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QUOTE OF THE WEEK

"The secret of success is to be in harmony with existence, to be always calm to let each wave of life wash us a little farther up the shore."

CYRIL CONNOLLY

Insurance Term for the Week

Theory of Probability

The theory of probability aims to establish patterns for the occurrence of various types of events by using mathematical or statistical methods.

Insurance companies use this approach to draft and price policies. When issuing health insurance, for instance, the policy given to a smoker is likely more expensive than the one issued to a non-smoker. Statistical figures show a stronger association with a variety of health risks for habitual smokers or those with a history of smoking. Insuring a smoker, then, is a greater financial risk given their higher probability of serious illness and, hence, of filing a claim.

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Insurance Sector Budget: What's in store for the sector? Here's what experts say – Moneycontrol – 1st February 2024

The insurance sector of India is hoping for forward-thinking steps towards inclusivity, making insurance accessible to people with no access to insurance and with a particular focus on supporting the LGBTQIA+ community from interim budget 2024-25.

"We would also recommend the removal of the five percent GST on room rent exceeding Rs 5,000, particularly in metropolitan areas where prevailing prices in major private hospitals are high. These proposed measures will foster a more inclusive landscape and help increase insurance accessibility and penetration, " said Shanai Ghosh, MD & CEO, of Zuno General Insurance.

However, the insurance sector is also hoping for tax relief from the Union budget 2024, which will enable insurers to give customers pricing advantages, besides a provision to introduce fresh schemes to offer customers more options to safeguard against escalating health costs in India. "I anticipate the 2024-25 budget to be pivotal for the insurance sector. While it's an interim budget, our industry expects significant considerations. A re-evaluation of the current 18 percent GST rate is crucial, aiming to reduce premiums and grant customers pricing advantages," said Mayank Gupta, Co-Founder, of Zopper, an insurance brokerage.

"Strategic promotion of term life products through initiatives is essential. Embracing technology remains paramount in achieving the Insurance Regulatory and Development Authority's (IRDAI's) 'Insurance for all by 2047' vision. Moreover, facilitating more mergers and acquisitions will enable us to introduce innovative products, extending our reach to the masses," Gupta added. At the beginning of 2023, life and health insurance companies had drawn up budget wish lists – a separate tax deduction bucket for life insurance premiums, a higher deduction limit for health insurance premiums, and tax exemption on annuity income.

However, on February 1, Finance Minister Nirmala Sitharaman delivered a blow to the traditional endowment category, the core of insurers' product portfolios. She announced the withdrawal of tax-free status to maturity proceeds of traditional endowment products where the annual, aggregate premiums paid by the policyholders exceed Rs 5 lakh. This applied to policies sold from April 1, 2023. "We recommend the government consider the following measures: raise the health insurance premium tax exemption limit to Rs 75,000, decrease GST on electric vehicle (EV) insurance to five percent, offer subsidies or tax credits for comprehensive insurance on EVs, introduce a tax deduction for home insurance premiums under Section 80C, and provide tax incentives for cyber insurance, especially for small and medium enterprises, to bolster resilience against cyber threats and data breaches, " said Rakesh Jain, CEO, Reliance General Insurance.

Life insurance firms, too, got a rude shock from the Budget 2023-24 when Sitharaman pushed for Indians to adopt the new income tax regime that does away with exemptions on investments. She also announced curbs on exemptions involving high-value insurance policies. "(The) proposal…is to limit income tax exemption from proceeds of insurance policies with very high value," Sitharaman said. From the new fiscal year 2023-24, earnings from insurance policies having an aggregate premium of more than Rs 5 lakh will not be exempt from income tax, the budget had said.

"We have been asking the government to introduce a separate tax deduction limit for life insurance for the last five to six years but nothing has happened. The reason is that the current Section 80 C is too cluttered where a person can claim deductions up to Rs 1.5 lakh for PPF (Public Provident Fund),

Sukanya Samriddhi Scheme, ELSS (Equity Linked Saving Scheme), tax saving fixed deposits, school fees, the principal sum of a home loan, including life insurance, "said Vighnesh Shahane, MD & CEO, Ageas Federal Life Insurance.

(The writer is Harsh Kumar.)

TOP

Sitharaman's Pledge for Indian P&I Insurance Entity Sparks Hope - Construction World – 30th January 2024

In a significant move to bolster India's maritime insurance sector, Finance Minister Nirmala Sitharaman has hinted at the creation of an indigenous Protection & Indemnity (P&I) insurance entity in the upcoming interim budget for the fiscal year 2024. The move is seen as a proactive step towards addressing the existing gaps in the maritime insurance landscape and fostering a robust ecosystem. Sitharaman expressed her commitment to this initiative, stating, "We recognize the importance of a strong maritime insurance framework in protecting our economic interests. The establishment of an Indian P&I insurance entity is under serious consideration as we aim to strengthen the resilience of our maritime sector."

The maritime industry has long felt the need for a domestic P&I insurance entity, as the current reliance on foreign providers poses challenges in terms of cost, coverage, and responsiveness. The proposed entity is expected to cater specifically to the unique requirements of Indian shipping companies, providing tailor-made solutions that align with the country's economic interests.

Stakeholders from the shipping and insurance sectors have welcomed the announcement, anticipating positive implications for both industries. Capt. Rajesh Kumar, a prominent figure in the maritime community, remarked, "This is a decisive step towards self-reliance in maritime insurance. A dedicated P&I entity would not only enhance risk management for our shipping companies but also contribute significantly to the growth of the maritime sector."

The move aligns with the government's broader economic policy of promoting self-sufficiency and reducing dependence on external entities for critical services. The establishment of an Indian P&I insurance entity is expected to have a cascading effect on the overall risk management capabilities of the maritime industry, fostering growth and resilience.

While specific details about the proposed entity and its operational framework are yet to be unveiled, industry experts are optimistic about the government's proactive approach to address this longstanding issue. The maritime sector plays a pivotal role in India's trade and commerce, and a robust P&I insurance framework is essential to safeguard against potential risks and uncertainties.

As the anticipation builds, stakeholders eagerly await the Finance Minister's detailed announcement in the forthcoming interim budget, hoping for concrete measures that will propel India towards becoming a global leader in maritime insurance.

TOP

INSURANCE REGULATION

Insurance firms must adhere to best practices for customers: Regulator – Business Standard – 26th January 2024

The insurance regulator has asked companies to adhere to ethical practices when selling products and ensure customers' interests are protected. Debasish Panda, chairman of the Insurance Regulatory and Development Authority (IRDAI), made these points at the fifth edition of Bima Manthan conference held in Hyderabad on Thursday when he addressed industry chief executive officers and discussed major segments and opportunities. The discussions were on improving the efficiency of distribution channels, stopping mis-selling and force selling, and intensifying efforts for payments. The key focus of the

conference was reviewing the insurance industry's performance till the third quarter of Financial Year 2023-24.

Participants also discussed availability of affordable insurance products for all segments of the society, adopting technology, leveraging the India Stack, updates on the State Insurance Plan, and the movement towards principle based regulatory architecture, said IRDAI. Industry executives said that they are committed to redoubling efforts for affordable, customised, and diverse products. They acknowledged the value of databases and collaborations to broaden their outreach. About health insurance, the conference discussed the goal of achieving 100 per cent cashless claims settlement and implementing a common empanelment system for network providers. It also discussed expanding health insurance in the country and the swift implementation of awards decided by the insurance ombudsman. The Insurance Information Bureau of India, the sectoral data repository, presented various data analytical tools, reinforcing the industry's commitment to staying abreast of technological advancements. The mission of achieving maximum insurance inclusion received further impetus through deliberations, said IRDAI. Industry stakeholders gave their views on the proposed principle-based regulations as well.

(The writer is Aathira Varier.)

TOP

LIFE INSURANCE

Life insurers urge distinct premium deductions in Modi's election budget for old and new tax regimes – Moneycontrol – 1st February 2024

As part of Budget 2023 announcements, Finance Minister Nirmala Sitharaman decided to withdraw tax-free status to maturity proceeds of traditional endowment policies. This came as a huge setback for many life insurance companies. Ahead of interim Budget 2024, insurance companies are hoping that the cap will be relaxed.

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Despite the finance minister having ruled out any spectacular announcements this time round, given that it's a vote-on-account, they continue to hope for other positive surprises too. For instance, Unit-linked life insurance policies (Ulip) with aggregate annual premiums of over Rs 2.5 lakh came in the line of fire in 2021, followed by traditional endowment policies with annual premiums of over Rs 5 lakh in 2023. To start with, life insurance officials are hoping that there won't be any such shock in store this year. In Budget 2023, the life insurance industry suffered a blow in the form of the withdrawal of tax-free status to maturity proceeds of high-value endowment policies. From April 1, 2023, maturity proceeds of fresh traditional endowment policies with an aggregate annual premium of over Rs 5 lakh stopped enjoying this critical tax benefit.

Life insurers are hoping that the government will relax this rule. "The industry has been seeking a review of the Rs 5-lakh cap and urging the government to consider increasing it to Rs 10 lakh. We may see some changes on that front," says Sumit Rai, MD, and CEO, of Edelweiss Tokio Life Insurance.

Separate deduction for term policies, also under the new regime
India's penetration, despite the growing awareness and efforts by the regulator, government, and other stakeholders, continues to be low at 4 percent.

