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QUOTE OF THE WEEK

"Choosing a system is no longer enough, coaches have to be psychologists and motivational leaders too."

GIORGIO CHIELLINI

Insurance Term for the Week

Disability Income (DI) Insurance

The term disability income (DI) insurance refers to an insurance policy that provides income to individuals who can no longer work because of a disability. Disability income insurance helps protect people from financial losses if an accident or illness renders them incapable of working and receiving regular income.

DI insurance is available through employers, Social Security, or insurance companies and comes in short-term and long-term disability coverage. Premiums are based on a number of factors, including a person's age and occupation. Policies pay benefits on a monthly basis.

Disabilities can cause a disruption in incomes and prevent people from maintaining their standards of living, paying their bills, or providing for their families. As many as 43% of individuals aged 40 will have a long-term disability by the time they turn 65. Enrolling in a disability income insurance policy can help individuals mitigate any losses that stem from an illness or accident that leads to a short- or long-term disability.

INSIDE THE ISSUE

INSURANCE INDUSTRY

Life Insurers want separate 80C, Health Insurers push for GST cut – The Economic Times – 30th January 2025

Insurance CEOs' Wishlist from Budget 2025: Life insurers seek separate tax deductions and annuity tax relief, while health insurers urge higher Section 80D limits and lower GST to improve affordability. General insurers call for tax incentives on home and motor insurance, digital infrastructure investments, and GST rationalisation. Pension reforms and retirement security also remain key priorities.

Just a month back, the Insurance and Regulatory Development Authority of India (IRDAI) released its annual report that showed a concerning decline in insurance penetration, which dropped to 3.7 per cent from 4 per cent in the previous fiscal year. Despite a 6 per cent rise in life insurers' premium collections. Life insurance penetration fell to 2.8 per cent in 2023-24, down from 3 per cent in 2022-23. Having not seen many signs of improvement and the current trends in the sector, Insurance CEOs have detailed their expecations from union budget 2025 including tax incentives, digital infrastructure support, and policy measures to boost insurance adoption across India.

Tax Reforms
Vibha Padalkar, MD & CEO of HDFC Life Insurance said, in the current scenario, offering tax benefits on annuity products would be helpful. Currently, the annuity received by customers is fully taxable, even though the principal embedded in the annuity has already been taxed, leading to double taxation.

Rakesh Jain, CEO of Reliance General Insurance listed his hope for tax incentives for insurance premiums under Sections 80C and 80D, as well as separate tax deductions for home and motor insurance. With this, Jain brought focus on the importance of rationalising GST rates on insurance products to improve affordability and accessibility. "We also expect investments in digital infrastructure to facilitate innovative insurance solutions for SMEs, agriculture, and underserved sectors, such initiatives will contribute significantly to India's economic resilience," Jain added.

Tarun Chugh, MD & CEO of Bajaj Allianz Life, said that India's economic growth presents immense opportunities for the insurance sector. He anticipates income tax cuts in the upcoming budget could boost disposable income and, in turn, enhance life insurance penetration. He also stressed the need to incentivise pension products, particularly as the elderly population (50+) is expected to grow by 22 per cent in the next six years. Anand Roy, MD & CEO of Star Health and Allied Insurance, advocated for a reduction in the 18 percent GST rate on health insurance premiums to improve affordability, especially for low- and middle-income families.

Pension & Retirement Planning
Anuj Mathur, MD & CEO of Canara HSBC Life Insurance, emphasized the role of annuity products in providing guaranteed income post- retirement. He urged the government to address the taxation of annuity payouts, ensuring retirees retain more disposable income amid rising inflation and healthcare costs. Jude Gomes, MD & CEO of Ageas Federal Life Insurance, warned of the growing retirement savings gap, projected to reach USD 85 trillion by 2050. Gomes asked for the simplification or removal of taxes on annuity and pension products, including those under the National Pension System (NPS), to encourage greater participation in retirement planning.

Push towards “Insurance for All” by 2047 initiative

Naveen Chandra Jha, MD & CEO of SBI General Insurance, spoke on the need for continued investment in digital infrastructure. "Anticipated policy measures include enhancing accessibility, simplifying tax benefits, and encouraging innovation in insurance products. Initiatives such as Bima Sugam, designed to achieve the goal of ‘Insurance for All’ by 2047, are expected to receive regulatory and fiscal support to address the protection gap.”

Additionally, the budget is likely to focus on expanding access in underserved regions through government-private partnerships, targeted subsidies, and advancements in digital infrastructure,” Jha added.

FDI in Insurance

The upcoming budget session may look at incentivising investments into life Insurance products given that the insurance sector funds over 25 per cent of government borrowing (via G-sec investments), Mukhopadhyay added.

Analysts from Nomura and BNP Paribas suggest that raising the FDI cap will drive greater capital infusion, accelerate digital transformation, and attract global insurance giants to expand in India. Higher FDI could help insurers expand their reach to Tier 2 and Tier 3 cities, addressing the insurance penetration gap. The Ministry of Finance proposed 100% foreign direct investment (FDI) in India's insurance sector in November 2024.

(The writer is Shrishti Sharma.)

TOP

Insurance sector gears up for transformative reforms in Budget 2025 – The Hindu Business Line – 29th January 2025

The Union Budget 2025 is expected to bring transformative reforms to India’s insurance sector, accelerating its growth and enhancing accessibility as part of the country’s ambitious “Insurance for All by 2047” vision. Over the past several months, the Department of Financial Services in the Finance Ministry has completed an exhaustive exercise of seeking stakeholders’ comments on various likely amendments to the Insurance Act. IRDAI Chairman Debasish Panda has been promoting India’s insurance sector abroad through investment roadshows. All these amendments are likely to be introduced through the Finance Bill, 2025, said sources. A key reform under consideration is an increase in the foreign direct investment (FDI) limit in the insurance sector from 74 percent to 100 percent. This change, expected to be introduced through the Finance Bill 2025, marks a continuation of previous reforms: the FDI cap was raised from 26 percent to 49 percent in 2015 and further to 74 percent in 2021.

The proposed increase to 100 percent FDI aims to fully open India’s insurance market to global investors, paving the way for significant capital inflows. Another anticipated announcement is likely to come in the form of a roadmap for the reduction in Goods and Services Tax (GST) rates on term and health insurance premiums, currently taxed at 18 percent. The reform is expected to be implemented under the aegis of the GST Council, ensuring affordability for families across income groups. The government is also likely to unveil a framework for composite licenses, allowing insurers to offer multiple categories of insurance — life, health, and general — under a single license. This move is expected to enhance operational flexibility, streamline regulatory processes, and foster innovation. Insurers will be better positioned to cater to diverse customer needs, improving their competitive edge in the market.

To make insurance more customer-centric, the budget may introduce reforms enabling insurers to offer value-added services. These could include health-monitoring devices bundled with health insurance policies or rewards programs incentivizing healthy behavior and timely premium payments. Such initiatives align with global trends in personalized insurance offerings, aiming to attract new policyholders and enhance customer retention. However, one anticipated reform—the proposal to allow insurance companies to sell other financial products like bank deposits and mutual funds—will likely be absent from this year's budget. Sources indicate that regulatory challenges and operational complexities have delayed its implementation.

Tapan Singhel, Managing Director & CEO of Bajaj Allianz General Insurance said: "As we approach Budget 2025, it is crucial to implement measures that make insurance more accessible and impactful for individuals and businesses alike. If a GST reduction on health insurance premiums is not feasible, allowing a complete deduction of premiums paid towards health insurance under the existing tax regime would significantly encourage more people to prioritize their health protection".

Subhrajit Mukhopadhyay, Executive Director, Edelweiss Life Insurance said that the slew of insurance reforms including permissible FDI limit, and reduction in capital requirements likely to be ushered in the Budget will significantly accelerate the growth of the industry and support the government as well as regulator's financial inclusion agenda. These proposed reforms will be a positive step in facilitating insurance adoption at the last mile and bolster the overall sectoral growth, Mukhopadhyay added.

Prashant Tripathy, MD & CEO of Axis Max Life Insurance said "We recommend a dedicated tax deduction for life insurance policies, particularly term insurance, under Section 80C of the Income Tax Act. This benefit should also be extended under the new tax regime to enhance the social and financial security for a wider segment of the population".

(The writer is KR Srivats.)

TOP

Finance ministry pushes PSBs to boost affordable insurance coverage – Business Standard - 27th January 2025

The Union finance ministry has asked public-sector banks (PSBs) to intensify expanding the coverage of government-backed affordable life insurance schemes under its financial-inclusion initiative, according to a senior government official.

"In financial-inclusion schemes, banks are performing well in opening accounts and other initiatives. However, insurance-related components are underperforming. As of December 2024, the enrolment targets and achievements for the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) across various banks, including sponsored Regional Rural Banks (RRBs), show that only about half the annual target has been met," the official said.

Under the PMJJBY, the enrolment target for all banks was 40.74 million and 20.78 million were brought under it, resulting in an achievement rate of 51 per cent till December 2024, according to the government-sourced data. The PMJJBY is a life-insurance scheme launched in 2015 for persons aged 18-50 with an individual bank or post-office account. People who join the scheme before turning 50 can continue to have life coverage till they are 55 upon paying a premium of Rs 436 per annum for life cover of Rs 2 lakh. State Bank of India led with an annual-target achievement of 76 per cent, while others like Indian Bank and Punjab & Sind Bank clocked 58 per cent and 56 per cent, respectively.

In contrast, Indian Overseas Bank managed only 48 per cent, and Central Bank of India 42 per cent. Nine PSBs have achieved less than 50 per cent of their annual targets, prompting the finance ministry to ask them to enhance their efforts on this count. However, enrolment targets and achievements for the Pradhan Mantri Suraksha Bima Yojana (PMSBY) across various banks, including sponsored Regional Rural Banks (RRBs), have been better. Till December 2024, the target for all banks was 63.4 million, but 40.7 million registered for it, resulting in an achievement rate of 64 per cent, according to sources.

SBI demonstrated strong performance, achieving 92 per cent of its target, followed by PNB (65 per cent) and Indian Bank (64 per cent). Central Bank of India reached 59 per cent, while Canara Bank and Bank of Baroda achieved 58 per cent and 56 per cent respectively. Launched in 2015, the PMSBY is a one-year accidental insurance scheme, renewable each year, offering coverage for death or disability for persons aged 18-70 years with an individual bank or post-office account.

