-linked, unit-linked insurance plan) is one such policy that buyers can consider. However, this high cover will cost you more. The mortality charges of a Tulip are higher than that of a Ulip. "While these plans offer a combination of high life cover and savings linked to market returns, Tulips can't replace pure protection term plans," contends Vaibhav Kumar, Senior Vice-President at Max Life Insurance.

Priyanka Joglekar,26 years, Pune
Her income
Rs.65,000 per month
Outstanding debt
Rs.1.2 lakh personal loan
Financial goals
Rs.10 lakh car purchase next year, and an overseas holiday.
Life insurance
Nil
She is single and has no dependants, so she does not require a large term insurance cover. Instead, she should go for a Ulip that can help her build wealth without worrying about the tax on capital gains.

(The writer is Yasmin Hussain.)

TOP

Term plans should be your first life insurance policy: Amit Jhingran, SBI Life Insurance – The Economic Times – 24th August 2024

Life insurance should not be seen as an unnecessary expense, but as a crucial tool that protects all other financial goals, Amit Jhingran, MD & CEO, SBI Life Insurance said. Edited excerpts:

Have the changes in capital gains taxes proposed in the Budget made life insurance more appealing as an investment?

The long-term capital gains (LTCG) tax increase from 10 percent to 12.5 percent is a small change, and the Section 10 (10D) benefit for insurance had already been limited to Rs.2.5 lakh of annual premium in previous Budgets. So, I don't see a significant movement there. One advantage of Ulips is that switching between debt and equity within a Ulip is tax-free, unlike in mutual funds, where the capital gains tax applies.

Many people view life insurance as an investment for generating returns. What are your observations?
There needs to be a better understanding that life insurance serves a different purpose. Before investing elsewhere, ensure your financial goals are protected. Without that foundation, your goals may remain unachievable. Insurance isn't just an expense; it's crucial for securing your financial stability and your family's future, and shouldn't be viewed as a burdensome cost. Traditionally, people have bought insurance for tax benefits under Section 80C, rather than seeing it as a protection tool for financial security. Insurance is seen merely to fill the Rs.1.5 lakh tax exemption gap. This has changed in recent years, and heightened risk awareness is now driving the demand for insurance products. Once people understand that insurance is essential and should come before investments, term plans will gain traction and improve the product mix in the industry.

(The writer is Yasmin Hussain.)

TOP

Life insurance in fierce battle to grab annuities market share - The Economic Times – 24th August 2024

Life insurance companies are engaged in a fierce battle for the annuities market, with both HDFC Life and SBI Life witnessing declines in sales of such products in the June quarter, as smaller players offer savers up to 70 basis points higher. One basis point is a hundredth of a percentage point. Meanwhile, Tata AIA Insurance and Max Life Insurance are offering rates of 7.27 percent and 7.21 percent, respectively, compared with SBI Life's 6.65 percent and HDFC Life's 6.9 percent on annuities. State behemoth LIC is now offering 6.96 percent, slightly better than its larger competitors.

Max Life's Smart Wealth Annuity Guaranteed Pension Plan, which includes a limited pay variant for personalised retirement planning, has driven a 42 percent growth in its retail annuity segment. However, the higher rates have impacted its new business margins, which fell to 17.5 percent from 22.2 percent. "As we have diversified the overall annuity mix, there is an intrinsic reduction in the margin of the annuity product as well, which comes in play," Max Life said during an investor's call recently.

While the annuity market in India is still in its early stages, insurers believe it holds long-term growth potential. With rising life expectancy and higher income levels, the demand for annuity products is expected to soar. India's pension assets to GDP ratio was just 3.1 percent in 2022, compared with 78.7 percent in the US and 23.4 percent in Japan, highlighting the vast scope for growth in this sector, according to OECD data. HDFC Life's annuity business is just 5 percent of its individual APE in Q1 FY25, down from 9 percent a year earlier. Despite the aggressive pricing from competitors, HDFC Life is maintaining a cautious growth strategy, focusing on enhancing its product offerings while adhering to pricing discipline. "Despite facing irrational pricing in the annuity segment, with rates 70 basis points higher than listed players, we are maintaining our position due to our deep relationships," Vibha Padalkar, MD and CEO, HDFC Life, said during the earnings call.

(The writer is Shilpy Sinha.)

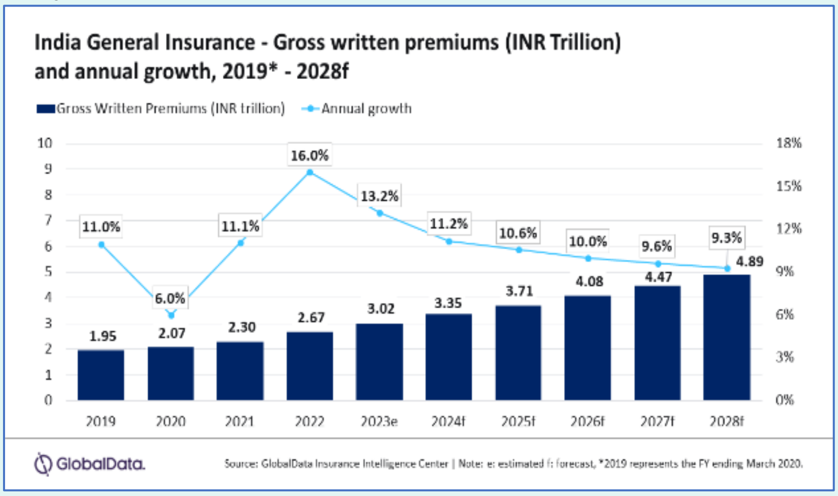
TOP

GENERAL INSURANCE

What will drive India's general insurance sector this year? – Insurance Asia – 29th August 2024

India's general insurance industry is projected to expand at a compound annual growth rate (CAGR) of 9.9%, increasing from $40.4b in 2024 to $57.3b by 2028, according to GlobalData.

"The general insurance industry in India continued its high growth trend and grew by 13.2% in 2023, driven by economic growth and rising disposable income. Rising consumer awareness of health and other general insurance products and robust regulatory reforms also supported India's general insurance industry growth. The trend is expected to continue in 2024 and 2025," Swetansha Chauhan, Insurance Analyst at GlobalData, said.



In fiscal year 2024, the industry is expected to grow by 11.2%, driven by personal accident and health (PA&H), motor, and property insurance, which together accounted for 93% of general insurance premiums in 2023.

PA&H insurance is anticipated to be the largest segment, representing 39.5% of general insurance gross written premiums (GWP) in 2024. It is projected to grow by 14.5% in 2024, fueled by heightened health awareness and rising medical costs post-COVID-19. The PA&H segment is forecasted to grow at a CAGR of 12.5% from 2024 to 2028. Supportive regulatory measures are expected to further bolster PA&H insurance. In December 2023, the Indian government proposed the establishment of a healthcare regulator to standardise and regulate hospitals involved in health insurance, aiming to enhance health insurance penetration.

The Insurance Regulatory and Development Authority of India (IRDAI) also introduced the 'Bima Sugam' electronic marketplace in March, intended to streamline the purchase, sale, servicing, and claim settlement of insurance policies, promoting transparency and efficiency in the insurance sector. Motor insurance, the second largest segment, is projected to account for 31.1% of general insurance GWP in 2024, with a growth rate of 10.4%. This growth is supported by rising vehicle sales, which increased by 12.5% in March compared to the previous year, and a boost in disposable income. The government's vehicle scrapping policy implemented last 1 April 2023 also drove this market, Chauhan added. The policy itself requires private automobiles beyond 20 year's old whilst commercial vehicles over 15 years old to be scrapped. "Motor insurance is expected to grow at a CAGR of 7.9% from 2024 to 2028," Chauhan said. Property insurance, the third largest segment, is expected to hold a 22.5% share of general insurance GWP in 2024, with a growth forecast of 10.4%. The sector benefits from increased infrastructure investments, with the government's budget allocation for infrastructure rising by 11.1% year-on-year to $134b for 2024 to 2025. Property insurance is projected to grow at a CAGR of 8.3% through 2028. Liability, Marine, Aviation, and Transit (MAT) insurance, along with other general insurance products, is expected to make up the remaining 6.8% of general insurance GWP in 2024.