"India faces a severe issue of inadequate insurance, that is, when a family's primary earner passes away, the money left for the survivors to live and settle debts is usually less than what's needed. So, we request the government to consider introducing a separate tax deduction limit for term life insurance under the

old tax regime, as the current Section 80C also covers other tax-saving products," says Prashant Tripathy, MD and CEO, of Max Life Insurance. Given the indispensability of protection cover, he feels deduction on life insurance should also be allowed under the new, minimal exemptions regime.

Sarbvir Singh Joint Group CEO, of PB Fintech (Policybazaar's parent company concurs: "There's a need to rethink taxes on the insurance category as a whole to find a fair balance. To begin with, the maximum deduction limit of Rs 1,50,000 under section 80c gets exhausted owing to other allowable expenses like PPF, loans, etc. It's time we declared a dedicated exemption category just for term insurance to fill this gap. This will also incentivise taxpayers to opt for term plans with higher coverage," he says.

Need parity with NPS

The industry wants the government to take steps to facilitate deeper insurance and pension penetration. Extending NPS tax benefits to insurance companies' pension policies can help expand pension coverage, industry officials feel. Currently, apart from deductions of up to the overall 80C limit of Rs 1.5 lakh, NPS investment also enjoys an additional tax break of up to Rs 50,000 under section 80CCD (1B). Employers' contribution to employees' NPS of up to 10 percent of their basic pay is also allowed as a deduction.

"With a significant number of people heading towards retirement age in the next decade, incentivising the purchase of products in the pension category becomes crucial in this interim budget. Life insurance annuities or pension products should be aligned with the National Pension Scheme (NPS). We also advocate for an additional deduction of Rs 50,000 or more," says Tarun Chugh, MD and CEO, of Bajaj Allianz Life Insurance.

Tax-free status to annuity income

This has been a long-standing demand of the life insurance industry, which provides annuities not only for life insurance pension policies but also for the National Pension System's (NPS) 40 percent corpus that has to be converted into annuities. Industry officials believe abolishing tax on annuities will help retirees as well as the pension sector.

"Many Indians don't save enough for retirement, and the gap between needed and available retirement funds is expected to reach $85 trillion by 2050. Investing in pension and annuity products is crucial for income after retirement. Making taxes simpler or removing them for these products will encourage more people to invest in these important financial protection plans," says Satishwar B, MD and CEO, of Aegon Life Insurance.

(The writer is Preeti Kulkarni.)

TOP

Evaluate your insurer based on 3 key parameters – Live Mint – 31st January 2024

Life insurance plays a key role in every Indian's financial planning strategy. It is not just a component; it serves as a key safeguard for securing one's future. It is paramount to understand the focal role of life insurance in protecting your loved ones from unexpected life events, particularly given the absence of a robust social security net in India. It is not only important to include life insurance in your financial plan, but also a necessity. The mantra individuals should follow when developing a financial plan should be to 'protect and save.'

As individuals realise the significance of including life insurance in their finances, choosing the right life insurance provider becomes crucial. Life insurance products are purchased for the long-term and changing mid-way is not an option as premiums rise with age.

Life insurance is a promise made by the company, on behalf of the policyholders, to provide financial security to the family in their absence. Hence, choosing wisely means having a stable and reliable insurance partner to support your financial plan. This begs the question, what elements should you weigh in on when opting for a life insurance partner?

Quarterly claim settlement showcases consistency

Typically, when individuals purchase life insurance, they focus on policy specifics such as benefits, features, premiums, and the annual claim settlement ratio. They may also depend on advisors, agents, family or friends and social media for guidance. Since relying on the annual claim settlement ratio can be misleading, individuals should study the consistency with which the insurer has settled claims throughout the year. Therefore, it is imperative to evaluate the claim settlement ratio on a 'quarterly' basis.

The claim settlement ratio represents the proportion of claims settled against the total number of claims received in the period. For instance, an insurance company receives 100 claims in a quarter, of which 98 were settled. The claim settlement ratio in this case equals 98%. A higher ratio signifies an insurer's commitment to delivering on its promise, ensuring nominees receive the claim proceeds in their hour of need. After all, you purchased life insurance to provide financial security to your family.

Evaluate the claim settlement turnaround time

Another aspect individuals should evaluate along with the claim settlement ratio is the average turnaround time to settle claims. What really makes the claim settlement ratio even more potent is when it is studied in conjunction with the turnaround time of life insurers in settling claims. This denotes the duration taken by an insurance company to settle claims. For instance, life insurers have implemented service initiatives such as 'Claim for Sure' which settle eligible claims in one day after all documents are submitted.

While declaration of claim settlements is mandatory for insurance companies, declaration of the claims settlement turnaround time is purely voluntary and only customer-friendly life insurance companies do it of their own volition and as a matter of transparency.

The combined effect between claim settlement ratio and turnaround time presents a comprehensive view of an insurer's performance. A high claim settlement ratio coupled with a swift turnaround time portrays an insurer's reliability not just in settling claims but also ensuring nominees/claimants receive the rightful dues promptly.

Life insurers and customers share joint responsibility

The magnitude of life insurance in one's financial portfolio cannot be exaggerated. When selecting a life insurance provider, individuals must focus on those with high claim settlement ratios and swift turnaround times which serve as robust markers of reliability and commitment to serving policyholders diligently.

The responsibility doesn't squarely rest on the shoulders of life insurers, customers should ensure that all health and material information is truthfully disclosed at the time of purchase. This will ensure a smooth claim settlement process for the nominee. In essence, a judicious blend of these metrics offers a comprehensive evaluation, ensuring a secure and dependable financial shield for loved ones in uncertain times.

(The writer is Amish Banker.)

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(The writer is Amish Banker.)

TOP

The Evolving Landscape: How ULIPs Adapt to Market Conditions for Optimal Investment Returns – The Economic Times – 28th January 2024

In the ever-evolving landscape of financial instruments, Unit Linked Insurance Plans (ULIPs) have emerged as versatile tools, providing not only insurance coverage but also a pathway to wealth creation. Offering a unique blend of insurance and investment, ULIPs have gained prominence as lucrative options for individuals seeking financial security and the potential for faster wealth growth compared to traditional investment avenues.

The distinct feature that sets ULIPs apart is their ability to link insurance with investments, creating a symbiotic relationship between the two. This innovative approach allows policyholders to enjoy dual benefits, combining the protective umbrella of insurance coverage with the growth potential of strategic investments. The growth potential in ULIPs is closely tied to market movements, presenting investors with the opportunity to capitalize on favorable conditions through a diverse range of funds.

This flexibility within ULIPs empowers investors to make strategic decisions based on market dynamics. As financial markets fluctuate, ULIPs enable investors to navigate the ups and downs, harnessing the upward trajectory through a diverse range of funds. This unique characteristic positions ULIPs as dynamic instruments that adapt to market conditions, potentially enhancing the overall value of the investment portfolio.

For those looking to ensure a continuous flow of money from their ULIPs, the systematic withdrawal option proves to be a valuable strategy. This feature allows policyholders to receive a regular stream of income from their ULIP investments, providing a reliable and steady cash flow. By opting for this systematic approach, individuals can secure a steady income stream, making ULIPs not only a tool for long-term wealth creation but also a dependable source of income.

The whole life option in ULIPs adds another layer of comprehensiveness to financial planning. Aligned with the unique financial goals and preferences of the investor, this option offers a structured and disciplined approach to wealth accumulation and legacy planning. ULIPs often provide an edge over other financial tools by providing customers with optimum stability across different life stages and milestones.

The versatility of ULIPs is further underscored by the wide variety of funds they offer, catering to different risk appetites and investment goals. From equity-oriented funds for those seeking higher returns to debt funds for more conservative investors, ULIPs provide a range of options for individuals to tailor their investments. This adaptability makes ULIPs a suitable choice for investors with varying risk tolerances and time horizons, allowing them to align their investment strategy with their financial aspirations. Moreover, ULIPs also offers Waiver of Premium (WOP) feature that ensures fulfillment of long-term investment goals even in case of unfortunate incidents like the untimely demise of the policyholder.

One compelling reason to consider ULIPs for wealth accumulation is the return of mortality charges at maturity feature which is one of the popular features available in many ULIPs these days. In contrast to traditional insurance policies, this feature reimburses the mortality charges deducted over the policy tenure in applicable ULIPs. This unique feature not only contributes to enhanced overall returns but also adds to the policyholder's cash richness upon maturity. This distinct advantage positions ULIPs as an attractive option for those looking to accumulate wealth systematically.

In conclusion, Unit Linked Insurance Plans (ULIPs) offers an attractive avenue for individuals to become cash-rich while fulfilling their insurance needs. The growth potential driven by market movements,

coupled with features such as systematic withdrawal options and diverse investment strategies, positions ULIPs as dynamic financial instruments. With their unique blend of insurance and investment, ULIPs present a comprehensive solution for those aiming to thrive in the dynamic and ever-evolving financial landscape. Whether it's navigating market fluctuations or securing a steady income stream, ULIPs provide a versatile and robust platform for individuals to achieve their financial goals.

(The writer is Akshay Dhand.)

TOP

Insurance plans vital to retirement planning, says Srinivas Balasubramanian of ICICI Prudential – Live Mint – 28th January 2024

Retirement planning is like planning for a road trip and the insurance product we choose acts as a GPS device to help us navigate that journey, says Srinivas Balasubramanian, Head of Products, ICICI Prudential Life Insurance Company. In an interview with MintGenie, Balasubramanian said that to increase insurance penetration across the country, IRDAI is working towards implementing Bima Sugam, Bima Vahak, and Bima Vistaar initiatives.