"The penetration of insurance schemes is influenced by casualty rates, and a significant number of beneficiaries are Jan Dhan account holders. We're working to build momentum. Furthermore, private companies have a rapidly growing insurance market. However, PSBs are focusing on expanding reach by raising awareness among the public," said a public-sector banker.
Lagging behind

> PSBs achieved only 51% of enrolment targets for the Pradhan Mantri Jeevan Jyoti Bima Yojana by Dec 2024
> Enrolments for Pradhan Mantri Suraksha Bima Yojana stood at 64% of targets, with SBI leading at 92%
> Nine PSBs, including Indian Overseas Bank (48%) and Central Bank of India (42%), fell below 50% for PMJJBY target

(The writer is Harsh Kumar.)

TOP

Insurers want Budget 2025 to deliver lower GST, higher exemptions – Monycontrol - 27th January 2025

Analysts at Axis Securities have suggested a reduction in Goods and Services Tax (GST) rates to make health and term insurance more affordable, along with an increase in tax exemption limit to encourage insurance policy purchases. Currently, 18 percent GST is charged on insurance premiums, which industry insiders believe make insurance unaffordable to a large segment of the population. On raising the tax exemption limit, analysts have suggested raising raising the deduction limit given under Section 80D to Rs 50,000 for all taxpayers and Rs 1 lakh for senior citizens. Section 80D of the Income Tax Act, 1961, allows individuals to claim a tax deduction for health insurance premiums.

While the new tax regime does not encourage exemptions, experts have suggested that the regime allow for exemptions for health-insurance premiums.

FDI boost
Insurance players also hope for improved funding through foreign direct investment (FDI) rote. The government had previously proposed amendments to the Insurance Act of 1938, including raising the FDI limit from 75 percent to 100 percent and introducing a provision for a composite license. The

composite licence is to permit insurers to offer life, general and health insurance products under a single licence.

The industry had been waiting for the bill to be introduced during Parliament's winter session. Since that did not happen, insurers will keenly watch the Union Budget to see if any progress will be made. Moody's Ratings has said that raising the FDI limit in the insurance sector could improve profit margins, inject substantial capital, strengthen financial reserves, and encourage new listings within the sector.

TOP

Insurance industry awaits big push with GST waiver on health cover, annuity plans - The Hindu Business Line - 27th January 2025

Insurance industry is awaiting a big push in the upcoming Union Budget 2025-26 by way of waiver of GST on premiums of health insurance and annuity plans, a separate tax deduction for term insurance and life insurance premium under the new tax regime. There has also been expectation of removal of the current upper cap on Foreign Direct Investment (FDI) in insurance which is at 74 percent to allow 100 percent investment which has been proposed by the Government earlier.

According to Srikanth Kandikonda – Chief Financial Officer, ManipalCigna Health Insurance, health insurance sector stands at a 'pivotal' moment where policy reforms could significantly transform the landscape of healthcare accessibility and coverage in India. "Healthcare costs are rising significantly and expected to double in six years, we urge the government to implement measures that can help make healthcare more affordable for all Indians," said Kandikonda. "We request the government to increase outlay for public healthcare spend, reduce tax burden by increasing the limits under Section 80D of income tax for premium paid for health insurance to ₹50,000 for all and ₹1 lakh for senior citizens. This would substantially reduce the financial burden on families investing in their health and financial wellbeing," Kandikonda added.

"Anticipated income tax cuts in the upcoming budget could boost disposable income, driving higher life insurance penetration. With the elderly population of over 50 years projected to grow by 22 percent in the next six years, incentivising pension products is imperative. Aligning tax deductions of life insurance annuity products with the National Pension Scheme (NPS) and addressing the issue of tax on principal component on annuity products can evolve retirement needs effectively,' Tarun Chugh, MD & CEO Bajaj Allianz Life, said. "We urge the government to introduce a separate tax deduction for term insurance and extend the tax deduction on life insurance premium under the new tax regime as well. These measures will empower individuals to build robust financial safety nets and advance the vision of 'Insurance for All by 2047', thereby fostering long-term financial security and inclusivity," he said.

"One of our hopes for the upcoming budget is to see support for pension and annuity plans which are key financial instruments for the retirement planning needed to create that stability. Tax support for pension plans offered by life insurers, on par with the National Pension Scheme, will provide both greater choice and allow diversification of assets into multiple pension plans," said Sameer Bansal, MD & CEO, PNB MetLife. "While we applaud the ongoing deliberations on removing GST on term life and health policies, we urge the government to also consider removing GST on premiums for annuity plans to support pensioners," Bansal added.

TOP

INSURANCE REGULATION

Insurers hope for steps to raise access, aid innovation - Live Mint - 30th January 2025

Insurance companies are looking at government support for the sector through budget announcements that enhance accessibility, simplify tax benefits, and encourage innovation in insurance products. These include regulatory and fiscal support to initiatives such as Bima Sugam, which aims to address the protection gap and achieve the "Insurance for All" goal by 2047. India is estimated to be Asia's fourth-largest general insurance market and 14th-largest globally. According to data from the Insurance Regulatory and Development Authority of India, health insurance has led this growth, which has grown around 25 percent annually over the past three years. The biggest expectation from the budget is that the government will table the Insurance Laws (Amendment) Bill 2024, which is expected to introduce a slew of reforms for the insurance sector and simplify regulatory, corporate, and capital requirements for insurers. “The government might table the Insurance Laws (Amendment) Bill 2024 in the Budget session, therein proposing a score of changes to capital requirements, permissible FDIlimit, opening up of the agency channel, minimum capital requirements and more,” said Subhrajit Mukhopadhyay, executive director, Edelweiss Life Insurance, adding that these changes will significantly accelerate the growth of the industry and support financial inclusion.

The insurance bill is also expected to include the introduction of a composite license that will allow insurers to sell both life and general insurance products, provide an open architecture for agents allowing them to distribute products of more than one insurer, and other value-added products and services. “Given the weak solvency position of the public sector undertaking (PSU) general insurance companies, the announcement related to budgetary allocation for their recapitalization will be positive. Further, given the low penetration of the insurance segment, the government can announce measures to incentivize the penetration, especially for the lower ticket size policies,” said Neha Parikh, vice president and sector head - Financial Sector Ratings, Icra.

The insurance sector has long asked for the regulatory framework to be suitable for increased participation from different players and for more foreign participation in the Indian insurance sector by relaxing foreign direct investment (FDI) regulations to attract more foreign capital. “One of the key proposals under consideration has been raising the Foreign Direct Investment (FDI) limit in insurance from 74 percent to 100 percent. Insurance is a capital-intensive industry, and any move to enhance capital access is undoubtedly beneficial. This could attract global insurers seeking greater control on Indian operations,” said Shanai Ghosh, managing director of Zuno General Insurance, adding that this will also help access to the latest technology and new products and bring in global best practices in processes and governance, thus improving the operational efficiency of the Indian market.

Debashish Banerjee, partner at Deloitte, said that the entry of more players or the tie-up of Indian companies with foreign firms will foster innovation in products and competition for the market, which may translate to higher penetration and seamless services to customers. Considering the low single-digit penetration of life insurance in India, insurance players believe that tax incentives focused on first-time life insurers and the principal component of annuity income will encourage more participation. Similarly, special incentives for women who account for barely more than a third of the country’s life insurance coverage will support penetration.

Further, insurers hope for an increase in the deduction limit for insurance investments under Section 80C, which has remained essentially unchanged over the years. Insurers also favour a more segmented approach wherein a separate deduction may be carved out for the insurance sector. “The industry is also hoping for an increase in exemption limits under Section 80Dfor premiums paid in respect of health insurance, even though there is an overall move for a simpler tax regime with no such exemptions,” Zuno General’s Ghosh said, adding that this could incentivize more people to purchase health insurance by making it more accessible.Edelweiss Life’s Mukhopadhyay also highlighted the role of insurance companies in financing long-term investments, especially in the infrastructure sector. He suggested that the Budget consider incentivizing investments in life Insurance products, given that insurance sector funds cover 25 percent of government borrowing through investments in government bonds.

(The writer is Anshika Kayastha.)

TOP

Bima Sugam: Unlocking the potential of digital insurance – Live Mint – 29th January 2025

With the government-backed digital insurance marketplace Bima Sugam set to debut in a few months, industry leaders expect it will be a game-changer for a crucial sector that’s vastly under-penetrated in India. At the Mint BFSI Summit and Awards 2025 in Mumbai on Friday, industry executives outlined the transformative potential of Bima Sugam, expecting that it will help both new-age and traditional insurers take their products to the country's remotest corners.

Bima Sugam will "certainly help increase awareness about digital insurance, which will benefit all insurtech players in the country", said Rajiv Gupta, president of PB Fintech Ltd, the parent company of online insurance marketplace PolicyBazaar. Bima Sugam will instill much-needed consumer confidence in online insurance purchases, he said.

Vishal Gupta, chief executive of PhonePe Insurance, echoed Rajiv Gupta's sentiment, drawing parallels between Bima Sugam and the transformative success of UPI—the widely used unified payments interface that enables real-time bank transfers. Bima Sugam "can enable the entire ecosystem and expand the insurance market", Vishal Gupta said, adding that the platform can empower a diverse range of players, from online disruptors to traditional offline agents.

A trust issue

Mayank Bathwal, CEO of Aditya Birla Health Insurance, highlighted Bima Sugam's potential to address the critical issue of trust in the insurance industry.

"As an independent entity, Bima Sugam can play a crucial role in increasing awareness, driving consideration, and facilitating seamless fulfillment for consumers," he said, adding that the platform's transparency and trustworthiness would be key towards achieving the government's ambition of insurance for all by 2047.

Rajiv Gupta of PB Fintech also emphasized the platform's ability to streamline processes, empower agents, and bring much-needed transparency to the system. "A centralized platform like Bima Sugam will remove the silos and coordination challenges that customer's face today, making it easier to file claims and manage policies," he said. Vishal Gupta said if Bima Sugam "can enable innovation and reach across various interfaces and geographies, it will be a game-changer".

Bathwal highlighted the platform's potential to eliminate information asymmetry and reduce distribution costs, ultimately benefiting consumers. "Bima Sugam can help us create more personalized and efficient offerings, as it will have access to valuable data and consent-based information," he said.

Reaching rural areas

The discussion at the Mint BFSI Summit also went in-depth on the role of technology in enhancing insurance services.