"Recovery in the economy and rising disposable income will continue to support the growth of India's general insurance industry during the next five years. Initiatives from the government and favourable regulatory reforms will help in increasing the insurance penetration rate in India (0.98%), which was lower as compared to other Asian markets such as Japan (1.75%), South Korea (1.46%), Hong Kong (1.65%) and China (1.26%) in 2023," concluded Chauhan.

How cyber-insurance can protect companies with the financial safety net – Express Computer – 27th August 2024

Cyber insurance is a rapidly expanding segment within India's insurance industry. According to recent reports, the domestic cyber insurance market is currently valued at a modest USD 50-60 million but is poised for significant growth. The sector has demonstrated a robust CAGR of 27-30% over the past three years, and this upward trajectory is expected to continue in the coming years.

With rapid digitization across sectors like finance, banking, healthcare, IT, pharma, e-commerce, manufacturing and the ones integrated with holistic economic sectors like retail, supply chain, there will be an increased need for cyber insurance in the country in the years to come. With these sectors becoming the early adopters of cyber insurance; there will be more sectors in the coming years, which will opt for cyber insurance for the protection of their data. The vulnerability of the healthcare sector to cyberattacks was starkly highlighted in 2023 when AIIMS Delhi suffered a cyberattack that resulted in server downtime and disruptions to essential health services. This incident highlighted the critical need for robust cybersecurity measures to safeguard sensitive patient data. The potential compromise of patient information during the attack emphasized the severe consequences of such breaches.

In India, the trajectory of cyber insurance market will be shaped by three key factors: accelerated pace of digital adoption by businesses, government's push towards digitalization and stricter cyber laws, and the increasing competitive landscape as technology giants and multinational corporations enter the market. It is thus important for companies today to understand the basic advantages of cyber insurance. Primarily, it covers first-party losses resulting from data breaches, including data destruction, hacking, extortion, and theft. Additionally, policies often include coverage for legal expenses incurred in the aftermath of a cyber incident. While specific coverages can vary between providers and plans, core areas typically protected by cyber insurance include:

Customer notification costs: In the event of a data breach involving the loss or theft of personally identifiable information (PII), companies are legally obligated to inform affected customers. This process can be costly and time-consuming. Cyber insurance policies often include coverage to help businesses offset the expenses associated with customer notifications.

Ransomware attacks, where cybercriminals encrypt an organisation's data and demand a ransom for its release, are a significant threat. Cyber insurance policies can provide financial protection to cover ransom payments. However, it is important to note that government agencies often advise against paying ransoms as it can incentivize further cybercriminal activity.

Insuring legal support: Cyber insurance policies often include coverage for legal expenses incurred due to privacy policy violations or regulatory breaches following a cyberattack. Additionally, these policies can help fund the hiring of cybersecurity experts or computer forensics specialists to investigate the incident, recover compromised data, and implement measures to prevent future attacks.

Identity restoration: Cyber insurance policies often provide coverage for identity restoration services. This benefit helps organisations assist affected customers in rebuilding their personal identities after a data breach. Data recovery is often covered by cyber liability insurance policies, providing financial protection for businesses to restore data compromised in a cyberattack. It also covers the costs associated with repairing computer systems damaged in a cyberattack.

With the world moving towards data and technology and our identities becoming synonymous with our mobile numbers, cyber protection is the next leap for all individuals, as well as companies. There will come a time, when countries need to be protected against cyber terrorism and insurance will play a supreme role. With more and more use of data, the risk of cyberattacks against applications, devices, networks, and users are growing, significantly impacting businesses, from losing customers to the loss of reputation and revenue. It is high time for companies to understand that cyber insurance is not an expense anymore, it is a strategic investment. The dynamic cyber insurance industry and its vast expanse of coverage has been designed to meet the increase in cybercrime today. And businesses must see the proper coverage of cyber insurance as critical.

(The writer is Manoj Rane.)

TOP

'Insured Not Entitled To Claim for Treatment in India under Overseas Travel Insurance Policy': Bombay HC – Free Press Journal – 26th August 2024

The Bombay High Court has ruled that an insured was not entitled to claim for medical expenses incurred in India after falling ill abroad, under the Overseas Travel Insurance Policy. The court has relegated the matter back to the Insurance Ombudsman for Mumbai while allowing a petition by Tata AIG General Insurance Co. Ltd. Tata AIG had approached the HC challenging the ombudsman's decision of May 4, directing the insurance company to allow claims by an insured for his continued treatment in India under his travel policy.

The insured took an Overseas Travel Insurance Policy titled as "Travel Guard Policy Silver without Sub Limits" from Tata AIG from January 17, 2023 to May 16, 2023. The insured and his wife went on a Europe tour on May 3. He claimed that during his travel, he experienced symptoms of vertigo for which took treatment in Rome. However, they had to cut short their trip and returned to India on May10, where he continued his treatment. He was admitted to a hospital from May 15 to 22 where he was diagnosed with Subacute Infarct in the right Costerolateral Medulla. He submitted a claim with the insurance company claiming the expenses incurred towards his treatment at hospital in India. Tata AIG denied the liability of claim on the basis of the Terms and Conditions of the Insurance Policy.

On a complaint, the Insurance Ombudsman directed the company to process the entire claim of the insured. Tata AIG's counsel submitted that the ombudsman had failed to consider that the terms of the policy precluded the insured from making any claim in respect of the medical expenses incurred in India. The Ombudsman has wrongly passed the award by recording reason that since the company is ready to pay overseas medical expenses, it is concluded that permission is granted as treatment in India is in continuation from the treatment from abroad, Tata AIG contended.

However, the insured contended that since he became so ill, he had to abort his tour and return to India, hence he is entitled to seek recovery of the expenses. "Merely, because the Insurer has agreed to pay the overseas medical expenses, it cannot be held that the Insurer is liable for the medical treatment taken up in India," Justice RM Joshi said on August 14

Also, there is no finding to show how the treatment in India is in continuation of the treatment abroad when the insured claimed he was treated for vertigo. "Admittedly, the Insured has been treated in India not for vertigo but for other disease… Moreover, in absence of any term of Policy or any acceptance of liability in advance by Insurer, no such liability can be fastened on Insurer," the judge added.

(The writer is Urvi Mahajani.)

TOP

Take cover for potential rental income loss – Financial Express – 24th August 2024

For landlords who rely on rental income as a steady source of earnings, a loss-of-rent cover is a must-buy before letting out their property. It safeguards the returns on investment by compensating them for the loss of rent when the property is under repair up to the limits defined under the policy. Given the uncertainties in property management where natural disasters such as floods and other incidents such as fire and structural damage can disrupt tenancy, this cover provides financial stability during repair. Most home insurance policies offer this cover as an optional add-on, allowing landlords to customise their insurance according to their needs without purchasing a separate policy. It also ensures that all related coverages are managed under a single policy, simplifying claims and policy management.

Gurdeep Singh Batra, head, Property UW (E&S), Risk Engg, Global Accounts, Bajaj Allianz General Insurance, says loss-of-rent cover is beneficial for landlords as it ensures that they are indemnified for the loss of rentals if the property becomes uninhabitable due to unforeseen circumstances like natural disasters, fires, or other significant damage covered under the policy. "It helps mitigate financial risks associated with property damage and ensures the property owner can maintain financial stability during such disruptions."

Add-on to a standard home insurance

Purchasing a loss-of-rent cover as an add-on to a standard home insurance policy is often more cost-effective and convenient. It offers targeted protection for the specific risk which may not be fully covered under a general property or home insurance policy. Rakesh Goyal, director of Probus, an insurance broking company, says add-on covers allow landlords to customise their insurance plans according to their specific needs, ensuring they only pay for what is necessary. "Bundling the loss of rent cover with the primary home insurance policy can to lower premiums compared to buying a standalone policy."