Q. While there is an increase in life insurance purchases, there remains a necessity to enhance accessibility in India. What areas does the life insurance industry fall short in to improve accessibility?
The life insurance industry in India has registered a 13% year-on-year growth in total premium income, amounting to ₹7.83 trillion during FY2023, according to the IRDAI Annual Report, indicating an increase in the uptake of life insurance products. Understanding customers' needs and making life insurance products affordable are crucial factors in enhancing accessibility. Life insurance companies are implementing various strategies such as leveraging technology for distribution, simplifying products, and creating more affordable and customisable products tailored to the specific needs of the customers.

Additionally, to increase insurance penetration across the country, the IRDAI is working towards implementing Bima Sugam, Bima Vahak, and Bima Vistaar initiatives. These initiatives will collectively work towards making insurance more accessible, simplified, and tailored to the needs of the Indian population.

Q. Insurance firms seem to have shown limited initiative in innovating their range of products. What are your thoughts on this matter?
Life insurance companies broadly offer three different categories of products – which are health and protection, annuities, and long-term savings. Product innovation across all these categories is ongoing and has received further fillip thanks to the facilitative regulations introduced by the regulator such as the "use and file" approach, sandbox regulations, and so on. These have enabled insurers to be nimble and adapt to the changing needs of consumers and society in general.

Earlier in the protection category, one could either go for pure term or term with a return of premium. These were the two options. In recent years, insurers have introduced several innovative features. For instance, products now provide life stage-based covers wherein the life cover adjusts automatically based on the customer's life stage. Additionally, they can also opt for early return of premiums during the policy term itself. Notably features such as the Life Continuity Option offer the flexibility to receive the life cover as monthly income for up to 30 years, providing relief to claimants who may not be financially savvy to manage the lumpsum they would have received. These are some of the recent innovations.

Innovations in long-term savings include the introduction of features such as early income, which allows policyholders to start receiving guaranteed income from the second year of the policy which was unheard of previously. Options like increasing income are also recent innovations in this space. Similarly, the annuity category too has seen many new options being launched recently such as deferred annuity, an annuity with a waiver of premium, or options that address aging-related special requirements. So, innovation has been happening and will continue to happen as people become increasingly aware of the role of insurance in their financial planning.

Q. What factors should you consider while planning your retirement using life insurance products?
In general, retirement planning is about asking three basic questions – when will I retire? (i.e., how many years of active employment are left?), how much will I need when I retire? (i.e. what is the kind of lifestyle one wants?) and how much have I already accumulated?

Once these coordinates are fixed, retirement planning is like planning for any other road trip and the insurance product becomes like a GPS device to help us navigate that journey. Importantly one should plan well and invest in the right retirement products to lead a financially stress-free retired life. It is also crucial to start the retirement planning process early. This enables individuals to regularly save and derive significant benefits from the 'power of compounding'.

Retirement planning can be divided into two phases, i.e. the accumulation and pay-out phases. Insurance companies offer products that can help in both phases. In the accumulation phase, insurers offer long-term savings products such as 'ULIPs' and 'Traditional' savings products. Broadly speaking, individuals comfortable with market-linked savings can choose a ULIP, while those who are risk-averse can opt for traditional savings products. Additionally, individuals can also consider NPS for retirement.

During the pay-out phase when individuals require a steady income, they can purchase an annuity product from insurers. This product guarantees income for life. It's important to note that only insurers can offer guaranteed income for as long as one lives. Additionally, selecting the Joint Life option ensures that their spouse will also receive regular income for life.

Q. In this age of ULIPs and high-interest bank deposits, do you think people will continue to flock to endowment plans and moneyback policies?
ULIPs, bank deposits, and traditional insurance products represent distinct financial tools, each equipped with unique attributes and benefits that address diverse financial requirements. Essentially life insurance savings plans like endowment, money-back, or Unit-Linked Insurance Plans (ULIPs) provide a means to accumulate wealth over time. These policies are structured to assist individuals in achieving their long-term financial goals. Choosing among these options hinges on an individual's specific financial circumstances, investment objectives, and risk tolerance.

Traditional insurance products offer customers a complete risk-free benefit. Essentially, no other product can offer a guarantee today on future investments that the customer will make. These products mitigate reinvestment risk and offer individuals a reliable, guaranteed income unaffected by interest rate fluctuations. This feature is particularly beneficial for individuals saving for long-term objectives such as funding children's higher education or securing an additional income stream. Furthermore, their ability to deliver assured, stable, and secure returns, coupled with financial security by way of life cover. Essentially, there will always be a strong customer proposition that these products bring to customers.

Q. Despite realising how inflation devalues money in the long run, why do so many people opt for term return of premium policies?
This boils down to individual choice. There will always be a segment of customer who would want to get their premiums back if they outlive the policy term. Responding to this customer mindset, the industry has designed TROP (term plans with return of premium option) plans.

Nowadays, insurers are expanding the scope of such plans by integrating additional benefits to offer policyholders more comprehensive coverage and added value. For example, products like ICICI Pru iProtect Smart Return of Premium also offer coverage against 64 critical illnesses at a premium that remains constant throughout the tenure of the policy.

Q. Covid-19 pushed more people into buying life insurance. Do you think more than marketing gimmicks, it is the renewed threat of epidemics that encourages people to secure life coverage?
The perception of mortality often takes a backseat in people's minds until they are confronted with its reality, either through personal experience or witnessing its impact on someone close. COVID-19 highlighted the unpredictability of life and the importance of being financially prepared for unforeseen

circumstances. So, it is hardly a surprise that this event spurred people to assess their insurance requirements.

Concurrently, the Insurance Regulatory and Development Authority of India (IRDAI) has been actively working on various initiatives to enhance awareness about life insurance products among the Indian populace. One of the key initiatives involves the Bima Vahaks program which is focused on enhancing insurance inclusion and creating awareness in every village/gram panchayat about insurance. Additionally, the industry and the regulator are also working on the implementation of Bima Sugam and Bima Vistar to ensure insurance is more accessible and affordable to all.

Additionally, technology is playing a crucial role in simplifying the products, processes, and accessibility of life insurance products, making it more convenient for individuals to purchase life insurance. These initiatives collectively aim to increase awareness and empower consumers to make informed choices regarding life insurance. So, a combination of rising awareness, enabling regulations, and increasing digitalisation will help improve overall insurance penetration.

(The writer is Abeer Ray.)

TOP

GENERAL INSURANCE

40After40 expo: we don't need a crazy amount of money to be happy; make insurance cheap, says Tapan Singhel - Outlook India - 27th January 2024

Delivering an engaging speech at Outlook Money's 40After40 Retirement Expo, Tapan Singhel, the Managing Director and CEO of Bajaj Allianz General Insurance, said that as the country is growing economically and becoming richer, it is also becoming unhappy and lonely for seniors and emphasised on the critical need for a comprehensive wellness strategy in India. Tapan Singhel began his speech by prompting the audience to reflect on the paradox of India's economic growth and the apparent decline in happiness. "Our country has become richer. We have become the fifth-largest economy, and you're talking about becoming the third-largest economy. But have you noticed that we have become sadder than when we were not so rich? Have you noticed in your own life that if you look back 10 years, you could say you were happy?"

Tapan Singhel emphasized the global trend among successful individuals who prioritise mindfulness, meditation, and a circle of friends for overall wellness. "Pick up anybody you admire or think is successful, and try to figure out their lifestyle. You'll notice that this person talks of mindfulness. The second thing you'll notice is doing some yoga and meditation. Mindfulness, exercise, and then you will see they have a group of friends, important factors for you to have a good life. And then they'll talk about a moderate income level," Singhel said.

Singhel talked about the historical perspective of wellness in India, highlighting India's traditional knowledge of holistic living. However, he lamented the loss of this knowledge. His speech touched on significant issues, such as the growing ageing population and their lack of financial coverage. "The country will propel you to become big economically. But look at the social issues. A huge number of elderly people are staying alone. They fend for themselves. Do we have a pension scheme sufficient enough for them to take care of themselves? No. Is the current generation thinking about retirement and savings? The answer's no; we're moving to a consumer-centric economy, which is good, but think about it," he said.

"There is a huge elderly population, with successful kids across the globe, who would be staying alone. That's the reality, and it (their numbers) will become bigger and bigger. Is the government thinking about it? As a society, are we thinking? All the statistics say that 7 per cent of Indians go below the poverty line every year because they can't afford health expenses," Singhel added. He gave an example to underscore the financial hardship of people. "If you go to any hospital, try standing near the billing counter; you will

come across people selling jewellery, selling land, and taking loans to pay for expenses. If somebody falls ill, the family will do their best (to protect them). They bring them to a big city for treatment, sell everything off, and when the person doesn't survive, they go begging on the street. It is a harsh reality for 10 crore people in our country every year," he explained.

In conclusion, Singhel outlined a three-pronged strategy to address these challenges. He said that making health insurance mandatory for employers is one of the solutions. Singhel added that creating a comprehensive ecosystem for older people and reintegrating traditional wellness practices into school education will go a long way in helping solve this issue. He urged people to talk about wellness and take steps towards making India a healthier and happier country.

(The writer is Tarun Bhardwaj.)

TOP

Longer disruptions at Red Sea trade route may hurt auto, electronics production: GTRI - The Economic Times - 27th January 2024

Longer disruptions at the crucial Red Sea trade route may hurt manufacturing lines of some sectors like electronics, automobiles, chemicals, consumer goods and machinery, economic think tank GTRI said on Sunday. The Global Trade Research Initiative (GTRI) said companies relying on just-in-time manufacturing processes can be particularly vulnerable as they maintain low inventory levels and depend on the ti mely arrival of components and finished products. Few industries where production will be impacted due to disruptions in global value chains include electronics, automotive, machinery, chemicals, pharmaceuticals, plastics, textiles, and consumer goods, it added.