While Rajiv Gupta of PB Fintech noted that tech-driven efficiencies could lead to more personalized products and better financial literacy, particularly in underserved regions, Vishal Gupta of PhonePe Insurance emphasizing the transformative potential of artificial intelligence in improving distribution, reaching the "missing middle", and enabling error-free pricing.

The "missing middle" in insurance refers to the population that doesn't fall in the category of either low-income people covered under various government schemes or those who can afford to buy their own insurance. On concerns about ensuring Bima Sugam's accessibility and efficiency for rural customers, Vishal Gupta said digital platforms had already proven their ability to reach tier two and tier three cities, citing PhonePe's own sales statistics.

(The writer is Anil Poste.)

TOP

IRDAI Considers Increasing FDI in Insurance to 100% - Live Mint – 29th January 2025

The Insurance Regulatory and Development Authority of India (Irdai) is considering increasing foreign direct investment (FDI) in the insurance sector to 100% from 74% now, Deepak Sood, whole-time member of Irdai, said at the Mint BFSI Summit and Awards held recently. Allowing 100% FDI may not only open the floodgates for offshore capital to enter India but also facilitate the entry of new foreign insurers, helping the country enhance insurance penetration to achieve the government's goal of "Insurance for all by 2047".

There are 26 life and 32 general insurers in India, with most private sector players operating through a joint venture with a foreign partner. "When we talk about insurance for all by 2047, it means every individual has at least a health policy, a life insurance policy, and a property policy that covers his home and his business. Most recently there is a proposal from the government to increase FDI insurance to 100%. Irdai is working on it," Sood said. The regulator increased the FDI limit in insurance from 49% to 74% in 2021. The plan to raise it further aligns with its goal to widen the reach of insurance so every Indian citizen is covered by some type of insurance by 2047.

"Irdai is working on increasing the number of players in the country so that there is a deeper penetration and we can expect more and more coverage," said Sood. He added that the government could help enhance insurance coverage in the country by incentivizing offertax benefits or subsidies. At the Mint BFSI Summit, Sood urged the insurance industry to rethink distribution models to ensure a deeper market penetration, as well as to develop new products to address different needs and risks. Over the past two years, Irdai has reformed the product use and file process to encourage innovation in the industry, he said, adding that a key innovation to enhance insurance penetration without increasing mis-selling was Irdai's introduction of the "consumer information sheet".

"This document gives in very simple terms the coverage (and) the key points of the insurance policy that make the policyholder aware of what he is going to buy," Sood said. "There are always a lot of grievances that the customer doesn't know what he is buying since the details are in the fine print. This is specifically in that direction to address the issue and make clear to the customer what insurance he is buying." Another key initiative is Bima Sugam—"an electronic insurance marketplace which aims at bringing all stakeholders in the value chain on one platform".

TOP

LIFE INSURANCE

Covering for life, Indians now show a shift to pure protection – The Economic Times – 27th January 2025

Customers are increasingly favouring pure term plans over return-of-premium (ROP) policies, while also improving coverage with additional benefits, or riders.

SBI Life reported a decline in the share of ROP policies to 57 percent of its protection portfolio in the December quarter. Meanwhile, HDFC Life observed a rise in pure term plans with riders, contributing to a 22 percent year-on-year increase in total coverage, or sum assured. "We have seen a shift toward the pure protection products as compared to the return of premium policies," said SBI Life recently. "Now 57 percent policies out of the protection segment are with the return of premium whereas the mix in pure protection has increased to 43 percent and that is being reflected in our product portfolio for the December quarter." While pure term policies improve the overall sum assured, their lower ticket size compared to ROP plans has moderated the growth in premium collections.

"Protection in India has evolved differently from other geographies, primarily shaped by the level of awareness, affluence and cultural nuances," said Niraj Shah, executive director and CFO of HDFC Life. "Retail sum assured has grown by 22 percent YoY for this period." For HDFC Life, the retail protection continues to grow well, with APE for nine months clocking a growth of 28 percent and the momentum was sustained in rider attachments, both on individual as well as group policies. ROP plans, which combine insurance with a savings component, typically cost 1.5 to 2 times more than pure term plans. For instance, a 35-year-old purchasing a 20-year ROP plan may pay Rs. 50,000 annually, compared to Rs. 25,000 for a pure risk policy. Though ROP premiums are refunded at maturity, the returns often fail to keep pace with inflation, which experts say erodes future value.

"ROPs are higher in ticket size and lower in margins," said Emkay analyst Avinash Singh. The shift has benefited insurers' profitability metrics. Pure protection policies deliver higher value of new business (VNB) margins, estimated at 100 percent, compared to around 60 percent for ROP plans. Now, as people are getting more aware, more individuals are seeing the advantages of pure term insurance. "The value of ROP payouts after 20-25 years is significantly reduced by inflation," said Mahavir Chopra founder of Beshak.org. "Families that once relied solely on money-back policies for financial security are increasingly shifting toward pure term insurance, which provides higher coverage for lower premiums."

(The writer is Shilpy Sinha.)

TOP

Zero GST on term plan premium to make them costly - The Economic Times - 27th January 2025

Lately, there have been multiple demands to exempt term life insurance premiums from the ambit of GST (Goods and Services Tax). A high GST rate of 18 percent on life insurance premiums makes the plan too costly for many to afford. So, either they end up taking no insurance or take a much lower life cover than what they could have done in the absence of GST. Many believe that if life insurance premiums are completely exempted from GST, they will need to pay a much lower premium.

A recent post on X by Ajit Jha, who works as an assistant professor at the Institute for Studies in Industrial Development, underlined that sky-high GST on both health and life insurance policy rates was deterring people from renewing their policies and getting proper insurance coverage. Per his X post, Jha was paying a GST of Rs 5,467 while paying a renewal premium of Rs 30,373 for his health insurance policy, which offered a sum insured of Rs 25 lakh.

But is complete GST exemption on term or health premium payment the solution? Very few people would have thought that a complete exemption may do the opposite and make the premium expensive. Life insurance companies seem to think so. As per several media reports, life insurers have vociferously argued against complete exemption of GST, saying that exempting life insurance premiums from paying 18% GST will, in reality, defeat the purpose of making term insurance, which is possibly the most affordable mode of insurance, available to everyone.

The primary reason behind this is that the life insurance companies won't be able to claim input tax credit against the GST collected on the premiums as there will be no GST. “Due to this additional burden (withdrawal of ITC benefit), life insurance companies will be compelled to increase the premium, which will not fully meet the objective of the government to provide life insurance products at affordable prices.

Additionally, GST exemption on renewal premiums (for policies sold in previous years) would make it onerous and unviable," the companies stated in a common representation.

Wondering how GST removal can increase your life insurance premium? We decode it for you.

How much do you pay in GST when you buy a life insurance policy?
At present, you are required to pay 18% GST when you pay premiums for a term insurance policy. This means that if your term plan has a premium of Rs 100, you'll end up paying Rs 118 in total, with the additional Rs 18 collected by the insurer as GST.

But, in addition to collecting this GST, life insurers are also entitled to something called an input tax credit (ITC). Explains MS Mani, Partner, Deloitte India, "When a life insurance company charges GST on its term policies, it is also entitled to an input tax credit, or ITC, on all the things that it buys and all the services that it receives, which are directly involved in further providing insurance-related services to the customers.".

Understand it this way. From the total premium charged by the life insurer from you, a predetermined potion is kept aside by the life insurer to cover their fixed and variable costs. These can include paying salaries/commissions to staff or insurance agents, printing office stationery, paying office rent, creating and disseminating marketing material, and more. Note that GST is being paid by your insurer on availing of all these services as well.

But since these expenses are being made to eventually provide insurance-related services to the end customer, the tax laws allow life insurers to take input tax credit (ITC) for the GST amount paid for such goods and services and adjust the paid GST amount against the GST amount collected by insurers from customers.

What is input tax credit in the case of life insurance companies?
Understand this with an example. Hypothetically, say you pay Rs 100 as a premium for your life insurance policy, with Rs 18 as GST. Assume that out of these Rs 100, your insurer sets aside Rs 20 for office rent and another Rs 30 as commission paid to the life insurance agent. In both of these cases, GST is payable at the rate of 18%.

So, the total GST paid by life insurers comes down to Rs 9 (18% of Rs 20 i.e., Rs 3.6) + (18% of Rs 30 i.e., Rs 5.4). This is what life insurers will claim as ITC. So, if we assume that these are the only two costs your insurer has to bear, the government gives them ITC for GST paid on these two.

Hence, the life insurer's final GST liability will come down to just Rs 9 (Rs 18-Rs 9).

But if term insurance premiums are completely exempted from the purview of GST, the benefit of ITC will also be done away with. So, while policyholders may simply have to pay Rs 100, the GST burden on life insurers paying for these services will continue to stay constant at Rs 9. Moreover, they will have nothing to offset this against.

Mani further explains that if premiums on term cover become e, then, to the extent of the services used for providing this service, the life insurance company will not be able to take an input tax credit.

"So, if insurers don't take an input tax credit,that means their overall cost will add up. Previously, when they would have received an invoice from their service provider, they would have considered the GST paid to them as credit and not an expense, which they could offset against their liability. Now, if they don't have eligibility for input tax credit, they will have to mark this expense up to the end consumer," he adds.

Hence, they may charge this to the end consumer, meaning potentially a higher premium payable at the hands of the end policyholder. In this case, if they add the ITC amount foregone, then the premium would rise to Rs 109. This means that despite removing 18% GST, the final premium would not come down from Rs 118 to Rs 100 but would be Rs 109.

Per Vivek Jalan, Partner, Tax Connect Advisory Services LLP, “The eligibility to input tax credit depends on whether the services or goods used are used for providing a taxable service. So, the moment a service becomes exempt, there is no right to claim an input tax.”.

What are life insurers demanding?

Life insurance companies are demanding a rationalization of rates rather than a complete exemption of GST on premiums paid on life insurance policies.

According to the TOI report, multiple representations made by life insurance companies state that their total ITC comes down to 11%. Simply put, the GST paid by life insurers might roughly be approximately Rs 11 out of each Rs 100 premium collected.

So, per their demands, if the GST rate on life insurance premiums is tapered down to 12%, it would allow them to take advantage of ITC and not pass on increased costs to the policyholders since they would still have some available margin.