What to watch out for

When buying a loss-of-rent cover, an individual must ensure the cover amount aligns with his actual rental income. "Choose a cover with an indemnity period that reflects the time you might realistically need to repair or restore the property," says Gaurav Gosain, business head, Home Insurance, Policybazaar.com. Typically, the indemnity period, which is the time during which the insurer will cover the lost rent, is up to six months. The coverage period is crucial as it should allow ample time for repairs without financial strain.Even the reputation of the insurance provider is an important factor, as a company with a strong track record in claim processing and customer service can make a significant difference during a stressful situation.

Exclusions to keep in mind

The cover typically does not compensate for loss of rent due to issues caused by the tenant, such as non-payment of rent or voluntary vacating of the property. Loss of rent due to events not covered under the primary home insurance policy, such as wear and tear, neglect, or general maintenance issues, will not be covered. If the damage to the property is due to the landlord's negligence, then the claim may not be honoured. Loss of rental income due to changes in government regulations or zoning laws is excluded from coverage, as these do not involve physical damage. The cover does not apply to damage intentionally caused by the landlord or tenant, as insurance only covers accidental events. If the property was already vacant before the damage occurred, the cover might not apply. Even loss of rent due to issues related to subletting arrangements might be excluded unless explicitly mentioned in the policy.

So, understanding the features and exclusions will help landlords make an informed decision and ensure that they are fully protected in the event of a loss of rental income.

(The writer is Saikat Neogi.)

TOP

HEALTH INSURANCE

Health insurance commands 41% of general insurance premiums - Financial Express – 28th August 2024

The health insurance segment, which surpassed motor insurance as the largest segment in general insurance in the post-Covid boom, now accounts for 41% of industry premiums, with motor insurance continuing to cede ground.

In the April-July period, the general insurance industry recorded a gross direct premium income (GDPI) of Rs 1.01 lakh crore. Health insurance accounted for 41% of these premiums, compared with motor insurance's 29% share. For context, motor insurance was the largest segment in the general insurance industry until FY22. The segment accounted for 34% of Rs 1.99 lakh crore of GDPI in FY22 while health insurance held 32%.

Motor insurance premiums have stagnated as a percentage of industry GDPI over the past three years while health insurance has consistently grown year-on-year.

Mayank Gupta, vice president, auto insurance, Acko General Insurance, attributes this stagnation to factors such as the lack of third-party (TP) premium revisions, slowdown in new car sales and the base effect of high sales during the post-pandemic period. "The constant or no increase in third-party insurance premiums since 2022 has limited the overall premium growth. Third party premiums often form a substantial portion of motor insurance revenue, and their stability has constrained growth," Gupta said.

Motor insurance is split into own damage (OD) coverage for vehicle repairs and TP coverage for third-party damages or injuries. While OD premiums are set by insurers based on the vehicle's value and risk factors, TP tariffs are regulated by the Irdai. The absence of TP rate revisions, coupled with high claim payouts, has also led many insurers to slow down on motor insurance.

For instance, GoDigit, which holds a 6% market share in motor insurance, saw its TP premium share drop from 36% of ₹2,178-crore gross written premium in Q1FY24 to 29% of ₹2,660 crore in Q1FY25.

"The challenge we have seen in the motor TP business in the last three years is that there has hardly been any price increase. There is always a bit of inflation in TP claims," Kamesh Goyal, chairman, GoDigit General Insurance, said in the Q1 earnings call.

Sanjeev Mantri, MD and CEO of ICICI Lombard General Insurance, echoed this concern, saying that the lack of TP price hikes continues to put pressure on the industry's motor combined ratio — a key profitability measure. "While there's been some improvement in the overall combined ratio, the motor combined ratio remains under strain without a TP rate hike," Mantri said in the Q1FY25 earnings call.

On growth in health insurance, Amit Chhabra, chief business officer, general insurance, Policybazaar, attributed the premium growth to rising awareness, healthcare inflation and the resulting increase in health insurance premiums. "Health insurance premiums are rising by 10-15% annually due to medical inflation, unlike motor insurance."

Jefferies' latest insurance report has said large private insurers are poised to benefit from a multi-year upcycle in motor vehicle sales, driven by a shift towards premium, high-value vehicles. "2W sales are recovering after a long slowdown and pockets of CV (high tonnage) are seeing improvement. Potential pick-up in new PV sales or hike in motor TP pricing (last one in March 2019) can be a positive catalyst," the report noted.

(The writer is Narayanan V.)

TOP

Mpox, dengue, Covid, & more: Does your health insurance cover outbreaks? – Business Standard – 28th August 2024

Mpox, Ebola, Covid-19, dengue — these outbreaks are now household names across the world. The frequency and intensity of such diseases are becoming more common. Jeremy Farrar, Director of Wellcome, a global health charitable foundation, says, "We are going through an era of epidemics and pandemics, and they are going to be more complex and more frequent."

As these outbreaks increase, so do medical costs. But the question is: does your health insurance cover such diseases?

The emergence of diseases like Mpox, which the WHO has declared a Public Health Emergency of International Concern, raises concerns similar to those seen during the Covid-19 pandemic.

"The good thing is that most standard indemnity-based health insurance policies in India will cover hospitalisation expenses incurred for treating diseases like Mpox. Indemnity policies are designed to cover a wide range of illnesses, including new and emerging infectious diseases that require hospitalisation," explains Bhaskar Nerurkar, Head of the Health Administration Team at Bajaj Allianz General Insurance.

Siddharth Singhal, Head of Health Insurance at Policybazaar.com, adds, "While there might not be exclusive plans only for emerging infectious diseases, they are all generally covered under the broader umbrella of hospitalisation under health insurance."

Nerurkar also mentions, "Some insurers may offer additional riders that enhance coverage during pandemics or epidemics, but these are not disease-specific."

So, if you have a comprehensive health insurance plan, any hospitalisations due to the Mpox virus will likely be covered by your insurer. However, as Nerurkar advises, "It's wise to review your policy details and consult with your insurer to ensure you have comprehensive coverage for any emerging infectious disease."

Costs covered by insurers for outbreaks

"Health insurance plans offer a range of benefits, including coverage for hospitalisation expenses, daycare procedures, ambulance charges, consumables, and room rent," says Mahesh Yelapure, Head of Health Underwriting & Health Claims at Go Digit General Insurance. The specifics of coverage, however, depend on the chosen plan and its terms.

But, yes, there are some out-of-pocket costs that policyholders should be aware of.

While most hospitalisation expenses are covered, you might still face out-of-pocket costs for things like OPD treatment or certain policy coverages. "For example, if your plan includes a co-payment clause, you may need to pay a specified portion of the medical bill. Additionally, while cashless claims at network hospitals eliminate upfront payments, non-network hospitals may require you to pay upfront and later claim reimbursement," Yelapure points out.

"Additionally, all standard health insurance policies have a 30-day waiting period, so any claim made during this time won't be covered," says Parthanil Ghosh, Director and Chief Business Officer at HDFC ERGO General Insurance Company.

Common out-of-pocket costs
According to Singhal, some common out-of-pocket costs include:
Consumables: Health insurance typically doesn't cover the cost of medical items and supplies used during hospitalisation or treatment.
Co-payment: Some plans may have a co-payment clause, meaning the policyholder has to pay a certain percentage of the claim amount.
Deductibles: A deductible is the amount the policyholder must pay before the insurance company starts covering the costs.