Components and finished products are often shipped through the Suez Canal to reach different markets, and disruptions can lead to delays in manufacturing and increased costs, it said. Due to the attacks by Houthi rebels on commercial ships, the movement of goods from the Red Sea, the world's busiest shipping route, has disrupted the global supply chains as vessels have to take long routes for exports and imports. The immediate ripple effects are seen in increased freight costs, mandatory war risk insurance, and significant delays due to rerouting.

"The adverse impact will multiply if the disruption continues beyond a few more weeks as it will impact not only trade but local productions of many industries, which rely on just-in-time procurement/import of inputs through the global value chains spanning both Europe and Asia," GTRI co-founder Ajay Srivastava said. He said that average container spot rates have more than doubled since early December 2023. Basmati rice exporters face freight costs soaring to USD 2,000 per 20-tonne container for destinations around the Red Sea, marking a 233 per cent increase, Srivastava added.

Similarly, he said, the other sectors which have faced issues include life-saving drugs, textiles, diesel, ATF, and steel. Exporters have also expressed apprehensions that if the crisis continues, it will hurt the country's trade. Mumbai-based exporter SK Saraf said the time is right for India to consider building a big domestic shipping company, as, at present, "we are completely dependent on foreign shippers". Reports have linked the increased attack by Yemen-based Houthis on commercial ships with the Israel-Hamas war in October last year. Houthi group has been using drones and rockets on ships, which are transporting goods through the strait of Bab al-Mandab, which is a crucial shipping route connecting the Mediterranean Sea to the Indian Ocean.

The strait, vital for 30 per cent of global container traffic, has seen increased tensions with various incidents in 2023, including attacks and military manoeuvres by regional and global powers. India is

heavily reliant on this route for trade and energy imports and due to the disruptions, exporters here have to diversify their trade routes. Strikes have been continuing for many years but escalated this year sharply, with militants now using anti-ship ballistic missiles. To avoid attacks, most large shipping firms, since December 15 last year, have stopped using the Bab al-Mandab straits for trade with Europe via the Red Sea and Suez Canal. The closure of this snaps a critical trade link between Europe and India and all of Asia.

Ships going to Europe will now move via a much longer route around the Cape of Good Hope, the bottom tip of Africa. This change increases voyage distances by 40 per cent and raises transportation time and cost. According to GTRI, the large shipping firms that stopped plying ships include the Danish firm Maersk and Swiss-Italian MSC(Mediterranean Shipping Company), German Hapag-Lloyd, and French CMA CGM (Compagnie Maritime d'Affretement - Compagnie Generale Maritime). The Bab-el-Mandeb Strait, also known as the 'Gate of Tears' in Arabic, is a crucial trade route that connects the Mediterranean Sea and the Indian Ocean via the Red Sea and the Suez Canal. It separates Africa from the Arabian Peninsula.

The strait is only about 29 miles wide at its narrowest point, making it easy to block or disrupt shipping. The two main shipping routes from India to Europe are via Bab-el-Mandeb Strait, Suez Canal and Red Sea; and II-Via Cape of Good Hope, encircling Africa. The Red Sea route is shorter and faster, making it the preferred option for most shipping companies. It starts from major Indian ports like Mumbai, JNPT, or Chennai, heads westward through the Arabian Sea, enters the Red Sea, and navigates through the Suez Canal into the Mediterranean Sea.

From there, ships can reach various European ports depending on their destination. On the other hand, the Cape of Good Hope route is longer and slower than the Suez Canal route, but it avoids the potential for delays or disruptions. It is used for bulk cargo shipments where time is less critical or when political instability in the Middle East raises concerns about using the Suez Canal. It starts from the Indian ports, heads southward across the Indian Ocean, rounds the Cape of Good Hope at the southern tip of Africa, and then sails northward along the west coast of Africa before entering the Mediterranean Sea and reaching European ports. India is heavily reliant on this strait for its crude oil, LNG imports and trade with the Middle East, Africa, and Europe.

TOP

War risk premiums for cargoes surge amid Red Sea tensions - The Indian Express - 27th January 2024

War risk insurance premium on cargo ships has shot up following the **war-like situation in the Red Sea** with many insurance companies even unwilling to cover cargo sent on voyages transiting the area.

The war risk premium, which increased from 0.05 per cent to 0.7 per cent in early December, has shot up to one per cent of the value of ship about a week ago. This means the premium to be shelled out by shipping firms will be $2 million if the cost of the ship is $200 million. If the situation worsens, the rates are likely to go even higher, insurance officials in Mumbai said.

Saurabh Verma, Managing Director of Global Insurance Brokers, said the **Red Sea scenario** typically falls under the category of war risk for marine insurance.

“There is a Joint War Committee in London that monitors geopolitics. Depending on their assessments, insurance rates for war are determined. In a normal situation, standard premium rates apply. However, in a warlike situation, such as the one in the Red Sea, the need for reinsurance to cover war or similar perils is assessed to determine whether the current war rates remain applicable. The rates are adjusted

in response to changes in risk, with higher risk levels leading to increased premium rates," he said. S&P Global said marine insurance rates for war risks have tripled following the latest spate of attacks in the Red Sea while tanker forward freight agreements are trading higher amid heightened shipping risks.

Officials said some insurance companies are unwilling to cover cargo sent on voyages transiting the Red Sea route, as they want to avoid the risk of high-value claims from cargo owners. There were reports about insurers even pulling back policies already in place for shipments passing through high-risk areas, as both parties typically have an option to undo existing cover with a 30-day notice. Houthi rebels have attacked vessels suspected of being linked to Israel as they transit through the Red Sea, prompting the London market's Joint War Committee to extend the territory constituting the Red Sea war risk to account for missile range.

Sobel Network Shipping Co, a worldwide freight forwarder, said the London insurance market has classified the southern Red Sea as a high-risk area, requiring ships to notify their insurers when sailing through such regions and pay an additional premium, typically for a seven-day cover period. Analysts forecast further rise in transportation costs in the region. The escalation in insurance premiums will contribute to higher costs and the perceived risk increase might lead many vessels to bypass the region altogether, opting for longer routes such as circumnavigating the Horn of Africa, Sobel said. However, this will push up the cost of the cargo, leading to price rise at a time when countries like India and the United States are trying to rein in inflation.

Sobel Network said ships sailing under the Bahamas flag registry have been among those targeted in various attacks. The Bahamas delegation addressed an already scheduled assembly session of the United Nation shipping agency in London on Monday, characterizing the situation as a "deliberate attack on international shipping" in a critical region. Fitch Ratings said total oil shipments via the Suez Canal, the SUMED pipeline, and the Bab-el-Mandeb Strait accounted for about 12 per cent of global oil seaborne trade in the first half of 2023, according to United States Energy Information Administration (EIA). Houthi attacks have primarily been concentrated in the narrow strait of Bab-el-Mandeb. Northbound oil shipments via the Suez Canal and the SUMED pipeline are directed to Europe, mainly from Saudi Arabia and Iraq. Southbound flows are primarily Russian oil exports to China and India following the European Union sanctions on Russian oil imports, it said.

According to Fitch Ratings, BP, Shell, QatarEnergy, and many shippers have halted transit through the Suez Canal, with some shippers re-routing around Africa. This may marginally tighten the oil and gas markets, albeit temporarily, as supply chains need to adjust to the alternative route taking about a fortnight longer, but we do not anticipate any material impact on prices.

(The writer is George Mathew.)

TOP

Govt to bolster public sector insurance firms in FY25 – Live Mint – 27th January 2024

The government may recapitalize state-owned general insurers to help them meet regulatory requirements in preparation for their planned listing and privatization in the coming financial year, two people aware of the matter said. A token capital may be provided as early as the upcoming budget on 1 February, they said. The capital infusion would help improve the financial health of the state-backed general insurance firms, one of the persons mentioned above said.

The recapitalization will also help improve their solvency ratio, a key parameter that indicates a financial buffer to settle all claims in extreme situations, the person added. There are four state-backed general insurance firms—National Insurance Co. Ltd, Oriental Insurance Co. Ltd, United India Insurance Co. and New India Assurance. The solvency ratio of three of the four companies was negative at the end of the March quarter of FY23. The ratio of an insurance company compares the capital it has to the risk it has taken on.

According to the Insurance Regulatory and Development Authority of India (Irdai), the minimum solvency ratio insurance companies need to maintain to lower risks should be 1.5. The solvency ratio of

National Insurance Company Ltd, Oriental Insurance Company Ltd, and United India Insurance Company stood at -0.29, -0.69, and -0.29, respectively, at the end of Q4 FY23. The solvency ratio of New India Assurance stood at 1.87 during the above-mentioned period. However, despite being largely loss-making in FY23, some state-owned general insurers reported profits in the recent quarter.

During Q2 FY 24, United India Insurance Company Ltd declared a profit of ₹204.30 crore, while National Insurance Company Ltd made a profit of ₹44.82 crore for the first half of the current fiscal from a loss of ₹1,768.46 crore in the year-ago period. Oriental Insurance Company slashed its first-half loss to ₹42.17 crore from a net loss of ₹3,586.93 crore during the first half of FY23. However, the New India Assurance Company Ltd reported a loss of ₹199.99 crore for the second quarter of FY24 from a profit of ₹260.23 crore posted during Q2FY23. Earlier this fiscal, the government had planned to infuse ₹4,000 crore–₹5,000 crore in state-owned general insurers. But this didn't materialize, and the government is now likely to recapitalize these companies in the next fiscal.