Delhi-based GST expert Bimal Jain elaborates, “If around Rs 11, which has been paid on the purchase or inward supply by the life insurer, is not getting any credit due to GST exemption, it will become a cost, taking the potential total premium payable by term insurance policyholders to Rs 111. When the GST rates are brought down to 12%, the GST paid by consumers stands at Rs 112. This narrow margin of difference can help life insurance companies to economise their term insurance pricing.”.

But why are ITC margins of life insurance companies so high? According to Jalan, commissions paid to life insurance agents form a significant portion of expenses in the books of life insurers. This “Our GST data analysis in October 2024 revealed that life insurers end up incurring around 40-45% ITC on Rs 18 collected as GST from consumers.

Jain concurs. “Life insurance is largely a commission-based business, with around 15-25% of a life insurer’s total expenses largely devoted to aggressively advertising, marketing the product, and commission payments to agents selling life insurance policies.”.

With an 18% GST chargeable on all these services, it adds up as a significant expense in the books of life insurers, which would pass on completely to the consumer if GST exemption is brought to effect.

If the GST is brought down from its present rate of 18% to 12%, it will prove to be beneficial for both life insurers and policyholders. This is because in this scenario, while insurers will be able to claim full input tax credit (ITC), policyholders will be potentially paying lower premium as compared to existing levels.

(The writer is Ira Alok Puranik.)

TOP

How your lifestyle choices impact life insurance premiums – The Economic Times – 25th January 2025

In a world where both wellness and financial security are top of mind, maintaining a healthy lifestyle has never been more rewarding — for both your body and your wallet. What was once just a personal choice is now a financial asset, especially when it comes to life insurance. Increasingly, insurers are incentivizing health-conscious behaviors like regular exercise, balanced diets, and preventive health measures, offering discounts on premiums and more. By prioritizing your well-being, you’re not just securing a healthier future but also gaining immediate financial advantages. With innovations like wearable technology and AI-driven assessments, the traditional notion of life insurance is evolving. Today, your policy can adapt to your habits in real time, creating a dynamic link between your lifestyle choices and insurance costs.

The link between lifestyle choices and insurance premiums

Your health is now a currency, and how well you manage it can significantly impact the price of your life insurance. Insurers determine premiums based on risk — and the healthier you are, the lower your risk profile. Whether it’s keeping up with daily physical activity, managing stress, or adhering to a nutritious diet, these behaviors lower your chances of chronic diseases, making you a safer bet for insurance companies. This shift toward dynamic risk assessment means that taking proactive steps in your daily life can translate into tangible savings. What many people don't realize is that even modest lifestyle changes — like committing to 30 minutes of physical activity a day or improving your sleep habits — can add up to significant long-term financial benefits. Over time, insurers are rewarding not just dramatic transformations but small, consistent efforts.

How healthy habits lead to savings over time
Consider the profound financial impact of quitting smoking. Non- smokers pay drastically lower life insurance premiums than smokers because insurers account for the heightened risks associated with smoking-related illnesses. The same goes for other lifestyle factors: those who maintain a healthy weight, follow regular fitness routines, and manage their mental well-being are not only improving their quality of life but also reducing their insurance costs. Moreover, policyholders who actively participate in health monitoring programs can see premium reductions as their health improves. Insurers aren't just looking at your health today; they're tracking trends over time, making it easier to access savings as you continue to make positive changes.

The role of technology in shaping your insurance
Wearable technology is reshaping how insurers assess and reward healthy behaviors. Devices like fitness apps, smartwatches and fitness trackers offer real-time insights into your daily habits, allowing insurers to personalize your premium based on actual data. Imagine earning a discount for consistently hitting 10,000 steps a day or maintaining a steady heart rate throughout your workouts. These tech-enabled benefits turn your policy into an interactive wellness tool, where healthy living and lower premiums go together. Insurers are also leveraging advanced analytics and AI to predict long-term health risks based on behavioral data. This means that by takingpart in wellness programs or using health apps, you're contributing to a more personalized insurance experience that recognizes and rewards your efforts in real time.

Wellness programs and incentives
Insurance companies are increasingly offering wellness programs that go beyond traditional health check-ups. Today, policyholders can earn rewards for meeting specific health goals — whether it's quitting smoking, losing weight, or achieving regular fitness milestones. These programs often provide additional benefits such as access to health coaches, gym memberships, or mental health support services, contributing to a holistic approach to well-being and developing an accessible health ecosystem around oneself. This focus on preventive care not only helps policyholder's live healthier lives but also reduces the likelihood of future claims. For insurers, it's a win-win: healthier customers mean fewer claims, and for you, it's a chance to save on premiums while improving your overall quality of life. By linking these wellness programs directly to insurance pricing, companies are empowering individuals to take control of both their health and their finances.

The long-term value of healthy living: healthier body, healthier finances
The choices you make today don't just affect your current well-being —they have a direct impact on your financial future. By adopting healthier habits, you lower your risk for chronic diseases and gain more control over your life insurance costs. Over time, these savings can accumulate, allowing you to redirect funds toward other goals, like building an investment portfolio or pursuing personal dreams. And the benefits go beyond the financial. A healthier lifestyle can improve your overall quality of life, making you more energetic, focused, and productive. In this way, healthy living not only secures your future but also enhances your present — offering a more fulfilling life both physically and financially.

(The writer is Akshay Dhand.)

TOP

India life insurance premiums rise 6.1 percent in FY 2023-24 - Insurance Asia – 25th January 2025

India's life insurance sector during the fiscal year 2023 to 2024 (FY 2023-24) saw its premiums increase by 6.1 percent year-on-year (YoY), achieving a total premium income of ₹8.30 lakh crore, according to the Insurance Regulatory and Development Authority's latest annual report. Private sector life insurers surged 15.1 percent in premium income, whilst the public sector life insurer posted a modest growth of 0.23 percent. In the same period, life insurers issued 291.77 lakh new policies under individual business. Of these, the public sector insurer accounted for 203.93 lakh policies, representing 70 percent of the total, whilst private life insurers issued 87.84 lakh policies, making up 30.1 percent. The private sector insurers achieved a growth of 9.23 percent in new policies issued, whilst the public sector insurer recorded a marginal decline of 0.18 percent.

Overall, the industry registered a 2.48 % growth in the total number of new policies issued compared to the previous year.

TOP

GENERAL INSURANCE

India's non-life insurers premiums surges 13 percent in FY 23-24 - Insurance Asia - 30th January

India's non-life insurance industry underwrote a total direct premium of ₹2.90 lakh crore from 2023 to 2024 (FY 23-24), reflecting a 12.76% jump year-on-year (YoY), according to the Insurance Regulatory and Development Authority's latest annual report. Public sector general insurers contributed ₹90,252 crore, up 8.88% YoY. Private sector insurers, including standalone health insurers, underwrote ₹1.88 lakh crore, compared to ₹1.58 lakh crore the previous year.

All 24 private insurers in operation during FY 23-24 reported an increase in premiums. Specialised insurers recorded a gross direct premium of ₹11,211 crore. Public sector general insurers held a 35.03% market share, whilst private sector general insurers accounted for 64.97%. Three public sector insurers, excluding United India Insurance, underwrote ₹3,939 crore in premiums outside India, marking a 14.72% increase from ₹3,434 crore in 2022-23.

Health insurance remained the largest segment, contributing 40.29% of total premiums, up from 38.02% the previous year. The segment grew by 19.50% YoY. The motor insurance segment grew 12.91%, with premiums reaching ₹91,780 crore in FY 23-24, up from ₹81,280 crore. Its market share increased slightly to 31.68% from 31.64%. Premium collection in the fire segment rose 7.27%, whilst the marine segment saw a 0.65% increase.

TOP

Why do Indian consumers ignore term insurance? – The Hindu – 27th January 2025

In this world, nothing can be said to be certain, except death and taxes. Benjamin Franklin expressed the realities of life several centuries ago. Despite its inevitability, often we see untimely death leading to a family facing severe financial consequences. Term insurance is the purest form of insurance, where for a relatively small premium, a very high cover (~500-600x) is available. Term insurance needs to be part of any prudent financial plan especially during the income generating years of the family's breadwinners. Despite being one of the simplest and the most affordable life insurance product, its adoption rate remains surprisingly low. Only 60-70 lakh Indians have term insurance plans and there too, the amount covered under term plan is mostly inadequate.

A large segment of the population is unaware of the benefits of term insurance. Insurance in India is largely a push product and often, sales advisors don't push term insurance as it has a lower ticket size than other insurance products. Given its relatively late introduction in the country, familiarity is low. India is a price-sensitive market where any investment is linked to tangible future returns. It is a pure risk cover with no returns. This leads to confusion around its usefulness and consumers often end up choosing other products which have much lower coverage but some returns. Term insurance is seen as low priority after addressing essential expenses and loan repayments. For many middle-class households, immediate financial needs outweigh the importance of long-term protection. Insurance premiums are often seen as an avoidable expense.

The truth is this stems from an inherent optimism bias which leads people into assuming accidents, illnesses or untimely death won't hit them. This couldn't be further from the truth. In fact, purchasing term insurance early lets you lock your premium when you have a healthier and lower risk profile which translates to lower premiums for life. While a 30- year-old can obtain a ₹1 crore cover for ₹1,100, a 40-year-old will pay double the premium for the same coverage. India's vast addressable market for term insurance lies in the middle — taxpayers without a safety net and families dependent on current incomes. The middle class must rethink their financial planning. Bargaining long-term security for immediate gratification is neither a wise decision nor sustainable.

(The writer is Sarbvir Singh.)

TOP

HEALTH INSURANCE

Does your health insurance policy cover advanced robotic surgeries? – Moneycontrol – 31st January 2025

The promise of advanced medical technologies such as robotic-assisted surgery (RAS) is revolutionising healthcare worldwide. Known for its precision, minimal invasive approach and quicker recovery times, RAS is increasingly recommended for various procedures. However, for many patients in India, the question is: "Will my health insurance cover this advanced option?"

The Insurance Regulatory and Development Authority of India (IRDAI) has undertaken significant reforms to make procedures like RAS more accessible and affordable. These changes represent a major leap toward patient-centered care, ensuring financial clarity, fair pricing, and advocacy for patients.