How to ensure you are covered during an outbreak?
Nerurkar suggests the following steps to ensure adequate coverage during an outbreak:

1. Keep your policy active: Ensure you have an active health insurance policy that covers hospitalisation since most policies will include coverage for infectious diseases requiring hospital treatment.
2. Review your coverage:Regularly review and update the sum insured based on your needs. Considering the rising costs of healthcare due to medical inflation, it's essential to choose a sufficient sum insured.
3. Consider additional riders: Adding riders that cover consumable items, often excluded from standard policies, can help minimize out-of-pocket expenses for items like gloves, masks, and other necessary supplies.
4. Select a comprehensive plan: Choose a health insurance plan that includes coverage for modern treatments, as these may be essential if advanced medical procedures are needed during an outbreak.

"Look for policies with lifelong renewability, especially if you're thinking about long-term coverage. Also, check the age limits for entry and renewal, as some policies have restrictions," Parthanil Ghosh adds.

Policy Bazaar lists out some options for a 30-year-old individual looking for a base cover of Rs 1 crore in Delhi:
1. Care Health - Care Advantage: Rs 15,479 (Premium including GST)
2. Star Health - Smart Health Pro: Rs 15,515 (Premium including GST)
3. Manipal Cigna - Lifetime Health: Rs 13,297 (Premium including GST)
4. Aditya Birla Health Insurance- Activ Fit Plus: Rs 17,058 (Premium including GST)
5. Niva Bupa Health Insurance - Reassure 2.0 Platinum: Rs 24,605 (Premium including GST)
6. HDFC Ergo - Optima Secure: Rs 25,781 (Premium including GST)
7. Bajaj Allianz General Insurance - My Health Care Plan: Rs 22,438 (Premium including GST)

Documentation required for claims
To ensure a smooth claim process, you need to have the following documents ready:
1. Original claim form, duly completed and signed.
2. Valid identity proof (e.g., Aadhar card, PAN card, Voter ID).
3. Doctor's prescription recommending hospitalisation.
4. Doctor's prescription advising diagnostic tests, medicines, and consultations.
5. Original pharmacy bills for medications and treatments.
6. Policy details, including the policy number, name of the insured, and the disease being treated.

For cashless treatments at a network hospital, you'll need to provide a claim pre-authorization form and valid ID proof with a photograph. The hospital will handle the submission of required documents to your insurer.

In contrast, for reimbursement claims, you'll need to collect and submit all relevant documents, including medical bills, from the hospital where you were treated. After the insurance company verifies the submitted documents, the claim amount will be transferred to your bank account.

What should you consider when choosing a health insurance plan?
Singhal suggests the following points when choosing a health insurance plan that covers emerging diseases:

1. High-sum insured: Such diseases can lead to expensive medical treatments, so ensure you have a plan with a high sum insured. For metro cities, a minimum cover of Rs 1 crore is recommended.
2. Buy early: Purchase the insurance as soon as possible, as there is usually a waiting period associated with most conditions.
3. Add-ons: Consider buying add-ons like consumables to reduce out-of-pocket expenses.
4. No room rent capping: Opt for a plan with no room rent capping to ensure comfort during treatment.
5. OPD cover: Consider buying OPD cover as some conditions may not require hospitalisation but will still incur costs for doctor consultations, medicines, and diagnostics.

Nerurkar advises that specific preventive measures can impact your coverage, including:

Travel restrictions: Travelling to areas with government-issued travel restrictions due to health risks might affect your coverage.
Regular health screenings: Insurers encourage regular health check-ups, which can lead to lower premiums or discounts.
Vaccinations: Keeping up with recommended vaccinations can influence coverage, especially for diseases like influenza or hepatitis.
Lifestyle choices: Healthy lifestyle practices, like regular exercise and a balanced diet, can positively impact your coverage, often resulting in lower premiums or additional benefits.

How are insurers adapting to the rising number of outbreaks?
"Many insurers are now using telemedicine, an important aspect of Medtech, to ensure healthcare remains accessible, especially during quarantine or when visiting a doctor in person isn't possible. At HDFC ERGO, for example, we introduced a free Teleclinic service during the Covid-19 pandemic to help people consult with doctors and get medical aid easily. This service was made available not just to our existing customers but also to non-customers, showing our commitment to supporting the wider community during tough times," Ghosh explains.

Recently, the Insurance Regulatory and Development Authority of India (Irdai) mandated that all cashless claims be processed within three hours of receiving a discharge authorisation request from the hospital. Insurers are also gradually adopting the National Health Claims Exchange (NHCX) platform, promising faster and simpler claim settlements.

(The writer is Surbhi Gloria Singh.)

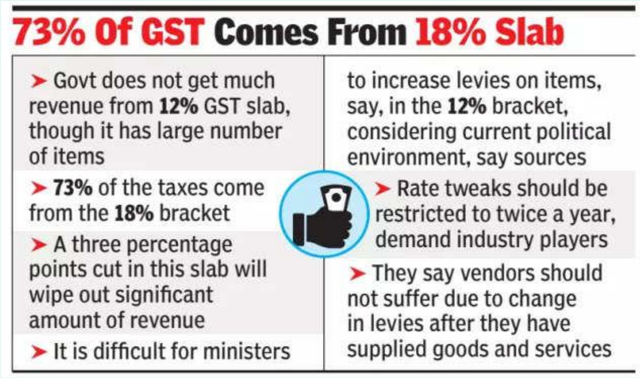
TOP

GST rationalisation: Review going on, a rate reset may come by September end - The Economic Times - 27th August 2024

The keenly-watched plan to rework the GST rates may have been pushed a bit down the road, but a lot has been going on in the background, ToI reported on August 27. The Group of Ministers (GoM) tasked with resetting rates is conducting a thorough review of various categories, including items in the 12% and 18% brackets. They plan to make decisions on several products and services toward the end of September, the report (by Sidhartha) said.

The ministers are focusing on sectors such as health insurance and restaurants, where the industry has made representations. There could also be adjustments to some food products where branded and packed goods have different rates compared to unpacked ones. These changes may extend to items such as namkeens.

While many items currently fall into the 12% bracket, there isn't significant revenue coming from this slab. In contrast, 73% of the taxes are collected from the 18% bracket. Sources explained that a reduction of even three percentage points in this slab could result in a substantial revenue loss.



Given the current political environment, it is difficult for ministers to increase the levies on items in the 12% bracket.

As a result, most of the ministers in the GoM on rate rationalisation, chaired by Bihar Deputy Chief Minister Samrat Chaudhary, opted to leave the slabs unchanged. This decision is likely to be conveyed to the GST Council in its meeting on September 9. Other rate changes, focused on specific goods and services, will be worked out in the coming weeks and then presented to the GST Council.

Despite strong lobbying from online gaming companies for a review of the 28% levy, an immediate change is unlikely. Several states and the Centre argue that a high tax rate acts as a deterrent, especially as many gamers are losing large amounts of money.

Similarly, the demand from the beverages industry may relate to the broader issue of deciding the future of compensation cess.
Industry players have requested that the rate changes be limited to twice a year to prevent vendors from facing difficulties due to frequent changes in levies after supplying goods and services.

"Industry players have demanded that instead of undertaking frequent changes, the rate tweaks should be restricted to twice a year so that the vendors do not suffer due to the change in levies after they have supplied the goods and services," ToI said quoting an industry representative.

TOP

From HDFC to Star Health: Health insurers boost premiums to combat inflation – Live Mint – 27th August 2024

HDFC Ergo raises premiums, Star Health to hike premiums by 10%-15% for 30% of its policies, Niva Bupa and New India also to increase rates.

After HDFC Ergo General Insurance that raised premiums for its flagship health insurance products ‘Optima Secure’ and ‘Optima Restore’ from August and Star Health and Allied Insurance said it is planning to increase premiums by 10%-15% for 30% of its products, Niva Bupa is hiking the premium for ‘Health Companion’, one of its oldest products. Incidentally, New India Assurance, the country’s largest general insurer, has enhanced the premium for some of its products by 10%, which would be effective from November this year.