In her Budget 2021 speech, finance minister Nirmala Sitharaman announced strategic divestment plans for two banks and an insurance company. But the process is yet to move ahead. Though the insurer's name has not been finalized, government think tank Niti Aayog has recommended privatizing United India Insurance. Privatizing an insurer will be easier for the government now, since Parliament has amended the General Insurance Business Nationalization Act, allowing it to dilute its stake in a general insurer below 51 percent.

The Centre was earlier working on a proposal to merge public sector insurers. The plan was to merge National Insurance Company, United India Insurance Co. and Oriental India Insurance into a single entity and list it on the exchanges. The finance ministry is likely to look into the merger and listing proposal and take a decision in FY25, said the person mentioned above. A finance ministry spokesperson didn't respond to an emailed query.

India's general insurance market comprises 27 companies, including the four major PSU entities mentioned above, 23 private players and six stand-alone health insurers. Mint had in January 2023 reported that the public sector insurance firms had appointed EY to suggest restructuring of their operations in order to bring in profit and employee development through performance and capability management. "Mergers of state-backed general insurance companies can be a better option (than divestment)," said N.R. Bhanumurthy, vice chancellor, Dr B. R. Ambedkar School of Economics University, Bengaluru. "These companies have to revise their business models to be able to sustain themselves. Support from the government, in the form of recapitalization and providing a long-term plan, will go a long way," he added.

(The writers are Rhik Kundu and Subhash Narayan.)

TOP

HEALTH INSURANCE

IRDAI asks insurers to give coverage for AYUSH in health insurance policies – Business Standard – 2nd February 2024

The insurance regulator has asked general insurers to put Ayurveda, Yoga, Naturopathy, Unani, Siddha, and Homeopathy (AYUSH) at par with other medical treatments in their health insurance policies, citing "increased popularity". The Insurance Regulatory and Development Authority of India (IRDAI) asked general insurance companies to have board-approved policy guidelines for AYUSH coverage and give policyholders an option to choose a treatment of their choice. The guidelines will be effective from April 1, 2024.

The guidelines must include quality standards and procedure for enrolling AYUSH hospitals or day care centres as network providers for cashless treatment. "In recent times, AYUSH treatments have garnered increased popularity and have become an established branch of medicine. Considering the growing

demand for AYUSH treatments, there is a need to consider these treatments at par with other treatments," said IRDAI in a press statement. Insurance companies also have been asked to put adequate controls in place along with standard operating procedures.

The General Insurance Council (GIC), which represents general insurance companies, recently launched an initiative providing cashless treatment available to policyholders even in non-empaneled hospitals that are registered under the Clinical Establishment Act. IRDAI asked companies to modify products that contain limitations for AYUSH treatments and ensure compliance with the revised guidelines. The regulator asked general insurers to engage with the Core Group of Experts for the Insurance Sector constituted by the AYUSH Ministry and develop required modalities for providing AYUSH Coverage. In December, the Madras High Court asked the IRDAI to treat AYUSH treatments at par with allopathy in reimbursing medical expenses.

(The writer is Aathira Varier.)

TOP

Budget for women: can Nirmala Sitharaman incentivise more savings and nudge to health insurance? – Moneycontrol - 1st February 2024

Each year, the wishlist for the annual union budget is usually a mile long. Individual taxpayers, for instance, always want sops to reduce their taxes. Over the years, these tax incentives have been coming down, with the government moving to rationalise taxes. This year, too, the common wishlist includes rationalisation of capital gains taxes and an increase in the limits on tax saving instruments. Be that as it may, an important step the budget can take is to provide extra tax benefits for women.

Why should women be given extra tax benefits?
It is no secret that there is a 20 percent gender pay gap in India.

Women work fewer years due to childcare and eldercare responsibilities and also earn less. Further, women drop out of the workforce due to many factors, one being non-affordability of caregivers. According to World Bank and International Labor Organization statistics, in 2021, women formed only 19 percent of the workforce in India. Many were forced to stop working during the Covid-induced lockdowns. (However, on a positive note, the Periodic Labour Force Survey Report for 2022-23 shows the participation of women in the workforce rose to 37 percent in 2023.) Women constitute more than 50 percent of the workforce globally.

Added to the above issues, women in India are risk averse investors. A recent report on Women and Finance by DBS CRISIL found that only 15 percent of the women surveyed invested in mutual funds. As per AMFI (Association of Mutual Funds of India, the mutual fund industry's trade body), only a fifth of mutual fund investors are women. Further, as per a report by the Reserve Bank of India, only 4.8 percent of household assets in India are invested in equities. With a major part of their savings invested in traditional instruments, which do not beat inflation, women are not growing their wealth. All these factors lead to a big gender savings gap, which is much larger than the gender pay gap.

With so much gender inequality in earnings and savings for 48 percent of India's population, why should taxation be equal?
The wishlist for women in this budget
A few simple benefits can help women bridge the savings gap to an extent. Here are some suggestions for the Finance Minister:

Lower slab rates of taxation for women
While corporations are doing their bit to reduce the pay gap, the government can set a strong tone and bring some parity with a lower slab rate than the one for men.

Provide a tax credit for expenditure on child and dependent care

With so many responsibilities, women can do with some external support in childcare or eldercare and having a tax exemption on this expense may help women remain in the workforce and contribute to building India.

Separate Section 80D benefits for women

Women, especially the non-salaried, tend not to insure themselves due to outdated gender beliefs and lack of knowledge. As per a report released by PayNearby in association with RBI Innovation Hub, only 18% of women have health insurance in India. A standardised policy for women covering critical illnesses such as breast and cervical cancer and including maternity coverage, can be introduced and a tax deduction can be provided on this policy.

Incentivise women investors in mutual funds

To meet any long-term goal, it is imperative to invest in equities to beat inflation and grow wealth. Women have shied away from equites due to a lack of knowledge and the fear of being judged for possible interim losses. Thankfully, over the last few years, equities and mutual funds are no longer frowned upon and have been widely accepted by Indians. Equities, and more specifically mutual funds, can help reduce the gender savings gap by compounding wealth in the long term.

To boost women's participation in equities, a tax deduction can be provided for investments up to a certain amount in equity-oriented mutual funds. There can be other covenants added like a lock-in to ensure the discipline of remaining invested is adhered to. Further, other restrictions like investment only from the woman's earnings can be applied to prevent tax evasion. As Christine Lagarde put it, "When women do better, economies do better." A few tax nudges is all it will take to inspire inclusion and for women to do better financially, and have a lasting impact on India's economic growth.

(The writer is Mrin Agarwal.)

TOP

Budget 2024: Health Ministry gets over Rs 90,658 crore; Nearly 13 per cent increase from FY24 - Financial Express – 1st February 2024

The Ministry of Health and Family Welfare has been allocated Rs 90,658.63 crore in the interim Budget for 2024-2025. The Ministry has witnessed a hike of 12.59 per cent over 80,517.62 crore in the Budget (revised estimates) for 2023-2024. On Thursday, Finance Minister Sitharaman tabled the interim budget 2024 ahead of the Lok Sabha Elections. During her budget speech, Sitharaman announced that healthcare cover under the Ayushman Bharat insurance scheme will be extended to all ASHA and anganwadi workers and helpers. Sitharaman also said the government plans to set up more medical colleges by utilising existing hospital infrastructure and will form a committee to examine the issues and make relevant recommendations. Out of Rs 90,658.63 crore, Rs 87,656.90 crore has been allocated to the Department of Health and Family Welfare while Rs 3001.73 crore to the Department of Health Research. The Budget allocation for the AYUSH ministry has been hiked from Rs 3,000 crore to Rs 3,712.49 crore, recording a 23.74 per cent increase.

Sitharaman also announced that the government will encourage vaccination for girls in the 9-14 year age group for the prevention of cervical cancer. Additionally, various schemes for maternal and child healthcare will be brought under one comprehensive programme for synergy in implementation. The newly designed U-WIN platform for immunisation and intensified efforts of the Mission Indradhanush will be rolled out throughout the country. The budget allocation for centrally sponsored schemes has been increased from Rs 77,624.79 crore to Rs 87,656.90 crore. Among these centrally sponsored schemes, the budget allocation for the National Health Mission has been increased from Rs 31,550.87 crore in 2023-24 to Rs 31,967 crore in 2024-25 and the allocation for Pradhan Mantri Jan Arogya Yojna (PM-JAY) hiked from Rs 6,800 crore to Rs 7,500 crore. The allocation for National Digital Health Mission has been increased from Rs 200 crore to Rs 250 crore.

For the National Tele-Mental Health Programme, the Budget allocation has been increased from Rs 65 crore to Rs 100 crore. The allocation for autonomous bodies increased from Rs 17,250.90 crore in 2023-2024 to Rs 18,005.65 crore in 2024-25. Among the autonomous bodies, the allocation for AIIMS, New Delhi has been increased from Rs 4,278 crore to 4,523 crore. The allocation for the ICMR has been increased from 2295.12 crore to Rs 2432.13 crore. In FY2023-24, the expenditure of the Ministry of Health and Family Welfare was estimated to be Rs 89,155 crore, a 13 percent increase from revised estimates for 2022-23. The National Health Mission is its largest component, accounting for 33 percent of the Ministry's budget, and medical colleges and hospitals account for 27 percent of the budget. High out-of-pocket expenditures and a shortage of healthcare personnel continues to be major issues.