Comprehensive coverage: no financial sub-limits

Globally, robotic-assisted surgery is gaining momentum. Valued at $5.5 billion in 2022, the market is projected to grow at a CAGR of 19.3 percent through 2030. India's commitment to aligning healthcare policies with such advancements ensures that patients here are not left behind. For any new medical technology or drug therapy, insurers would often place caps or sub-limits on coverage for such advanced treatments, resulting in significant out-of-pocket expenses for patients. IRDAI now mandates that insurers include advanced procedures like RAS in their insurance products. This mandate coupled with strong clinical evidence and increasing push from surgeons/clinical societies has led to many insurers (including two PSU players) removing sub-limits from their policies providing full coverage for such treatments, ensuring better financial protection for policyholders.

There are a few insurers who continue to resist the wider adoption. They have removed caps from their premium policy products but continue to put significant caps on advanced treatments in low acuity policies for individuals seeking affordable health insurance plans. This change is especially critical in a country where unexpected medical expenses remain the leading cause of financial distress. A NITI Aayog report reveals that nearly 30 percent of India's population faces catastrophic health expenditures. By removing such barriers, these reforms make RAS a viable option for all, not just the privileged few.

Predictable pricing with NHCE

Disparities in hospital costs for similar procedures have long frustrated patients. The rollout of the National Health Claim Exchange (NHCE) is designed to standardise tariffs across hospitals. Once fully implemented, NHCE will ensure transparent, fair pricing for procedures like RAS. This development not only benefits patients financially but also fosters trust in India's healthcare ecosystem. By enabling consistent pricing, patients and caregivers can plan treatments without fear of unexpected charges.

The surgeon's role and patient benefits

The decision to opt for robotic-assisted surgery is ultimately guided by the surgeon's expertise. Surgeons determine when RAS is the best option based on the patient's condition and the procedure's complexity, ensuring that treatment plans are tailored to deliver the best outcomes. Patients undergoing RAS experience several benefits, including reduced post-operative pain, minimal need for blood transfusions, shorter hospital stays and quicker recovery times. These advantages help patients return to their daily lives faster, improving overall quality of life. The healthcare journey, after all, is about more than just recovery — it's about dignity, clarity, and support at every step.

(The writer is Dr Bishnu Panigrahi.)

TOP

Irdai caps annual health premium hikes for senior citizens at 10% - Financial Express – 31st January 2025

In a relief to senior citizens, the Insurance Regulatory and Development Authority of India (Irdai) has limited annual premium hikes on health insurance policies sold to them to 10%. In a circular issued on Thursday, the regulator directed all health and general insurers offering indemnity-based health insurance to limit annual premium increases for senior citizens. The move follows multiple complaints from elderly policyholders about steep premium hikes, making health insurance unaffordable. Irdai said insurers must seek its approval if they propose an annual increase of more than 10%, or if they plan to withdraw individual health insurance products for senior citizens.

Unlike the Pradhan Mantri Jan Arogya Yojana (PMJAY), where hospitalisation costs are centrally negotiated and standardised, private health insurance policies have no such price regulation. "This is leading to higher hospitalisation costs, resulting in higher claims outgo under health insurance products offered by insurers," Irdai said.

"By capping premium increases at a maximum of 10% per year, the regulation introduces pricing predictability, ensuring that senior citizens are not burdened by steep cost escalations," said Hanut Mehta, CEO and co-founder of Bimapay Finsure. The regulatory move will also help insurers retain customers and reduce policy lapses due to unaffordable premiums, he added.

The insurance regulator has been introducing several customer-friendly measures, including setting time limits for cashless claim approvals, reducing waiting periods for pre-existing and chronic conditions and requiring insurers to provide a customer information sheet with every policy to explain key features in simple terms. In April 2024, Irdai removed the age limit of 65 years for purchasing health insurance, allowing more senior citizens to access coverage.

(The writer is Narayanan V.)

TOP

What factors are counted while calculating health insurance premium? – The Economic Times – 29th January 2025

Insurance as a concept came about to curb the need of risks caused by various factors out of our control. Whether it is the risk of injury or the loss of property, insurance has the responsibility to provide relief in the advent of an incident. Taking this concept and applying it to our health, humans came up with the means to insure ourselves in the case of disease or injury. Health insurance is a type of insurance that provides financial security by covering all bodily harm a person might face due to an accident or disease.

ETBFSI brings to you a detailed explainer on how health insurance.

What is an insurance premium?
An insurance premium is the amount you pay each month (or each year) to keep your insurance policy active. Your premium amount is determined by many factors, including risk, coverage amount and more – depending on the type of insurance you have. It is the cost you pay to acquire an insurance policy. The cost of an insurance premium generally depends on the including risks, term period, coverage amount and various other factors based upon the type of insurance.

What are the factors based on which health insurance premium is calculated?
-The total sum insured
One important factor that affects the premium of a health insurance policy is the sum insured. This refers to the maximum amount that the insurance provider will pay for medical expenses incurred during a policy period. A higher sum insured means more extensive coverage, but it also comes with a higher premium.

-Age
As a person ages, their general health may deteriorate and might become more prone to diseases. Health insurance companies consider older individuals as higher-risk policyholders because they are more likely to need medical care. This perceived risk leads to higher premium costs.

-Gender
A widely scrutinised and controversial aspect of premium calculations pertains to charging of premiums based on gender, also known as 'gender rating.' Health insurance premiums are risk-based, with gender influencing costs due to differing medical risks. Women of childbearing age often pay higher premiums than men due to pregnancy-related expenses like doctor fees and prenatal care. Maternity coverage further increases premiums. Conversely, premiums tend to be lower for women than men after age 60. The higher the risk of claims, the higher the premium, reflecting medical conditions and expenses specific to each gender.

-Marital status
Marital status can influence health insurance choices, as it allows the option to start a family health insurance plan. After marriage, a spouse and immediate relatives can be included in a single policy. Senior citizens in the family without dedicated coverage can also be added. These plans streamline management by requiring only one premium for all members and offer tax benefits under Section 80D of The Income Tax Act. However, including high-risk members may increase the overall premium for a person, compared to an individual plan.

-Location
You may now have an idea of how insurance zones in India are divided. Zone 1 has the highest premium.

Healthcare costs in India vary by location, with metropolitan areas incurring higher expenses compared to towns and non-metro cities. Health insurance companies use zone-based plans to reflect these differences, dividing cities into three zones:

Zone 1: Delhi/NCR, Mumbai including (including Navi Mumbai, Thane and Kalyan)
Zone 2: Hyderabad, Secunderabad, Bangalore, Kolkata, Ahmedabad, Vadodara, Chennai, Pune and Surat.
Zone 3: Rest of India.
Zone 1 has the highest premiums, while lower-cost cities may result in nearly 10–20% lower premiums.

-History of sickness
A history of sickness significantly affects health insurance premiums. According to IRDAI, pre-existing diseases (PEDs) include illnesses diagnosed within 48 months before purchasing a policy, such as diabetes, cancer, or hypertension. Insurers charge higher premiums for PED coverage due to increased risk, with rates determined by the condition and coverage required. Disclosing medical history is crucial to avoid claim denial or policy cancellation. Additionally, most policies have a waiting period of 1 to 4 years for PED-related claims, impacting immediate coverage.

-Occupation
An occupation in high-risk industries like construction, mining, and agriculture, or roles involving hazardous substances, increase the likelihood of workplace injuries, impacting health insurance premiums. Similarly, high-stress professions, such as healthcare workers or executives, are linked to stress-related illnesses like cardiovascular conditions and anxiety. These occupational risks and health costs are key factors in determining higher premiums.

-Lifestyle choices
Most insurance companies increase their rates of premium for people who have the habit of smoking, chewing tobacco or are involved in the consumption of other harmful substances. Since they are more prone to getting life-threatening diseases like cancer, their premiums increase. Engaging in high-risk hobbies such as skydiving, scuba diving, or other extreme sports can lead to higher premiums. These activities increase the risk of accidental death or injury, prompting insurers to charge more for coverage.

TOP

IRDAI grants Niva Bupa time until FY26 to comply with expenses limit: Sources – CNBC – 29Th January 2025

The Insurance Regulatory and Development Authority of India (IRDAI) has granted Niva Bupa Health Insurance an extended timeline until FY26 to comply with the prescribed Expenses of Management (EoM) limit, according to sources. In 2024, the Insurance Regulatory and Development Authority of India (IRDAI) introduced limits on how much insurance companies can spend on the acquisition of business and other operational expenses. The limit set for general insurance companies was 30 percent of the gross written premium and 35 percent for standalone health insurance companies.

Several insurers, including Niva Bupa Health Insurance, were non-compliant with the limit and approached IRDAI seeking a glide path to ensure compliance. According to sources, the insurance regulator held hearings with insurers, including Niva Bupa Health Insurance, on the required glide path. Sources added that IRDAI has approved an extended glide path for Niva Bupa Health Insurance to comply with the 35% EoM limit by FY26.

Niva Bupa Health Insurance's EoM stood at 39.31% at the end of FY25 and 40% at the end of the first half of FY25.

(The writer is Yash Jain.)

TOP

Healthcare Industry Seeks Tax Cuts on Insurance Premiums & Increased Budgetary Allocation – The Economic Times – 29th January 2025

Ahead to the Union Budget 2025, industry stakeholders are expecting reforms that will propel the healthcare sector. The industry want increased government support to address critical challenges in the sector. From boosting healthcare expenditure to expanding public health initiatives, the industry has put forth several demands.

Aman Puri, Founder of Steadfast Nutrition, urged the government to increase healthcare spending to 2.5-3 per cent of GDP, aligning with global averages. India's healthcare expenditure has stagnated at 1.5-2.1 per cent of GDP in recent years, resulting in inadequate infrastructure and poor health outcomes. Puri emphasized the need to strengthen primary and secondary healthcare systems, particularly in rural areas and tier-2 and tier-3 cities, which house a significant portion of the population. He also called for greater investment in preventive healthcare, which currently receives only 14 per cent of government funds.

Dr. Smeet Patel, Director of Mayflower Women's Hospital in Ahmedabad, emphasized the need for reduced taxation on health insurance, especially as premiums tend to be higher for women due to their specific healthcare needs. He advocated for expanding initiatives to combat cervical cancer, pointing out that the HPV vaccine can reduce the incidence of the disease by nearly 90 percent, particularly if administered at a younger age. He added "We also anticipate the Indian Government to launch more public awareness campaigns and improve access to resources for patients affected by these conditions".