Reasons behind premium increases
Health insurers and industry observers said that premiums are being increased due to the rise in medical inflation and the reduction in waiting period for pre-existing diseases from the earlier stipulation of four years to three years from April this year. The insurance regulator has also lowered the moratorium period from eight years to five years from April. This means that policyholders who have paid premiums continuously for five years will be entitled to have all their claims paid by the insurer up to the limits prescribed in the policy.

“Like general inflation, medical inflation is a reality. The cost of treatments has been going up, in fact faster than general inflation. We have revised the ‘Health Companion’ premium and have taken efforts to ensure that such revisions stay as low as possible and continue to be pocket friendly while beating inflation,” Niva Bupa said in a communication to its policyholders.

Star Health and Allied Insurance’s managing director and chief executive officer Anand Roy said that the company was planning a price hike in approximately 30% of its product portfolio during the company’s Q1 earnings call for 2024-25.

“We're planning to take the price hike at about 30% plus of our current portfolio and the average price hike we're looking at is between 10% to 15%. So roughly about anywhere between around 4% on the overall portfolio,” said Aditya Biyani, chief strategy and investor relations officer, Star Health during the earnings call.

During the Covid pandemic claims surged and the health insurance sector incurred losses resulting in a hefty industry-wide increase in premiums. Though health insurers are profitable now, medical costs continue to remain high. This has resulted in health insurers hiking premiums for several popular policies for the second consecutive year.

“But yes, there is a concern on this side. And therefore, the larger issue of pricing of products effectively has to get that, and that's what we are doing with the kind of plans we have on some of the products,” Biyani said when asked about the elevated level of hospital rates that has continued even after Covid.

“But there are certain conditions, which may have long-term impact on the pricing. For example, reduction in the moratorium period, reduction in the pre-existing disease periods and so on. So, we will take price increases if required. We're looking at the impact of these changes in the larger products,” Star’s Roy said.

In all, 52% of health insurance policyholders said that their premium has increased by over 25% in the last 12 months, according to a survey conducted by LocalCircles, a pollster on issues of governance, public and consumer interest, in May this year. In fact, 21% of health insurance policy owners indicated that the increase in premium was 50% or more in the 12 months preceding May while 31% indicated an increase of 10%-25%.

Regulatory measures and future outlook
The Insurance Regulatory Development Authority of India (IRDAI) has initiated several measures to make health insurance a lot more consumer friendly. This includes lower waiting period and cancellation charges for policies and advocating the introduction of products for all types of treatments including OPD (out-patient treatment).

(The writer is Allirajan Muthusamy.)

TOP

How health insurance industry can offer relevant products for Gen Y and Gen Z – Live Mint – 26th August 2024

India, often heralded as the world's fastest-growing economy, boasts a population exceeding 1.4 billion, presenting a vast and largely untapped health insurance market globally. In India, health insurance remains optional and the healthcare system is divided into public and private sector, with free healthcare services available only at government facilities under the public sector. Industry estimates reveal that the health insurance market is significantly underpenetrated, with nearly 40 million people lacking any health cover. Lack of awareness, affordability issues and limited reach are some of the key reasons for low health insurance penetration.

The covid-19 pandemic has significantly heightened awareness about health risks and financial preparedness nearly ten-fold. Despite this growing awareness, a substantial 'missing middle' segment persists—individuals who acknowledge the importance of insurance but face barriers related to affordability and availability of relevant products. Moreover, with a working population ratio of nearly 56 percent as per the latest Annual Periodic Labour survey report, and comprising largely of Gen Y and Gen Z, there is a pressing need for health insurance solutions that are affordable, easily accessible and relevant for young customers.

One of the key issues in the current market is the lack of visibility regarding the value proposition of health insurance, leaving many unsure of its immediate necessity. Additionally, the cost of quality healthcare system in India has risen manifold, making affordability one of the most prominent hurdles for customers when it comes to health insurance premiums. Traditional, retail health insurance policies often come with hefty premiums, posing a challenge for many young professionals. These individuals are seeking health insurance solutions tailored to their financial capabilities and specific needs. They require policies that offer value beyond basic hospitalization coverage, including benefits such as outpatient department or OPD consultation services, chronic illness management, and even wellness packages. India's health insurance market is evolving, with key trends emerging to meet the diverse needs of young professionals. Notably, there are distinct trend in tier 3 and tier 4 cities as compared to metropolitan areas, in tier 3 and tier 4 cities, where healthcare costs are relatively low, with most customers opting for basic coverage that meets their immediate healthcare needs. In tier I and tier 2 cities, where healthcare costs are substantially higher, insurers are witnessing a shift towards higher-sum insured policies. Products offering features like unlimited restoration of the sum insured and guaranteed bonuses are gaining popularity, reflecting a shift towards more flexible and comprehensive coverage options. With rising health care costs in metros and the rise of lifestyle diseases like diabetes, hypertension and heart issues, customers are demanding coverage for disease management programs and reduced pre-existing disease waiting.

Some private insurers are focusing not only on covering the curative aspects of healthcare but also on the cost of disease management and prevention. This includes chronic illness management packages that cover preventive care, consultations and diagnostic tests. Additionally, some leading insurance companies have started offering products for individuals with borderline and early-stage diabetes. Many insurance companies are now offering coverage for OPD consultation. Apart from OPD feature offered in the product, the utilization journey in terms of seamless experience with zero dependency on the insurer is something this young customer segment is inclined towards. These OPD benefit often include coverage for consultation, diagnostic tests, dental treatment, vision treatment or teleconsultations. Additionally, young customers value wellness packages that include diet and nutrition management or disease management programmes.

There is a significant gap between the current offerings in the market and the expectations of Gen Ys and Gen Zs. For instance, one in every six couple in India suffers from infertility, and cost of infertility treatments is very high, but very few insurance companies offer comprehensive infertility coverage. Additionally, sports injury cover is generally excluded by most insurers, despite the fact that customers under 30 are often involved in sports, adventure activities and regular gym workouts. This segment specifically looks for health insurance that covers gym or sports-related injuries. Millennials and Gen Zs seek customized health insurance products with transparency and digital accessibility. They want tailored solutions that align with their lifestyle choices and health priorities such as coverage for sports injuries, infertility treatments, and global healthcare needs. Clearly more needs to be done to address the specific needs of this vast segment.

(The writer is Santosh Puri.)

TOP

Health insurance sublimit: A crucial factor for policyholders – Business Standard – 26th August 2024

Notwithstanding the growth in health premiums, insurers have seen elevated levels of Covid claims in the first three months of the financial year due to the second wave of the pandemic.
Health insurance is an important safeguard against the rising costs of medical care. But do you read all the policy-related details before taking the policy?

Many policyholders discover a lesser-known aspect of their coverage much later. It is called the health insurance sublimit.

What is the health insurance sublimit?
Sublimit is a pre-determined cap on specific medical expenses within a health insurance policy. They can be expressed as fixed amounts or as a percentage of the total sum insured. For instance, you have a health insurance policy with a sum insured of Rs 5 lakh, and there is a sublimit of Rs 20,000 on certain medical procedures defined in your policy. Now, at the time of claim settlement of the mentioned medical procedure with sublimit, assuming your medical bill comes out to be Rs 1 lakh. In that case, in spite of a larger sum insured amount available, the insurer will only pay claim for Rs 20,000 while the remaining Rs 80,000 will be borne by the policyholder.

Common sub limits on health insurance policies include:

- **Room rent:** This is one of the most common types of sub-limits. Policies often specify a maximum daily room rent that the insurer will cover.
- **ICU charges:** Usually limited to twice the room rent sublimit.
- **Doctor's fees:** May be restricted to a certain percentage of the sum insured or a fixed amount per day.
- **Specific treatments:** Certain procedures like cataract surgery or knee replacement may have predefined limits.
- **Ambulance charges:** Some plans also have caps on ambulance fees, which can add to the overall medical expenses if not adequately covered.