(The writer is Sushmita Panda.)

TOP

'Cashless everywhere' insurance: The many challenges it faces and how the General Insurance Council aims to overcome them – Moneycontrol – 31st January 2024

General and health insurers rolled out a 'Cashless everywhere' facility recently, allowing patient-policyholders to approach any hospital and make a request for cashless treatment.

This move will mean greater convenience for customers as they will not have to shell out huge sums up front from their pockets. For insurers, it potentially enables better control over fraudulent claims.

However, this is just step one and several hurdles need to be crossed for the smooth functioning of this facility across the country, Segar Sampathkumar, Director, Health Insurance, General Insurance Council, and the brain behind the conceptualisation of this industry-wide framework, told Preeti Kulkarni in an interview. Sampathkumar also played a key role in the creation of the Preferred Provider (hospitals) Network (PPN) for public sector insurers in 2010, and was the ombudsman for Chennai until last year. Edited excerpts follow:

Could you elaborate on the purpose of the industry coming together to offer a 'cashless everywhere' facility?
According to industry data, only 63 percent of health insurance customers avail of cashless facilities when they get treated at hospitals. There is no reason why the remaining 37 percent should pay cash up front and claim reimbursement later. This is partly due to lack of awareness or the absence of cashless agreements between the hospitals of their choice and their insurers. 'Cashless everywhere' is a customer-friendly move that the insurers have come together to offer their customers.

So, can a customer now approach any hospital and ask for the cashless facility? How will this work at the back-end for insurers and hospitals?

Yes. The hospital should satisfy the criteria stated in the policy, which includes the stipulation on the number of beds. In the case of planned treatment procedures or surgeries, the customer will have to give a prior intimation of 48 hours to the insurance company. For emergencies, the policyholder can get admitted to a hospital and intimate the insurer within 48 hours of admission.

The hospital will have to send a cashless pre-authorisation request to the insurance company, which will then initiate the cashless activation process. If the claim is admissible, hospitals will be asked to submit a one-page agreement, a memorandum of understanding (MoU). Once this step is taken care of, the cashless authorisation will be given even if the hospital is not part of the insurance company's network.

Even hospitals at remote locations with minimal access to technology can easily avail of this facility. All they need to do is send an email with a request for cashless authorisation to the insurance company. In

future, it is possible that such requests will be accepted even over, say, WhatsApp. But at the moment, email is the mode that is preferred by insurers.

Let's consider a situation where a policyholder approaches a hospital that is not part of her insurer's cashless network. The hospital, however, has cashless agreements in place with multiple other insurers. Which agreement will her insurer and the hospital pick in such cases?

The insurer will discuss these issues with the hospital during the 48-hour period. Even now, in network hospitals, the rates of insurer A and insurer B will be different. Similarly, the new insurer (the one that does not have a cashless tie-up with the hospital) will proceed as per the discussion with the hospital concerned on what would constitute reasonable rates. They will arrive at a consensus and initiate the cashless process.

The success of this initiative will depend on the hospitals signing agreements within 48 hours. Communication channels at insurance companies need to be set up to handle the gush of hospital queries and the 48-hour deadline. How confident are you that hospitals across the country will cooperate, given that there is no healthcare regulator in place that insurers and policyholders can approach to flag grievances and seek redressal?

Initially, there could be hiccups. The process will need to be streamlined over a period of time. Once the first agreement in a non-network hospital is put in place under the 'Cashless everywhere' framework, further cashless authorisations for that hospital will become simpler.

Some hospitals allege that in certain cases, insurers delay payments…

The MoU that will be signed between the (non-network) hospital and the insurer is also an undertaking by the insurance company that the cashless authorisation will be honoured, subject to certain conditions—for instance, that the discharge summary be submitted with all the necessary details that the insurer would seek. At times, it is possible that there could be delays. But over a period of time, such issues will get ironed out.

By and large, insurers honour their commitments. They have to, as it is mandated by the regulator. Once the authorisation is given, payments are usually released on time.

What if the insurer and the hospital fail to reach a consensus in the 48-hour period?

If there is no consensus, the cashless facility will not be extended. The policyholder always has the option of submitting the bills and other documents and claiming reimbursement later. As usual, the insurer will evaluate the claim on merit.

However, we hope to arrive at a consensus in most cases. We are confident that what we propose to implement is practical. The stakeholders—insurers and hospitals—will have to work together towards this for the benefit of customers. There are a lot of advantages for the hospitals as well. This will facilitate healthcare access for a larger section of the population.

What are the other hurdles that you foresee in the path of smooth implementation of this initiative?

The most important issue is that the awareness levels among customers about the cashless facility need to be improved. Some hospitals not adopting the cashless facility is another challenge. And, of course, there would be rare cases when hospitals and insurers may not reach a consensus on treatment rates, which means cashless will not be offered.

Other challenges could come up as adoption increases—we will figure out in the days to come. We will keep monitoring the cashless utilisation rates and work towards eliminating any hiccups that might crop up.

Industry CEOs say that the initiative will help in fraud control. Could you cite examples on the kind of frauds that can be controlled?

If cashless payment becomes the default option, more and more customers will take this route. Insurers will get information about the hospital, location, infrastructure, facilities available and so on. They will be able to engage better with these hospitals. The availability of granular details under the cashless mode will help reduce frauds. This may not be possible through the reimbursement route, as there is no direct involvement of the hospital. If payments are released directly to hospitals, we hope we can considerably reduce fraudulent claims.

Will it help control claim costs over the long-term, which can, in turn, slow the pace of health insurance premium hikes that people are seeing?

Bringing the cost of health insurance down depends on a lot of other variables as well. For example, rising healthcare inflation, change in individual policyholders' choice of hospital or rooms and so on. It may not be possible to isolate this measure to find out if it has had a direct impact on claim costs. However, the expansion of the cashless facility and the adoption of cashless insurance as the default mode of settlement would result in long-term benefits for customers.

What kind of data do you hope this exercise will generate over the long-term? How will it help the industry, and in turn, customers?

It will help the industry on a number of counts. They will be able to collect data on the time taken for a discharge for a range of illnesses, the number of cases of particular diseases that are reported, number of hospitals in the network, cashless authorisation requests received, and so on. Overall, it's the customer who will benefit as the cashless network expands. There will be discussions between hospitals and insurers over healthcare costs, too. Frauds can be controlled more efficiently. Overall, it's a win-win for all.

(The writer is Preeti Kulkarni.)

TOP

New-age maternity plans cover IVF, adoption, surrogacy, newborn vaccination – Business Standard – 30th January 2024

Soon after Covid-19, the inclusion of an OPD feature in health insurance emerged as a game-changer, as it covered more than just hospitalisation expenses. Similarly, maternity insurance is set to become a game changer as more consumers are looking at comprehensive insurance plans from insurance companies that cover them holistically. Earlier, maternity insurance used to focus mainly on covering expenses related to childbirth, such as hospital stays, delivery charges, and medical procedures. However, this approach often overlooked other important aspects of maternal healthcare. Now, the newly launched maternity insurance plans provide more comprehensive coverage that includes:

- already served waiting period will be passed on to your spouse
- covers expenses of pregnancy, prenatal and postnatal consultations
- assisted reproductive treatments & infertility treatments
- surrogacy & delivery for surrogate mothers covered
- charges for adopting a child
- vaccination expenses of a newborn

Given the positive response to these comprehensive plans, the trend is likely to continue, with health insurance providers recognising the importance of offering all-encompassing coverage that caters to the varied needs and aspirations of individuals and families. "A couple usually starts thinking about health

insurance when they are already expecting. They often overlook the waiting period that tags along with maternity cover. Most maternity insurance plans until now had a waiting period of 2 years or more but the recently introduced plans have a waiting period of only nine months if the couple is purchasing health insurance for the first time.

However, if you are planning to get married in a few years, you can still purchase new-age plans offering maternity benefits. Once married, you can add your spouse to the plan, and the waiting period served by you already is also waived for your spouse. In that scenario, the spouse doesn't need to serve the waiting period of nine months for maternity benefit," said Siddharth Singhal, Business Head - Health Insurance, Policybazaar.com.

Thes new-age plans also cover procedures like IVF treatment, and expenses related to surrogacy and delivery for surrogate mothers. "Apart from this, it also covers charges for adopting a child. The policy also accounts for ambulance charges, NICU and vaccination charges for the newborn from 30-90 days of the delivery among other costs," said Singhal.

Point to note: Most insurance companies do not offer maternity insurance if the policyholder is already pregnant as pregnancy is considered as a pre-existing condition and keeps it beyond the policy cover. But do regular health policies come with a maternity benefit?

"Since pregnancy and childbirth-related expenses involve specific and significant costs, maternity coverage is often offered as an add-on or a separate plan. If you choose to add maternity benefits to your existing health insurance policy, you will be required to pay an additional premium. On the other hand, separate maternity insurance is specifically designed to cover expenses related to pregnancy and childbirth. It may also cover pre and postnatal care," explained Singhal.

Some new-age plans also link infertility treatment cover with maternity cover but the scope of the coverage for infertility in these new-age health insurance plans may differ between insurance plans. Some may cover only specific infertility treatments.Some plans cover infertility treatment may have a more extended waiting period, caps on the expenses, or sub-limits Therefore, it is better to check the inclusions and exclusions and the level of coverage for infertility before buying one. Policybazaar has curated a list of such new-age maternity plans

(The writer is Sunainaa Chadha.)