Suresh Garg, Founder of Zeon LifeSciences, highlighted the need for tax uniformity in the healthcare sector, along with provisions for research, innovation, and export incentives. With the Indian nutraceutical market expected to grow significantly, these measures can enhance global competitiveness and drive sector growth. He said "Our expectations from the government are to prioritize policies that not only unlock the immense potential of the healthcare industry but also ensure long-term sustainability, inclusivity, and global recognition".

Anshul Khurana, Co-founder of Entitled Solutions, stressed the need for targeted healthcare policies for urban low-income households that often fall outside existing welfare schemes. "Incentivizing standard health coverage plans, and expanding the Ayushman Bharat program to include these households could ensure better access to essential healthcare" he added. Overall, the healthcare industry hopes the government will address these pressing concerns in the upcoming Budget to ensure a healthier, more equitable, and globally competitive healthcare system.

TOP

Health insurance needs bitter pill – The Economic Times – 28th January 2025

Health insurance is meant to be a safety net. But over the past three years, it has become an unsustainable financial burden. This hike far exceeds medical inflation or any logical adjustment. It's not just a personal grievance but also emblematic of a larger systemic issue: a regulatory framework that facilitates grievances but fails to enforce accountability.

Insurance Regulatory and Development Authority (Irda) is mandated to protect policyholders' interests and adjudicate disputes. Its guidelines state that insurers cannot change premiums for at least three years unless there is a significant change in risk factors or claims experience. Yet, in practice, insurers justify steep hikes with vague references to 'loss ratios' or 'medical inflation'. Consumers, meanwhile, are left with little clarity about what constitutes a 'significant change'. Perhaps Irda has forgotten its duty. This approach creates a systemic loophole, reducing the regulator to a passive facilitator rather than an enforcer. For senior citizens reliant on fixed incomes, such failures in regulation are more than frustrating. They are a direct threat to their ability to access affordable healthcare.

India's health insurance market is reportedly booming, with non-life insurers collecting over ₹1 tn in premiums in FY24, a 20.2% increase from the previous year. But this growth may not be sustainable if rising premiums alienate consumers. Steep premium hikes, especially in group insurance schemes, risk reversing gains in insurance adoption. Vulnerable groups, including senior citizens, may opt out of coverage altogether, undermining financial inclusion goals.

Along with increasing premiums, policyholders face another alarming trend: rising claim rejections. In FY24, reports suggest that insurers rejected health claims totalling ₹26,040 cr - a 19% increase from the previous year. A recent LocalCircles survey revealed that 43% of policyholders faced difficulties with claims, including rejections and partial approvals. This dual burden of paying more while receiving less erodes trust and discourages long-term participation in the insurance market. According to Irda, health insurance accounts for the largest out-of-pocket (OOP) expenditure for families. Premium hikes exacerbate this burden, reducing disposable income and stalling consumption. For a country where four-fifths of health expenditures are OOP, the lack of a robust public health system makes citizens even more vulnerable. It is also reported that hospitals charge non-insured persons more, increasing the economic burden.

To restore trust and ensure market sustainability, regulators and insurers must address these systemic issues with the following reforms:

Mandate transparency
Insurers must provide a detailed, publicly audited breakdown of factors driving premium hikes, including claims experience and administrative costs.

Cap annual premium increases
Introduce regulatory caps on premium hikes, especially for group policies and senior citizens.

Strengthen adjudication powers
Empower Irda to not only facilitate grievances but also adjudicate them, with the authority to impose penalties for exploitative practices.

Enhance consumer representation
Establish advisory panels that include consumer voices in regulatory decisions.
Health insurance is not just a financial product, it's also a promise of security and trust. When insurers exploit this promise, and regulators confine themselves to facilitation, the entire system risks collapse. India's health insurance market must balance growth with fairness. For millions of policyholders, this is not just a matter of affordability but also a matter of survival. An underlying factor is an unregulated health system, which GoI must consider as a priority in the upcoming Union budget if the expansion of health insurance is to be seen as a way forward.

(The writer is Arun Gupta.)

TOP

Navigating the New Health Insurance Landscape for Senior Citizens in India: Key Changes and Benefits – The Live Nagpur – 28th January 2025

For citizens in India over the age of 50, choosing mediclaiminsurance policy is a lifeline enabling them access to quality care and financial peace of mind. The government has made many pivotal changes to accommodate the elderly, whose population is expected to be 20% of the total by 2050. Due to expansion of Ayushman Bharat coverage and removing age limits while buying insurance, it has become cheaper and more accessible to opt for better healthcare. The problems that it addresses include expensive medical bills without the right to choose from, guaranteeing the best health insurance for senior citizens.

Changes in Health Insurance for Senior Citizens

1. Expansion of Ayushman Bharat Coverage

In September, the government rolled out the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) to all citizens of India above 70 years of age, irrespective of their income.. This extension includes an annual mediclaim insurance policycover of a maximum of ₹5 lakh per family for around 60 million senior citizens.

2. Extra Top-Up for Existing Beneficiaries

Under AB-PMJAY, now seniors of age 70 and above are also entitled to an additional ₹ 5 lakh top up cover annually, only for themselves. This enables them to get their healthcare needs fully met.

3. Removal of Age Restrictions

The Insurance Regulatory and Development Authority of India (IRDAI) has brought in an untested upper age of 65 years for buying health insurance. Through this change, seniors can get additional choice to obtain the best health insurance, and out there more options to cover.

Benefits of the New Health Insurance Regulations

With new regulations changing the norms of the existing health insurance program, there are various benefits which have made it more advantageous for the stakeholders. Some of the benefits are:

1. Comprehensive Financial Protection: With an annual coverage of ₹5 lakhs, AB – PMJAY relieves the stressful burden of high medical expenses and can help access the basic treatment.

2. Inclusive Eligibility: Access to care has been opened up by removing income criteria and age limits, and increasing health insurance availability to a greater elderly population.

3. Cashless Treatment: Cashless treatment in empaneled hospitals becomes possible for the seniors, relieving them from the added burden of a medical emergency.

4. Coverage for Pre-existing Conditions: Preexisting conditions are now covered and waiting periods for chronic conditions are made shorter for seniors.

5. No Age Cap for Private Insurance: The elderly, now over the age of 65, can buy private health insurance with no upper age limit, thereby allowing insurers to develop better plans for them.
Insurer's hospitals spar over cashless pricing

6. Tax Benefits: Senior citizen health insurance premiums come with deductions under Section 80D, which brings about financial relief as well as encouraging policy purchases.

Considerations for Senior Citizens

The following are some of the considerations to be taken care of for senior citizens:

● **Understand Policy Terms:** Know coverage limits, waiting periods, exclusions, and copayment clauses when reading fine print.

● **Network Hospitals:** Check to see if the insurer's network includes preferred hospitals for smooth, cashless treatments. Especially true when searching to get the most effective health insurance scheme for senior citizens.

● **Additional Coverage:** Additional benefits such as alternative therapies and hospitalisation cost with private insurance should be considered.

Conclusion

Over the past year, reforms to health insurance options for India's senior citizens have improved greatly. There is a focus on improving healthcare support for the elderly with expanded government schemes and lifting age restrictions. By staying informed and smartly selecting mediclaim insurance policies, seniors would be able to acquire the coverage according to their healthcare requirements.

TOP

Social security package out for delivery to gig street - The Economic Times - 27th January 2025

The government could soon unveil a social security benefit plan for gig and platform workers, officials said. Transaction-based contribution by aggregators, or a common rate of contribution aimed at creating a sustainable and meaningful finance pool for the scheme, could be recommended by a panel in its report, which is to be submitted on January 31. The labour and employment ministry is keen on a customised policy - instead of one-size-fits-all - to bring in equity while ensuring aggregators do not cross-subsidise. "The decision will be taken at the highest level, after considering financial implications for all stakeholders," said an official, adding that the policy could kick in by the next financial year. Finance minister Nirmala Sitharaman could, in the upcoming budget, outline the government's intent on the plan. The official said the committee, headed by Ramesh Krishnamurthy, additional secretary in the labour and employment ministry, will present two or three options to the government in its report on social security for gig workers.

According to deliberations, contribution towards benefits would go to the Social Security Fund and health insurance-related benefits could be routed through the Employees' Social Insurance Scheme. The official said benefits could be classified as mandatory and voluntary. The government will also set a threshold for minimum days of work and earnings of gig workers to determine their eligibility. While mandatory benefits - such as health insurance, death and disability cover that would kick in from day one of enrolment - would come from 1-2 percent of the turnover from the aggregator, the government could propose a very small contribution from the worker for voluntary benefits such as pension and provident fund.

(The writer is Yogima Seth Sharma.)

TOP

Govt plans customised social security policy for gig workers from FY26, FM may announce plan in Budget – The Economic Times – 27th January 2025

The government could soon unveil a social security benefit plan for gig and platform workers, officials said. Transaction-based contribution by aggregators, or a common rate of contribution aimed at creating a sustainable and meaningful finance pool for the scheme, could be recommended by a panel in its report, which is to be submitted on January 31. The labour and employment ministry is keen on a customised policy - instead of one-size-fits-all - to bring in equity while ensuring aggregators do not cross-subsidise. "The decision will be taken at the highest level, after considering financial implications for all stakeholders," said an official, adding that the policy could kick in by the next financial year. Finance minister Nirmala Sitharaman could, in the upcoming budget, outline the government's intent on the plan. The official said the committee, headed by Ramesh Krishnamurthy, additional secretary in the labour and employment ministry, will present two or three options to the government in its report on social security for gig workers.

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(The writer is Yogima Seth Sharma.)

TOP

ESIC adds 16.07 lakh new employees in Nov – The Statesman – 24th January 2025

In the month of November, 16.07 lakh new employees have been added under the Employees' State Insurance Corporation (ESIC), the corporation said here on Friday. The data said that 20,212 new establishments have been brought under the social security ambit of the ESI Scheme in the month of November, 2024 thus ensuring social security to more workers. It is noticeable that out of the total 16.07 lakh employees added during the month, 7.57 lakh employees amounting to around 47.11 per cent of the total registrations belong to the age group of upto 25 years. Further, the gender-wise analysis of the payroll data indicates that net enrolment of female members has been 3.28 lakh in November last. Besides, a total of 44 transgender employees have also got registered under ESI Scheme in the month of November, 2024 which attests the commitment of ESIC to deliver its benefits to every section of the society.