Sublimits are meant to balance the coverage & premium costs for both the policyholders and insurers. While choosing the right health insurance for your needs, it's essential to consider sublimits and get a clear understanding of it for further integration in your policy, said Ajay Shah, Head – Distribution, Care Health Insurance.

Factors to consider when choosing a health insurance plan with sublimits:

- **Type of sublimits:** Understand the specific sublimits imposed by the policy. These may apply to room rent, specific treatments, or pre-and post-hospitalisation expenses.
- **Cost of the plan:** Don't just focus on the premium. Consider additional costs like co-payments, deductibles, and coinsurance.
- **Network hospitals:** Verify if your preferred hospitals are within the insurer's network. Treatment at out-of-network hospitals might result in higher costs, potentially exceeding the sub-limits.
- **Waiting period:** Check the waiting periods associated with certain treatments and how sub-limits apply during this time. Some sub-limits might not be relevant until after the waiting period is over.
- **Renewal policy:** Ensure the policy is renewable and understand any changes in sub-limits upon renewal. Also, check whether you can increase the sum insured at renewal or if there are restrictions.
- **Claims process:** Check the ease and speed of the claims process. A cumbersome process can cause significant stress during emergencies, so it's important that filing a claim is straightforward and quick.

(The writer is Ayush Mishra.)

TOP

Target GST relief on life, medical insurance smartly to boost accessibility – Business Standard – 26th August 2024

In the early 2000s, it was widely anticipated that the government would reduce the excise duty on cars in the upcoming Budget. As a result, demand for cars was tepid, with buyers choosing to wait for the Budget announcement. I was somewhat surprised that, in this environment, auto companies chose to raise prices. Then the penny dropped. The total price would inevitably drop once the duty cut was announced. The pre-emptive increase in price allowed auto companies to appropriate part of the duty cut that should rightfully have benefitted car buyers. I recalled this incident while reading about calls to withdraw the goods and services tax (GST) on life and medical insurance premiums as it burdens senior citizens. The demand is being justified on the grounds that taxing insurance premiums is akin to levying a “tax on the uncertainties of life”. On the surface, it is difficult to disagree with this demand. However, the life insurance industry does not have a good track record when it comes to passing on tax benefits to policyholders.

For many years, the maturity proceeds of all life insurance policies were completely tax-free. But this did not result in policyholders receiving a better deal. Take, for example, the High Investment with Low Insurance policy (let’s coin the acronym HILI). Despite the tax benefits, returns for HILI policyholders remain low, while life insurance companies and insurance agents enjoy remarkably high margins. Recognising this, the tax benefits have slowly been whittled down. However, even now, these tax subsidies continue to apply to HILI premiums up to ~7.5 lakh per year (~2.5 lakh on Ulips, ~5 lakh on non-Ulip plans). These HILI policies continue to be highly detrimental to the policyholder's financial health.

Until 2000, when competition was introduced, Life Insurance Corporation (LIC) did not offer a term insurance policy. Term policies pay the policy value to the policyholder’s family upon their death and have no maturity value, making them very affordable. So much for covering the “uncertainties of life”. While the availability of term policies has improved, it remains challenging to obtain one if the applicant has a pre-existing condition, such as diabetes or high blood pressure. Even when available, it often comes at an excessive cost. In a country known as the diabetes capital of the world, the lack of affordable term insurance for such individuals is a serious issue. The health insurance industry has a different set of problems. It does not have a good reputation for settling claims when they arise. Another significant issue is the availability of health insurance, particularly for senior citizens, in whose name the GST withdrawal is being sought.

Truth be told, Indian taxpayers have been subsidising the life insurance industry and life insurance agents for far too long. At the same time, withdrawing GST on pure term and health insurance makes these policies more affordable. Therefore, it makes sense to do so. However, any such tax relief must be directed to reach the right beneficiaries. It should be restricted to pre-packaged term life and medical insurance policies. These policies should be required to be issued even to those with impaired health and to senior citizens. Such policies are called compulsory issue policies. They may carry a higher premium to compensate for the increased risk. The withdrawal of GST on such policies will reduce their overall costs and make them comparable to standard policies. This limited GST relief can be offset by abolishing the unjustified tax subsidy on the maturity amounts of HILI policies. If this is ensured, the industry cannot misuse the tax breaks by pre-emptively raising prices on standard insurance products. If the GST withdrawal is tightly targeted, it will be a step towards citizen-funded universal health care, and should be encouraged.

(The writer is Harsh Roongta.)

TOP

Rising claims pose challenge for health insurance sector in India: Jefferies – The Times of India – 24th August 2024

The health insurance sector may face challenges in the coming months due to rising claims and increased competition, particularly in the retail sector, highlighted a report by Jefferies. "Health (approx. 35 percent of mix) can see pressure in its retail segment from rising claims frequency and elevated competition" the report stated. The report indicated that India's non-life insurance sector is experiencing significant shifts, the health insurance segment may face challenges as healthcare costs continue to rise and more consumers claim their insurance, and insurers are grappling with increased payouts.

This trend could squeeze margins and put pressure on insurers to find ways to manage costs while remaining competitive in the market. However, for the motor insurance segment, the report draws a promising picture and added that it is entering a promising multi-year upcycle. This positive momentum is expected to benefit large private insurers of the motor segment, who are wellpositioned to capitalize on these trends.

"Initiate on Non-Life Insurers Large pvt. insurers are set to gain from multi-year upcycle in motor (approx. 35 per cent of premium mix) led by premiumization of underlying auto mix and moderating competitive intensity" the report mentioned. The report also added that the motor insurance segment in India is estimated to grow at a compound annual growth rate (CAGR) of 14 per cent over the financial years 2024 to 2027. The key driver behind this growth is the ongoing shift in the automobile market towards higher-value vehicles. Over the past three years, the average selling price (ASP) of passenger vehicles (PVs) has increased by 41 per cent, reflecting a move towards premium segments. This trend is expected to continue, benefiting motor insurance renewals, which account for 60-70 per cent of the motor insurance premium mix.

"Motor segment amidst a multi-year upcycle (est. 14 pc CAGR over FY24-27E) as renewals (60-70 pc of premium mix) will continue to benefit from the underlying change in auto mix towards premium high-value segments (ASP of PV up +41pc in last 3 yrs)" the report added. Despite these challenges, the report mentioned that the broader non-life insurance market in India remains significantly underpenetrated, with insurance premiums representing only about 1 per cent of the country's GDP. This is relatively low compared to global peers, where non-life insurance to GDP ratios range between 2 per cent and 4 per cent. However, the Indian non-life insurance market has shown steady growth, with gross premiums expanding at a CAGR of 12 per cent over the past five years, reaching Rs 2.8 trillion (approximately USD 35 billion). Notably, the private sector has outpaced the overall market.

"India remains an under-penetrated market with non-life insurance to GDP at approx. 1 pc (vs 2-4 pc for global peers). Gross premiums have expanded at 12 pc CAGR over the last 5 years to Rs2.8tn (approx. USD 35bn) with the private sector growing faster at 15 pc CAGR and improving its market share to 68 pc (from 57 pc)" said Jefferies in the report. Despite these challenges, the overall insurance market in India remains underpenetrated, offering significant long-term growth potential for insurers who can navigate these dynamics effectively.

TOP

Understanding GST benefits for NRIs buying health insurance in India – The Economic Times – 23rd August 2024

Migration is a core aspect of today's globalised world. Most NRIs migrate from India due to a mix of career aspirations and certain personal considerations. A lot of developed countries offer an allure of better career opportunities, scope to provide a more secure future for their families and of course, a higher standard of living. These reasons often outweigh the emotional challenges of leaving their homeland. However, as they lay the foundation of their future, they must not overlook the importance of securing their family's financial health. In addition, health insurance is one of the most critical components of this. A robust and comprehensive health insurance is crucial for each individual, but for NRIs, it becomes far more important. After all, they not only have to deal with the rising healthcare costs globally, especially in the developed countries, but they also need to have a sound plan in place to protect their loved ones back home in India.