TOP

Can Smokers Get Health Insurance? – Outlook – 30th January 2024

We all know that smoking is injurious to health, and yet there are many people who continue to do it. But it is imperative to try to get health insurance and get yourself covered. However, do smokers get health insurance? Read on to find out.

Yes, smokers do get health insurance. In fact, as per the mandate given by the Insurance Regulatory & Development Authority of India (IRDAI), insurance companies need to offer special health plans to smokers.

Define a smoker

Let's first understand who is considered a smoker. Some people may say that they smoke occasionally. But for insurance companies, occasional smoking is also considered an equal risk as a regular smoker. As per insurance companies, an individual who consumes cigarettes, cigars, hookahs and pipes or who snuffs or chews tobacco more than four times a week is considered a smoker. Additionally, if you have smoked over four times a week even in the last six months, you are considered a smoker.

Why do smokers have high premium charges?
Now that we have established the fact that smokers can buy health insurance, let's understand how it is done. To begin with, smokers are charged a higher premium than what a non-smoker would be charged. The difference in premium depends on individual insurance providers. One of the main reasons for charging a higher premium is that smokers pose a higher liability for insurance companies as they are more likely to have health issues and are more likely to raise a claim.

However, the difference in premium may also depend on the number of cigarettes a person smokes in a day or week. Higher the number of cigarettes, the higher the risk and so higher the premium. Additionally, if an insurance company feels that the health of a person is deteriorating or leading to further serious health issues like heart problems or lung diseases, the insurance company may either increase the premium or deny health insurance. This is one of the reasons why most insurance providers insist on pre-policy medical checks as it helps them determine the premium cost or decide if they want to offer health insurance or deny insurance to a person.

Why take the hassle of insurance?
With all the risks that smokers expose themselves to, it is imperative to get health insurance. According to a CDC backed survey in 2016-17, both active and passive smoking kills approximately 1.2 million people in India every year. This helps us understand how adversely smoking impacts our health. To name a few, smoking is known to cause lung diseases, lung cancer, respiratory disorders, heart diseases, oral cancer, pregnancy issues and more. Health issues caused due to smoking are long-term and difficult to treat. Hence the treatment also may cost higher. Keeping in mind the rising cost of living these health issues have the potential to dry up your coffers and exhaust your life savings.

Benefits of having health insurance
Considering the high risk of health-related issues that smokers may have, it becomes a necessity for smokers to have health insurance. As health issues caused due to smoking are long-term and hence difficult to treat, the cost of treatment is also higher. Having health insurance helps you reduce the financial strain of the treatment.

Apart from sharing the financial burden for health treatments, health insurance also helps in cashless treatments in network hospitals. This comes in handy in case of emergencies like a heart attack or cancer-related complications. Most insurance providers also offer preventive health check-ups, irrespective of whether you are a smoker or not. This helps in the early detection of life-threatening diseases and faster treatments allowing you to plan your treatment and finances most suited for you. Lastly, health insurance also ensures you get tax benefits on your hard-earned money and plan your finances better.

TOP

Does your health insurance cover mental health? What are the exclusions? – The Indian Express – 29th January 2024

Dr Shailesh Jha, a psychiatrist at Delhi's Indraprastha Apollo Hospital, has his hands full. Every day, he sees around 25 patients, most of whom are grappling with common mental health challenges like depression, anxiety and Obsessive Compulsive Disorder (OCD). All of them are covered by health insurance policies but, to his surprise, each falls short in covering crucial expenses associated with treatment that can bring them back from the precipice.

Gaps in mental health insurance
Despite India's insurance regulator mandating mental health cover since 2018, the practical coverage lags much behind in targets, leaving patients unable to continue therapies that would get them out of the trough. Things haven't changed despite the regulator reiterating the directives in 2022. Consider the case of a 32-year-

old patient whom Dr Jha found to be suicidal and recommended be kept under observation for a few days. Confident that her family's insurance coverage would easily tackle the expenses, the convoluted clauses and time-consuming system left the patient unable to leverage it. "I kept receiving calls from representatives of the insurance providers asking me to justify the reason for suggesting hospital admission," says Dr Jha, who has since started warning his patients that insurance providers may not help when needed. While self-harm, attempted suicide and suicide are listed as exclusions in almost all health insurance policies, experts say getting paid for claims relating to hospitalisation due to mental illnesses is difficult. Not only that, it is extremely difficult for people with a pre-existing mental illness to get a policy. "Although the Mental Healthcare Act, 2017, ensures that coverage cannot be denied, many patients want to keep psychiatrist consultation off the book. They are scared that their claim for other illnesses, say a heart attack, would be denied if their mental health issue is put on record," says Dr Jha.

"Most mental disorders are life-long and a person may have more than one condition. Insurance policies in India cover acute episodes requiring hospitalisation but what is needed is support for long-term therapy sessions or rehabilitation facilities that may actually pull you off the edge," says Madhurima Ghosh, former research fellow with Gokhale Institute of Politics and Economics and a cost evaluation coordinator at Sangath (an organisation that's working to make mental healthcare accessible and affordable). Her yet-to-be-published survey of 100 mental health providers across four cities shows a patient could end up shelling out anywhere between Rs 60,000 and Rs 80,000 for outpatient treatment. Imagine the out-of-pocket expense for patients as an hour-long therapy session can cost anywhere between Rs 1,000 and Rs 5,000. "Most patients need long-term treatment, including psychological and pharmacological treatment, but get no help at this stage," adds Dr Jha.

What areas really need addressing?

All five insurance policies — from three private and two government providers —evaluated by The Indian Express exclude the treatment of alcoholism, substance use disorders, self-harm and suicide. The policies exclude crucial rehabilitation care that's defined as: "Custodial care either at home or in a nursing facility for personal care such as help with activities of daily living such as bathing, dressing, moving around either by skilled nurses or assistant or non-skilled people." Yet rehabilitation centre-based care becomes important because of sustained individual and group therapy sessions. For the record, alcohol, substance use disorders and schizophrenia account for a significant burden of mental health problems, with the National Mental Health Survey pegging their prevalence at about five per cent.

None of the policies provides any outpatient care, which involves hours of counselling and medication. One of the government policies specifically excludes "psychological counselling, cognitive/ family/ group/ behaviour/ palliative therapy or other kinds of psychotherapy." However, it does mention that treatment for depression and schizophrenia will be covered after a waiting period of two years, overlooking the cost of delayed access to insurance relief. The other policies do not specifically mention mental illnesses but cover all pre-existing conditions after 36 to 48 months.

"No policy covers talk therapy," says an agent from Policy Bazar on being asked to recommend a policy for a 30-year-old, physically healthy woman with anxiety and depression. A similar conversation with an agent from Ditto Insurance resulted in a non-committal response: "You might get coverage for hospitalisation due to depression and other mental health conditions after a certain number of years. But, in most cases, it is likely to be a permanent exclusion in the policy." While add-ons exist for outpatient coverage that can be purchased along with general health insurance, it is not beneficial, says portfolio manager Gaurav Shrivastav. "There is a restriction on the percentage of payments with these add-ons. If you need long-term care, the payments do not justify the extra premium," he adds.

Just a ray of light

Last year, at least 29 companies floated policies specifically for people living with disabilities, HIV and mental illnesses, according to an affidavit filed by the Insurance Regulatory and Development Authority of India (IRDAI). An analysis of one such specialised policy offered by one of the government providers shows that it does not cover outpatient services such as therapy. In fact, for its daycare services, it specifically mentions it has to be "under General or Local Anaesthesia." Just like other policies, it does not

offer treatment for alcoholism and other substance use disorders, suicide, hormone replacement therapy or gender reassignment surgery. However, it includes a co-pay of 20 per cent on all claims.

Living with bipolar disorder, mental health activist and co-founder of Mental Health Support Foundation Vijay Nallawala says that he has managed to get coverage at a substantial premium but the policy has a sub-limit of 25 per cent of the sum insured for his condition. “Equal coverage for mental health remains only on paper. The reality is that only a fourth of the people with mental health issues manage to get covered and even then we keep hearing of claims getting rejected,” he says.

How to determine the contours of mental health coverage?

One of the biggest challenges with mental health disorders is that they are not quantifiable in the same way as a chronic physical ailment like diabetes or hypertension. There aren’t any tests to assess the level of say anxiety or depression. Therefore, insurance companies require a certificate from a doctor on their panel to provide coverage for a pre-existing condition. “As there is no test for say anxiety or depression, the doctor certifies what is the ‘level’ of the condition. If it is certified as say 20 or 30 per cent, then a person is likely to get immediate cover. If it is 40 per cent to 50 per cent, there is likely to be a waiting period of a few years,” says Shrivastav.

(The writer is Anonna Dutt.)

TOP

Health insurance: Maternity plans cover expenses related to IVF, child adoption as well – Live Mint – 29th January 2024

Buying a health insurance plan is indispensable to keep your sudden expenses in check. Be it an accident or hospitalisation, unanticipated medical bills can throw your financial planning out of gear. Add a child birth, the scenario remains similar but the distinction lies in the fact that it is neither an ‘accident’ nor an ‘illness.’ The insurers, therefore, treat this life situation quite differently and even impose a waiting period of two years or so before one can start to avail the maternity benefit. And understandably so!

What is a maternity insurance plan?