The government has recently released the Provident Fund data saying the Employees' Provident Fund Organisation (EPFO) in November marked an increase of 9.07 per cent in net members on a month-on-month basis adding 14.63 lakh new members. Further, the year on year analysis reveals a growth of 4.88 per cent in net member additions compared to November 2023, signifying increased employment opportunities and heightened awareness of employee benefits, bolstered by EPFO's effective outreach initiatives. In terms of new members, EPFO enrolled around 8.74 lakh new members in November last an increase of 16.58 per cent when compared with October 2024.

TOP

Why section 80D limit for health insurance premium must be raised and allowed in new tax regime - The Economic Times - 24th January 2025

One of the long-standing demands of the general public is an increase in Section 80D tax deduction for health insurance premium paid, under the old tax regime. However, Section 80D of the Income Tax Act, 1961 which allows a tax deduction up to a specified limit for medical insurance premium has remained unchanged for many years. For general citizens below the age of 60 years, the limit for 80D deduction was raised from Rs 15,000 to Rs 25,000 in budget 2015 and it has not changed since then. For senior citizens the deduction limit was raised from Rs 30,000 to Rs 50,000 in the budget 2018. A strong case for an increase in the limit under Section 80D in the upcoming Budget 2025 can now be made considering the significant rise in healthcare costs recently.

What is the current Section 80D tax deduction limit?

If you are below the age of 60, you can claim up to Rs 25,000 deduction for paying health insurance premium. The health insurance policy can be taken for coverage of policyholder, his/her spouse and their dependent children. An additional deduction for insurance (premium) for parents is available up to Rs 25,000 if they are less than 60 years of age. If the parents are 60 years old or above, the deduction amount could go up to Rs 50,000. From FY 2015-16 a cumulative additional deduction of Rs 5,000 is allowed for preventive health checkups. However, this deduction of Rs 5,000 is limited to the umbrella limit of Rs 25,000 or Rs 50,000 depending upon the age of the parents. Do note you will not be able to claim this deduction in the new income tax regime. Only if you opt for the old tax regime then you can claim deduction under Section 80D.

Why the tax deduction under Section 80D for health insurance premium paid should be increased?

According to Aarti Raote, Partner, Deloitte India, the rising cost of medication and the increased incidence of critical ailments in recent times always takes a toll on the finances of the taxpayers in addition to the mental pressures. “Hence, health insurance is definitely recommended. Most taxpayers opt for health insurance to address any surprises.” Raote says, “However, post COVID there is a surge in the health insurance costs and the need for larger coverages has increased. Given the serious situation at hand, the current deduction limit for 80D doesn’t meet the financial burden on the individuals, especially those supporting elderly parents or inlaws.”

Raote further adds: “Hence it is advisable that the Government should extend this deduction to the taxpayers opting for Simplified Tax Regime but also revisit the deduction limits as the current limits for healthinsurance premiums are inadequate. A higher deduction would alleviate the financial burden for the taxpayers and help provide increased relief for them.” Rahul Charkha, Partner, Economic Laws Practice (ELP), says, “Over the last few years, health insurance premiums have increased by more than 25% annually for some age slabs. With the increase in awareness and hike in premium, it would be judicious to provide an aggregate deduction of up to Rs 2.5 lakh for health insurance premium and medical expenditure (the prevailing provisions provide for a maximum deduction of Rs 1 lakh under the old tax regime). This would provide impetus to the taxpayers who will have more security and gain tax advantage.”

Shilpa Arora, Co-Founder & COO, Insurance Samadhan, "As we move closer to the Union Budget 2025, more industry stakeholders are hoping for reforms in the health insurance regime. In this regard, consumers and health insurance companies are seeking tax relief and an increase in exemption limits to make policies more accessible. The prevalence of lifestyle disorders such as diabetes and hypertension, the rising cancer cases, and the soaring medical inflation, which currently stands at 14%, are making it challenging to manage medical expenses. Typically, to ease this financial burden, people opt for medical insurance. This makes it more crucial for the government to incentivize families to opt for higher-sum insured policies. Such policies, while requiring higher premiums, provide essential financial protection amid escalating healthcare costs. Currently, under Section 80D of the Income Tax Act, customers can get a deduction of up to Rs 25,000/year for health insurance premiums, while for senior citizens, the limit can exceed Rs 50,000/year. Additionally, consumers can opt for an extra Rs. 5,000 claim for preventive health checkups." Arora says: "However, I believe the government should increase the Section 80D tax exemption limit for health insurance under the old tax regime. Elevating the current limits will provide more tax relief to customers and encourage consumers to invest in health insurance. Sucha move would be in the interest of consumers and help them safeguard their financial interests against rising medical inflation rates and rising premium costs."

Why does the health insurance premium tax deduction need to be extended to the new tax regime also?

According to Charkha, tax deduction for health insurance premium is more of an economic centric than tax saving(s) tool considering the fact health costs have arisen. Hence a case for this deduction being given in the new tax regime makes sense. He says: “About 75% of Indians pay for medical services from their own pockets. They are not covered by any government or private health insurance schemes. The Covid-19 pandemic acted as a wake-up call after which the health insurance premiums increased substantially. The world was still recovering from the Covid-19 pandemic when the threat of HMPV outbreak raised alarms globally. The changing lifestyle resulting in unanticipated health hazards to those even in their prime has raised health concerns across the nation. In situations such as these, health insurance plays a major role in providing financial protection and access to healthcare facilities. To encourage taxpayers to make a provision for health emergencies, it is imperative that health insurance deductions be provided under the new tax regime as well.”

(The writer is Neelanjit Das.)

TOP

MOTOR INSURANCE

Now, online challans for insurance and PUC lapses too, fines up to Rs 10k – The Times of India – 30th January 2025

Keep your insurance and pollution certificate updated when you drive on city roads, even if you're sure not to encounter a police check anywhere on your route because you know the lay of the land. After violations like jumping signals, wrong-side driving and others, the police will start issuing online challans for lapsed PUC and insurance as well. This was so far done only after a physical check. Now, with the help of new software, cops can check digital records of vehicles captured in cameras and issue challans of Rs 10,000 for an invalid pollution certificate and Rs 2,000 for lapsed insurance.

DCP (traffic) Virendra Vij said on Wednesday that all preparations have been made to crack down on commuters violating traffic rules and driving without complete documentation. "In this regard, new software has been updated in all cameras in the city. If a camera catches a commuter breaking any traffic rule, the system will also check for documentation of the vehicle and automatically issue challans if insurance or PUC have expired," the DCP said.

The new system came into effect on Wednesday. Online traffic challans were introduced in Gurgaon only in 2019, when the first set of cameras were installed. At the time, only a few stretches of the city were covered, but this network has been expanded to 10,000 CCTV cameras currently.

"A significant portion of this network is dedicated to monitoring traffic and issuing challans, including AI-equipped cameras at key junctions, highways and expressways to detect violations such as helmet and seatbelt non-compliance," a police officer said.

Last year, cops issued 13.6 lakh challans, amounting to penalties of Rs 15.1 crore, for traffic violations. Most fines were issued for driving without helmets (2.1 lakh), wrong-side driving (1.7 lakh), and illegal parking (1.5 lakh). On Wednesday, commuters said they hoped such measures would help make the city's roads safer and easier to navigate. "Despite all the efforts, there has been little change in public behaviour. People are not careful about following traffic norms. I hope things will improve with time," said Lamuell Lal, a resident of Sector 40.

(The writer is Bagish Jha.)

TOP

REINSURANCE

Need policy framework to help states fund parametric insurance: Surbhi Goel – Business Standard – 30th January 2025

There is a need for a proper policy framework that will help states fund parametric insurance premiums, along with higher awareness of the need for the cover, said Surbhi Goel, India CEO, Munich Re, to Business Standard. It is the uncertainty about how to fund the premium that is holding back state governments from adopting disaster risk transfer parametric insurance, she said.

Parametric (or index-based) insurance is a type of coverage that focuses on the likelihood or probability of a loss-causing event occurring, rather than indemnifying the actual losses sustained. This type of insurance involves an agreement to make a payment when a specified event reaches or exceeds a predefined threshold, which is determined by an objective measurement or parameter. For example, the covered events could include earthquakes, tropical cyclones, or floods, with the parameters or indices being the magnitude of the earthquake, wind speed of the cyclone, or water depth in the case of a flood.

In India, currently, the Nagaland State Disaster Management Authority (NSDMA) is the only state entity that has signed a memorandum of understanding (MoU) with SBI General Insurance for the Disaster Risk Transfer Parametric Insurance Solution (DRTPS), which will help protect the state's critical infrastructure and reduce economic losses due to disasters. GIC Re and Munich Re are acting as reinsurers for three years. "Apart from awareness, I would say that a policy framework around disaster risk transfer and the use of insurance as a mechanism is essential," said Goel.

"One of the key things needed is more concrete guidance on the source of finance for implementing insurance schemes. A framework for insurance financing would be crucial, as even if states want to buy insurance, what holds them back is uncertainty about how to fund the premiums... Addressing the funding aspect would help improve the uptake of parametric insurance," she added. The premiums for parametric insurance coverage are usually in the range of 5-8 per cent of the sum insured. However, there is no specific sum insured.

"...there is a bit of ambiguity and scepticism around how the premiums for insurance would be financed. If we could develop a framework with the government on how to finance these premiums, it would encourage more adoption. The concern is about where the premium will be funded from," said Goel. Additionally, Goel said that an additional allocation of funds from the State Disaster Management Fund (SDMF) towards insurance and continuous dialogue between various stakeholders is necessary to promote insurance as an effective risk transfer tool. Further, natural disasters occurring across India are triggering more enquiries from other states. In a recent report, Munich Re noted that worldwide, natural disasters caused losses of $320 billion in 2024, compared to $268 billion in 2023. Of this, around $140 billion was insured, compared to $106 billion in 2023. In 2024, India witnessed multiple natural catastrophes, including Cyclone Remal, landslides in Wayanad, Cyclone Fengal, and cloudbursts in Himachal Pradesh, among others.

Apart from parametric insurance, Munich Re aims to continue growing sustainably in the Indian insurance market by focusing on long-term partnerships with risk transfer solutions in property, engineering, agriculture, and cyber. It also plans to continue developing and offering innovative insurance solutions such as performance warranties for solar PV and battery performance cover for electric vehicles (EVs), thereby promoting the energy transition in India.