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their future, they must not overlook the importance of securing their family's financial health. In addition, health insurance is one of the most critical components of this.

A robust and comprehensive health insurance is crucial for each individual, but for NRIs, it becomes far more important. After all, they not only have to deal with the rising healthcare costs globally, especially in the developed countries, but they also need to have a sound plan in place to protect their loved ones back home in India. The good news is that Indian insurance providers have recognized this need and have come up with various plans that suit NRIs. Moreover, the government and the regulator have also introduced several incentives to make health insurance plans more attractive and affordable for them. In addition, the most noteworthy of these incentives is the GST refund benefit, which directly translates to significant savings on premium payment.

GST Benefit for NRIs

Typically, health insurance policies in India attract an 18 per cent GST. Nevertheless, if NRIs purchase health insurance in India, they can claim a refund on this tax, making their insurance purchase considerably cheaper. The idea behind this exemption is to encourage more and more NRIs to buy insurance plans from India. This waiver applies to both health insurance and life insurance. Lately, the government of India has taken several steps to make it convenient and affordable for NRIs to purchase insurance in India and this is one of those strategic moves. There are certain criteria that must be met to qualify for this exemption. First and foremost, the proposer of the policy needs to be an NRI even if the policyholder is not. What this means is that NRIs can claim this exemption if they buy policy for themselves or even for one of their family members back in India as long as they apply for the insurance. Second, all premium payments need to pay from a Non-Resident External (NRE) account, which allows NRIs to hold and manage their income earned outside India. Only payments made from this account qualify for the GST refund. Third, all premium payments need to make on annual basis, and not on monthly or quarterly basis, to avail the exemption.

If all these criteria are met, then NRIs need to submit a KYC (Know Your Customer) document to authenticate the policyholder's identity. Some insurers also ask for other documents like the passport with entry/exit stamps, an international address proof, etc. Once all these formalities are completed and the policy is issued, then the GST refund process starts and it could take up to15 days.

Other Reasons Why NRIs Should Purchase Heath Insurance from India

Of course, the substantial savings in the form of GST refund make a lot of financial sense why NRIs should buy health insurance from India. But the benefits of doing so go far beyond just the tax benefits. Given the rising incidence of medical emergencies and the soaring cost of healthcare, health insurance is a must. And since the NRIs have to juggle responsibilities and concerns across two geographies, they need plans that cater to their specific needs to ensure that they and their families are not financially crippled by unforeseen medical expenses. But the biggest reason is that medical treatments as well as insurance policies in India tend to be more affordable. To make a rough comparison, policies in India are up to 50-60 per cent cheaper than if they buy plans with similar benefits in UAE or Singapore. For European countries and the US, the difference may be even larger. Moreover, it is not as if they need to visit India to purchase a plan. With the advent of digital technology, they can not only purchase but also manage their insurance policies online. They need to only fill the form and complete KYC remotely. There is also a provision of tele-medical examinations from the comfort of their foreign residence.

By purchasing health plans from India for themselves and their families, they can make sure that their families residing in India also have sufficient health coverage. Moreover, with a plan from India, NRIs can get global coverage for their families. If required, they can call their family members to their country of residence for any treatment. Not just their families, even the NRIs themselves would be covered in India whenever they visit, thus reducing potentially high out-of-pocket medical costs during their stay. Since OPD is very expensive abroad, NRIs can also plan OPD expenses and other medical procedures during their visit to India. This is especially true for planned surgeries, dental treatments etc. With the financial benefits and this ease of access, purchasing health insurance from India is easily a most compelling option for NRIs. NRIs often carry a dual sense of identity. They balance traditions and values of their upbringing with the demands and norms of their adopted countries. This journey is already challenging and buying health insurance from India can help ease some of their hardships and secure their financial future.

TOP

PENSION

EPFO wage ceiling revision soon! Private sector employees may get up to Rs 10,050 as monthly pension under EPS – Financial Express – 26th August 2024

EPFO update: After a much-needed pension reform with the unified pension scheme in the government sector, private sector employees are also expected to receive good news, as there is a proposal to raise the wage ceiling for the calculation of provident fund and pension contributions under the Employees' Provident Fund Organisation (EPFO). Sources in the government have said that the Finance Ministry may soon make a decision on the proposal it received from the Labour Ministry, which recommended raising the wage ceiling to Rs 21,000 from the current Rs 15,000.

"The proposal (increasing wage ceiling for EPF contributions) was sent in April and the Finance Ministry will soon take a final decision on this," according to the sources. The Employees' Pension Scheme (EPS), managed by the Employees' Provident Fund Organisation (EPFO), has had a wage ceiling of Rs 15,000 for calculating pensions since September 1, 2014. However, the proposed increase could bring much-needed relief and improved benefits to employees. If the proposal to raise the wage ceiling from Rs 15,000 to Rs 21,000 is approved, it will have several key impacts on the pension and EPF contributions of private sector employees.

Step-by-step calculation of the increased pension:

Current EPS pension formula:
Formula: EPS Pension = (Average Salary x Pensionable Service) / 70

Average salary: Basic salary + dearness allowance (DA)

Maximum pensionable salary: Currently Rs 15,000

Maximum Pensionable Service: 35 years

With the current wage ceiling of Rs 15,000, the maximum EPS pension is calculated as:

EPS Pension = Rs 15,000 x 35 / 70 = Rs 7,500 per month

Proposed wage ceiling increase:

If the wage ceiling is increased to Rs 21,000, the new pension calculation would be:

EPS pension = Rs 21,000 x 35 / 70 = Rs 10,050 per month

This indicates an increase of Rs 2,550 per month in the EPS pension, significantly boosting the retirement income for eligible employees.

Contribution breakdown:
Employer Contribution: Under EPS, the employer contributes 8.33% of the employee's salary, which would now be calculated on the revised wage ceiling.

For a basic salary of Rs 21,000, the maximum contribution to EPS by the employer would be:

EPS contribution = Rs 21,000 x 8.33% = Rs 1,750 per month

EPFO contribution:
Consider an employee joining a company in October 2024 with a basic salary of Rs 21,000.

The total EPF contribution for the month of October, considering both the employee's and employer's share, would be Rs 3,290.

This increase in wage ceiling would ensure a higher contribution to both the EPF and EPS, ultimately leading to a larger pension post-retirement.

The proposed increase in the EPS wage ceiling to Rs 21,000 would substantially raise pension amounts, enhancing financial security for retirees. This adjustment, increasing pensions from Rs 7,500 to Rs 10,050 per month, aligns benefits with current economic realities, providing a stronger retirement safety net for organized sector employees.

Impact on take-home salary:
Employees may see a slight reduction in their take-home salary due to the higher deductions for EPF and EPS contributions. However, this is offset by the long-term benefits of a larger retirement corpus and higher pension.

(The writer is Mithilesh Jha.)

TOP

GLOBAL NEWS

Philippines: Insurance regulator issues guidelines on institutional AML/CFT risk assessment – Asia Insurance Review

The Philippine Insurance Commission (IC) has issued guidelines on the conduct of institutional risk assessment relating to anti-money laundering and combating the financing of terrorism (AML/CFT) by insurance entities to ensure that such a review is carried out comprehensively and uniformly.

The guidelines follow a 2018 IC circular that requires the conduct of institutional risk assessments at least once every two years, or as often as the board or senior management may direct, depending on the level of risks identified in previous assessments or other relevant AML/CFT developments that may have an impact on the operations of IC-regulated entities.

IC commissioner Reynaldo Regalado says that a risk-based strategy for AML/CFT and proliferation financing (PF) will ensure that appropriate measures commensurate with those risks are adopted to mitigate them effectively.

The new guidelines stipulate three stages of the risk assessment process. These are:
identification of the various ML/TF/PF threats and vulnerabilities (inherent risks) germane to the business operations of insurance entities;
risk analysis, including likelihood and impact assessments;
estimate of the level of each identified risk.