(The writer is Aathira Varier.)

TOP

SURVEY AND REPORTS

India: New report suggests rationalisation of GST on insurance premium - Asia Insurance Review - 28th January 2025

SBI Research division in a new research report has proposed that the government may consider no goods and services tax (GST) on insurance and separate deductions in new tax regime for social security. The report released in January 2025 said providing separate deductions in the new tax regime for social security, will help revive the insurance sector. The research report said as per the Insurance Regulatory and Development Authority of India, insurance penetration in India dropped to 3.7 percent in FY24 from 4 percent in FY23 and 4.2 percent in FY22. This decline is mainly due to a decline in life insurance penetration, raising concerns over the IRDAI's mission of "Insurance for all by 2047".

(The writer is Anoop Khanna.)

TOP

INSURANCE CASES

Insurer made to pay 3.4L bariatric surgery claim – The Times of India – 30th January 2025

The Surat Consumer Disputes Redressal Commission (additional) has directed an insurance company to pay Rs 3, 39,691 for the bariatric surgery of a 42-year-old policyholder, after the company had rejected the claim. The company had repudiated the claim saying the policyholder had not declared his obesity in the policy proposal. The court observed that the insurance company had not requested any such information and ordered it to pay the claim along with compensation for harassment and legal costs. The 42-year-old Dabholi resident filed his complaint through advocate N H Navadiya on Oct 10, 2022. The complainant had taken a Rs 5 lakh floater policy for his family for the period of Aug 24, 2021, to Aug 23, 2022, from Cholamandalam MS General Insurance Co Ltd.

He had held a mediclaim policy since 2010. He received treatment for morbid obesity from Jan 27, 2022, to February 1, 2022, at a private hospital in Surat. During this time, he underwent bariatric surgery for which he paid Rs 3, 39,691 and later registered a claim. The insurance company rejected the claim stating: "The insured is suffering from obesity prior to the policy inception date as per the history recorded and documents. This was not declared in the proposal form." The lawyer of the insurance company contended that the insured person did not declare his obesity even though he had been suffering from it for three years before the commencement of the policy. In his statement to the investigator of the insurance company, the complainant accepted that he weighed between 115kg and 136kg for the last three years. He underwent surgery on the advice of a doctor.

Advocates N H Navadiya and Jignesh Hariyani argued on behalf of the complainant that the investigator provided a report of prior treatment, but the insured person did not receive any treatment in the past. The company cannot reject the claim based on the investigator's report. After listening to both parties, the court observed: "No details on obesity were sought during the filling of the proposal form. The insurance firm also failed to prove that the complainant received treatment for obesity before commencement of the policy. Even after these facts, the company rejected the claim based on non-disclosure of facts. This is a deficiency in service on the part of the company, which is liable to pay the claim." The court also ordered payment of Rs 2,000 as compensation for harassment and Rs 2,000 for legal expenses apart from the Rs 3, 39,691 claim amount.

TOP

HC rules construction sites as 'public places' under MV Act – The Times of India – 29th January 2025

Karnataka high court has ruled that even though a construction site is private property, it should be considered a 'public place' under the Motor Vehicles (MV) Act because it is accessible to workers, managers, and others. The court made this observation while rejecting an appeal filed by Oriental Insurance Company Ltd in connection with compensation payable to the family of a deceased construction worker. On Nov 14, 2011, Devendra Eligar, who was working as a concrete application supervisor/mason, along with his father-in-law Venkoba Eligar, was on duty at an under-construction building on Begur-Koppa Road, Bengaluru. After work, around 11pm, Devendra and other workers were sleeping in the compound in front of the building's C-Block when a rashly driven brick company lorry ran him over while reversing.

His kin moved the Motor Accident Claims Tribunal, Bengaluru. On Feb 7, 2014, the tribunal awarded Rs 11.5 lakh as compensation with 6% interest. The insurer challenged the order, contending that fastening liability on it wasn't correct as the insurance policy issued was a contractor's plant and machinery one that didn't cover third-party risk. The company further claimed the accident didn't take place in a 'public place' but in a construction area, which is a private space. "Therefore, though the claim petition under Section 166 of the Motor Vehicles Act is maintainable, the insurance company isn't liable to pay the compensation," the court was told. On the other hand, the claimants — family members of the deceased — argued that though the accident took place within a construction area, it was accessible to the public and hence came under the definition of a 'public place' as per Section 2(34) of MV Act.

After perusing the materials on record, Justice Hanchate Sanjeevkumar noted that though a construction area is private property, it is made accessible to workmen, supervisors, managers, engineers, and loaders of construction material. Transportation of Lorries inside the area amounts to it being accessible to the public. "The site in which the accident occurred isn't fully occupied for the private purpose of the construction site. It is still at the stage of construction, and these workers, as stated above, can access the site for constructing the building; therefore, it is accessible to the public. Under these circumstances, the accident occurred. Therefore, the said construction area is to be construed as a public place as per Section 2(34)," the judge observed. Justice Sanjeevkumar further pointed out that just because the accident occurred around 11pm, it can't be said the area wasn't accessible or a public place, as contended by the insurer. He said until construction is completed and the building is occupied by private persons exclusively for their own use, the site is to be construed as a place accessible to the public. In addition, the particulars of the insurance policy also cover third-party risk, he said while dismissing the appeal.

(The writer is P Vasantha Kumar.)

TOP

PENSION

Past retirees of NPS can also opt for Unified Pension Scheme – The Hindu Business Line – 26th January 2025

A National Pension System (NPS) Government Employee, who retires on or before March 31, 2025 can opt for Unified Pensions Scheme (UPS). Said Finance Ministry in a notification dated January 24. UPS is to be operationalised from April 1, 2025. The scheme will not be available for employees who were removed or dismissed from service or have resigned from service. "The provisions of Unified Pension Scheme will also be applicable, mutatis mutandis to past retirees of NPS, who have superannuated before the date of operationalising of Unified Pension Scheme. Such superannuated employees will be paid arrears for the past period along with interest as per Public Provident Fund rates. The monthly top-up amount for such superannuated employees, to be determined by the Pension Fund Regulatory and Development Authority (PFRDA), will be paid after adjusting the withdrawals made by, and annuities paid to, them," the notification said.

NPS (Previously known as New Pension Scheme) is for a government employees who joined service on or after January 1, 2004. The scheme started with officers and employees of Central Government and then various State Governments opted for it. This is defined contribution scheme under which an employee contributes 10 percent of basic and dearness allowance, while government's share is up to 14 percent. Under UPS, while an employee's contribution will remain 10 percent, government's contribution will be 18.5 percent. The pension corpus will be divided into two funds. First will be an individual pension fund to which the employee contribution (10 percent of basic+DA) and matching government contribution will be credited and amount will be invested as per the choice of investment made by the individual employee. Second will be a separate pool corpus with additional government contribution alone (8.5 percent of basic and DA of all employees) and invested separately. According to officials, assured pension will be based on the 'default mode' of investment pattern notified by PFRDA (Pension Fund Regulatory and Development Authority) considering full annuitiszation of individual pension corpus.

Apart from the default option, a 2019 notification prescribes three other options for investment choices. Government employees who prefer a fixed return with minimum amount of risk may be given an option to invest 100 percent of the funds in government securities (Scheme G). Those who prefer higher returns may be given the options of the two-life cycle-based schemes – Conservative Life Cycle Fund with maximum exposure to equity capped at 25 percent and Moderate Life Cycle Fund with maximum exposure to equity capped at 50 percent.

Under the UPS, employees will have the option to choose the investment option for first fund only, while the investment decisions for the second fund will solely rest with Central Government, the notification said. As many as 23 lakh central government employees can benefit from UPS. The rollout of UPS will entail an additional outgo of ₹6,250 crore for the Centre in first year and arrears of ₹800 crore in first year. Also, as many as 90 lakh State government employees can potentially benefit from UPS if the States decides to switch from NPS to UPS for their employees.

(The writer is Shishir Sinha.)

TOP

GLOBAL NEWS

Global reinsurance is stable for 2025 – Asia Insurance Review

The global reinsurance sector is in a stable position for 2025, said S&P, according to its latest report on the topic. The ratings agency is expecting strong operating profits, aiding global reinsurers in earning their cost of capital in 2024-2025. Reinsurers are also benefiting from favourable pricing, supported by terms and conditions in short-tail lines, overall underwriting discipline, and increasing reinsurance demand. In addition, the industry continues to gain from strong investment income due to high bond yields.

The sector also saw robust capitalisation that was redundant at the 99.99% confidence level at year-end 2023 and expected to remain so through year-end 2024, providing a cushion for potential stresses. Favourable reinsurance pricing, supported by terms and conditions in short-tail lines, overall underwriting discipline, and increasing reinsurance demand, adds to the tailwinds that the sector is experiencing. Global reinsurers generated a strong combined ratio of 91.5% in 2023, significantly better than the previous four-year average of 99.5%.

This positive trend continued into the first nine months of 2024, with generally accepted accounting principles (GAAP) filers' combined ratios in the low 90s and IFRS 17 undiscounted combined ratios of low to mid 90s. "We expect strong results in 2024-2025, driven by overall still-favourable pricing in short-tailed lines. Natural catastrophe losses and U.S. casualty adverse developments in certain lines are key risks," S&P said.

Headwinds

However, the reinsurance sector continues to grapple with elevated natural catastrophe influenced by inflation, urbanization, and climate change. Global insured natural catastrophe losses in 2024 reached $145bn, surpassing $100bn for the fifth year in a row. Reinsurers have made structural improvements and lowered exposure to high frequency events in 2023 and 2024, though primary perils remain a big risk for the sector. At the same time, property catastrophe reinsurance pricing has given ground globally, although S&P believes that pricing is still favourable. These pricing declines can be linked to increased reinsurance capital, leading to a heightened readiness to deploy capacity. Reinsurers also appeared to offer more flexibility on limits and terms and conditions, the report said. Additionally, economic inflation, although abating, and social inflationary concerns, as reflected in adverse loss cost trends in certain US casualty lines, remain as challenges for the sector. Potential financial market volatility and geopolitical tensions may impact both sides of the balance sheet, coupled with a relatively high cost of capital, the report said.

TOP

Post Graduate Diploma in Collaboration with Mumbai University

Post Graduate Diploma in Health Insurance (PGDHI)

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

Post Graduate Diploma in Insurance Marketing (PGDIM)

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