TOP

Indonesia: Regulator is working on developing health insurance - Asia Insurance Review

The Financial Services Authority (OJK) is strengthening the development of health insurance to promote insurance penetration and density.

"Most recently, OJK is reviewing health insurance products," said OJK chief executive for insurance, guarantee and pension fund supervision Ogi Pratomiyono on the sidelines of the 2024 Indonesia Insurance Summit held last week, according to a report by the news agency Antara.

OJK noted that in the period January-June 2024, health insurance premiums in general insurance reached IDR4.81tn ($312m), rising by 16.88% compared to the corresponding period of the previous year.

According to data from the Indonesian Life Insurance Association, health insurance claims have increased by 25-30% since mid-2022. This rate of increase exceeded that of medical inflation in Indonesia, which was 13% in 2023. In the first quarter of 2022, claims submitted totalled IDR3.32tn, soared to IDR4.6tn in the first quarter of 2023, and then jumped to IDR5.9tn in the first quarter of 2024. This trend has attracted the attention of the OJK.

Mr Ogi invited all stakeholders in the insurance industry to commit to in-depth reforms. He said, "Since the financial crisis in Indonesia in 1998, the insurance industry sector has not carried out many reforms."?

OJK released its "Roadmap for the Development and Strengthening of Indonesian Insurance 2023-2027" in November 2023, which is expected to be a reference in carrying out industry reforms.

TOP

Australia: Property and private health insurance aggravate retirees' living costs - Asia Insurance Review

Retirees are grappling with rising costs for essential goods and services, seeing the cost of funding a comfortable retirement increase by 3.7% over the last 12 months, according to data released by the Association of Superannuation Funds of Australia (ASFA).

The June quarter saw notable increases in home and vehicle insurance costs, as well as private health insurance prices. These pressures have resulted in further financial strain on retirees, with budgets rising by 0.9% for both singles and couples during the quarter. As a result, couples around the age of 65 now need A$73,337 ($49,650) per year to enjoy a comfortable retirement, while singles require A$52,085.

Since 2004, the ASFA Retirement Standard has set the industry benchmark, capturing the costs of essentials like health, communication, clothing and household goods. It not only reflects community expectations but also drives the evolving standards and spending habits of retirees.

ASFA CEO Mary Delahunty, highlighted the financial challenges that retirees are currently facing. "Retirees are managing an increasingly difficult landscape where the costs of essential goods and services keep rising. Health, home, and transport are vital to their well-being, yet the expenses tied to these necessities are steadily increasing," she said. Ms Delahunty also emphasised the importance of both compulsory superannuation and voluntary contributions, which provide retirees with the financial security they need to enjoy their later years. "For Australians to have the retirement they deserve, it's crucial that they have access to adequate superannuation savings," she concluded.

The latest ASFA Retirement Standard continues underscore the ongoing challenges that retirees face in managing their finances amid persistent cost pressures. As living expenses steadily rise, the need for considered financial planning and adequate superannuation savings has never been more critical.

Among spending categories showing the largest quarterly and annual price changes are:

Insurance: Insurance premiums saw a sharp increase, rising by 3.1% in the June quarter and 14.0% over the past year. This surge is largely due to higher reinsurance costs, the impact of natural disasters, and increased claims.

Private Health Insurance: Private health insurance premiums increased by an average of 3.03% from 1 April, marking the largest rise since the pandemic began. This has added to the financial burden on retirees, particularly those on fixed incomes.

TOP

Australia: Actuaries' report says home insurance affordability worsens - Asia Insurance Review

Steeper home insurance premiums have caused the number of Australian households experiencing home insurance affordability stress to rise by 30% to 1.6m in the past year, a new report published by the Actuaries Institute shows.

The Home Insurance Affordability and Home Loans at Risk Report found these households spend an average of 9.6 weeks of their gross income on home insurance, which is seven times more than the average household.

Overall, the proportion of "affordability stressed" households – those facing home insurance premiums that are more than one month's gross annual income – rose to 15% in the year to March 2024 from 12% the previous year.

The report, commissioned by the Actuaries Institute and authored by Finity actuaries, said affordability pressures had worsened following a 9% rise in median insurance premiums. The 5% of properties paying the highest premiums, typically due to floods and cyclones, endured the steepest rise in premiums, up by more than 30%.

The report's lead author Mr Sharanjit Paddam said, "While insurance remains generally affordable for 85% of households, it's concerning that there's now 1.6m households struggling to afford to insure their homes, up from 1.24m a year ago.

"This is because increases in premiums are outpacing wage growth. Unfortunately, we expect this will continue because of the overall increasing risk of natural disasters associated with climate change, which will continue to put upward pressure on premiums."

Southeast Queensland has the largest number of households with extreme affordability pressure, reflecting high population growth in recent decades. However, southwest Queensland and NSW's Northern Rivers, regional Western Australia and the Northern Territory have the largest proportion of households with extreme affordability pressure.

Half the population in these areas faces home insurance premiums that exceed a month's income due to their high flood and cyclone risk.

Given the rise in affordability-stressed households, the report's authors analysed the potential flow-on effects to Australia's A$2.3tn ($1.56tn) home loan market. An estimated 5% of Australian households with a mortgage face home insurance affordability stress. For these households, their average home insurance premium is A$5,216 a year – more than double the A$2,124 average premium.

Mr Paddam said: "These 180,000 households with home insurance affordability stress represent about A$5bn worth of home loans. If their home is damaged by a natural disaster and they either don't have insurance or are underinsured they could find themselves in a stressful financial situation. So, this is potentially a problem that's bigger than just insurance. It's also a problem for lenders, regulators and governments. The risks for them are only going to rise as we face more climate-related natural disasters and increasing issues with insurance affordability."

The Actuaries Institute is encouraging governments, insurers, lenders, and investors to collaborate on sustainable finance measures such as resilience loans and bonds.

Actuaries Institute CEO Elayne Grace said, "We know as a country we need to manage the risk of the changing climate. Sustainable finance should be part of the solution. It creates a path forward for households, investors, insurers and lenders, and allows government to focus on households in most need and community-level measures."

TOP

COI TRAINING PROGRAMS

Mumbai – September 2024

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Strategic Selling in Life Insurance	11-Sep-24	11-Sep-24	ClickHere	Register
2	Mega Risk Insurance	11-Sep-24	12-Sep-24	ClickHere	Register
3	Suitability Assessment and Product Recommendation	12-Sep-24	13-Sep-24	ClickHere	Register
4	Liability Insurance Focus - Financial Lines	17-Sep-24	18-Sep-24	ClickHere	Register
5	Comprehensive Financial Planning –Focus Insurance Planning	17-Sep-24	18-Sep-24	ClickHere	Register
6	Emerging Issues of Regulatory Compliance in Life Insurance	18-Sep-24	18-Sep-24	ClickHere	Register
7	Enterprise Risk Management (ERM)	18-Sep-24	19-Sep-24	ClickHere	Register
8	Health Insurance Underwriting	19-Sep-24	19-Sep-24	ClickHere	Register
9	Challenges in Fighting Fraud - Motor OD Insurance	19-Sep-24	20-Sep-24	ClickHere	Register
10	Appreciation of Project Insurance – Customer Perspective	23-Sep-24	23-Sep-24	ClickHere	Register
11	Social Media Marketing-Tools and Techniques for Insurers	26-Sep-24	26-Sep-24	ClickHere	Register

Kolkata – September 2024

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Workshop on Communication Skills for frontline Marketers	10-Sep-24	10-Sep-24	ClickHere	Register
2	Managing Motor TP Claims and Controlling Frauds	18-Sep-24	19-Sep-24	ClickHere	Register
3	Financial Planning for Golden Years (Retirement)	23-Sep-24	23-Sep-24	ClickHere	Register
4	Managing Marine Hull, Oil & Energy Insurance- Underwriting & Claims	25-Sep-24	26-Sep-24	ClickHere	Register

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