It is a health insurance plan that covers all the expenses related to child birth up to a certain period. This means maternity insurance not only covers the delivery expenses, but also the cost incurred in prenatal and postnatal care. However, it varies from insurer to insurer. One may opt for a standalone policy or buy it by paying extra premium as an add-on maternity cover. So, if you are geared to start a family and are seeking maternity benefits under your health insurance plan, be mindful of the following provisions of health insurance.

Four key provisions related to maternity insurance coverage to remember

Waiting period: Usually, conventional health insurance plans impose a two-year waiting period whereas a number of newly introduced plans offer reduced waiting periods of only 9 months. “While traditional plans typically mandated a two-year waiting period or more, the newly introduced modern plans feature a significantly reduced waiting period of just nine months for first-time health insurance buyers," says Siddharth Singhal, Business Head, Health Insurance at Policybazaar.com.

2 Integrating with spouse’s policy: When one of the spouses has already subscribed to a policy, the nine-month waiting period for the other spouse is waived off. “Once married, they can seamlessly include their spouse in the health plan, and the waiting period fulfilled by the individual will be exempted for their spouse. Consequently, the spouse won’t be required to undergo the 9-month waiting period to avail maternity benefits in this situation," adds Singhal. 3. Comprehensive coverage: Not many of the policy holders may be aware, but some of these plans also cover expenses related to IVF (In vitro fertilisation) treatment, vaccination costs and even charges related to child adoption.

“These plans encompass various procedures such as IVF treatment. Furthermore, the coverage extends to charges relating to even adopting a child. The policy also includes ambulance fees, NICU (Neonatal Intensive Care Unit) expenses, and vaccination costs for newborns within 30 to 90-day period post-delivery, alongside other associated expenses," he adds. 4. Pre-existing pregnancy: It is noteworthy to

mention that most insurance companies do not offer maternity insurance if the policy holder is already pregnant. This is because they consider pregnancy as a pre-existing condition and, therefore, keeps it beyond the policy cover.

TOP

Health insurance may be about to get a new regulator – Live Mint – 28th January 2024

The interim budget on 1 February may set the stage for a composite licence for life and general insurance, a separate regulator for health insurance and an increased digital push for the delivery and sale of insurance products, two people aware of the plans said. According to one of the two people, the entry barriers for insurance may be eased, and insurers may get greater freedom to design their products. The reforms will require amendments to India's insurance laws. The aim is to raise insurance penetration in line with the regulator's mission of 'Insurance For All By 2047'. According to Swiss Re, one of the world's largest reinsurers, insurance penetration in FY24 globally is expected to be 6.5 percent; in India, penetration is expected at 3.8 percent. Life insurance penetration in India is projected at 2.9 percent and non-life insurance at 1 percent in FY24. Insurance penetration is measured as a percentage of total premiums collected to the country's gross domestic product. It is one of the parameters used to assess the level of development of the insurance sector in a country. The reform initiative would also spell out a plan to get the GST Council on board to reduce the goods and services tax on health insurance policies, which currently stands at 18 percent. The industry has sought tax treatment for health policies at par with life insurance, which attracts 5 percent tax.

"Reforms are required in the insurance sector if the mission of 'Insurance For All By 2047' is to be achieved. Insurance penetration in the country is low, and the situation in health is even worse. The government should definitely reconsider 18 percent GST on health insurance," said Devansh Sharma, who runs a chartered accountancy firm handling insurance sector clients. Another proposal is to raise the income tax deduction level for health insurance premiums from the current ₹25,000 (self and family) to ₹50,000, while raising this further for senior citizens. However, no view on this has been taken so far, the people cited above said. Separately, digital banking units (DBUs) may be allowed to provide more financial products, including insurance policies and other products, to advance financial inclusion. This initiative may be launched first in a set of 75 new DBUs, and later in every new DBU. "The idea is to extend basic digital services for delivering a whole host of financial products through the infrastructure set up under DBUs. This will help DBUs to turn into a major vehicle of financial inclusion, bringing banking and financial services to the doorstep of people in unbanked areas with limited financial services," said one of the two people cited above. A DBU is a specialized fixed point business unit or hub housing certain minimum digital infrastructure for delivering digital banking products and services, as well as servicing existing financial products and services digitally, in both self-service and assisted mode.

The government may also bring stringent norms to curb misselling of insurance in coordination with the Insurance Regulatory and Development Authority of India (Irdai). It may also facilitate opening of the agency channel for the general insurance industry to increase insurance penetration. Meanwhile, the government feels the need for a separate health insurance regulator to make health insurance affordable for all while addressing issues such as standardization of treatment costs and fast settlement of claims. The finance ministry has been in touch with the health ministry over this for some time and a definite plan is now likely to be unveiled. According to CareEdge estimates, India's non-life insurance market will grow by approximately 13-15 percent over the medium term. The health insurance segment is on track to breach the ₹1 trillion mark, while motor insurance premiums may cross ₹85,000 crore in FY24, given the fact that they have already crossed ₹90,000 crore and ₹80,000 crore, respectively, last year, the ratings company said.

(The writer is Subhash Narayan.)

TOP

Budget 2024 expectations: insurance for all by 2047 possible with lower premium, GST exemption - News18 – 27th January 2024

Given the upcoming elections, budget 2024 will be an interim one with limited policy announcements. However, there are a few expectations that still represent the general aspirations of the Indian insurance industry. Several of these expectations relate to the government's "Insurance for All" vision, aiming to achieve universal insurance coverage by 2047. The insurance industry is crucial to India's economic growth and financial stability, so the government is likely to focus on measures that boost its development and accessibility. With the interim budget 2024 coming up on February 1, here are some key expectations from the insurance sector:

Digital Health Records
Rupinderjit Singh, VP, retail health, ACKO, highlights that in 2023, the health industry saw sweeping developments driven by regulatory measures, such as the introduction of Bima Sugam, the National Health Claims Exchange (NHCX), and the insurance amendment bill.

"The year 2024 will witness further exciting developments in the industry owing to a growing demand for seamless digital experiences, personalised offerings, and increased accessibility. With the harmonious synergies between the National Health Association, IRDAI, and NHCX, the sector is poised to thrive and promises to amplify these transformations, offering customers unparalleled developments," Singh said.
In the upcoming budget, Singh anticipates that the government will take steps toward India's Digital health mission by promoting ABHA ID which will enable digital health records and create a seamless health insurance claims experience.

GST Exemption
Ankit Agrawal, co-founder & CEO, InsuranceDekho, said, "We anticipate that the finance minister will exempt insurance policies from GST, which will bring down insurance premiums. This step will increase insurance affordability and help fulfil Prime Minister Modi's dream of insurance for all Indians by 2047."

Tax Exemption Under 80C
Agrawal says that the industry is also expecting the government to increase the tax exemption limit under 80C, which will encourage savings, promote insurance coverage, and stimulate economic growth.
"Various studies have shown that increased insurance penetration multiplies the economy by reducing overall financial distress and making long-term growth capital available to important nation-building industries," Agrawal added.

(The writer is Namit Singh Sengar.)

TOP

Health insurance that is 'Cashless Everywhere': Here's how it works – Business Standard – 25th January 2024

The General Insurance Council (GIC) has announced the launch of a new "Cashless Everywhere" initiative that aims to make treatment and payments more seamless for policyholders. Tapan Singhel, MD & CEO of Bajaj Allianz General Insurance and Chairman of the General Insurance Council, announced the initiative on Thursday, stating that the initiative would make it easier to avail treatment from medical centres outside the network of the insurance company.

How does health insurance work?
Insurance policies can be purchased through a number of private insurers, provided by employers, and for those eligible, through government agencies. In the case of a private insurer, people can choose the coverage of their choice for which premiums need to be paid to the company. The premium amount depends on

various factors such as age and income, as well as the coverage and policy chosen by policyholders. Claims, subject to the sum assured, are processed, with partial reimbursements credited directly to the insured's bank account.

What is the Cashless Everywhere initiative?
The 'Cashless Everywhere' system allows policyholders the freedom to seek cashless treatment in any hospital, regardless of its network status. This initiative aims to simplify claims processing, mitigate fraud, and bolster overall industry trust. This means policyholders can be admitted to a hospital without paying any money, and the insurance company will pay the bill upon discharge, easing the financial burden for policyholders.

How can policyholders avail the cashless system?
To access the 'Cashless Everywhere' system, policyholders must notify the insurer at least 48 hours before admission. Emergency cases require notification within 48 hours of admission, with admissibility contingent on policy terms and adherence to the insurer's operating guidelines.

Is this system applicable in every hospital?
Currently, the cashless facility is only available at hospitals where the insurance companies have an agreement. Hospitals without such agreements will necessitate reimbursement claims, which could potentially elongate the claims processing timeline.

What are the benefits of a cashless system?
According to the GIC, which implements this system, the cashless facility will encourage more people to opt for health insurance. It is also a step towards combating cases of fraud, which would increase trust in the system.

Are there any other forms of cashless systems in healthcare in India?
The Haryana state government, on January 1, announced a cashless medical facility for government employees, expanding coverage to include all regular government employees. Managed by the Ayushman Bharat Haryana Health Protection Authority, this initiative also aims for cashless procedures and efficient services for beneficiaries.
In June last year, the Ministry of Health and Family Welfare announced cashless treatment facilities for Central Government Health Scheme (CGHS) beneficiaries at AIIMS New Delhi, PGIMER Chandigarh, and JIPMER Puducherry. This also reflects the growing trend of digitisation in the healthcare ecosystem.

(The writer is Vasudha Mukherjee.)

TOP

Reinsurance

Diversification & tech key positives for investing in Indian re/insurance market: Kshema – Reinsurance – 30th January 2024

In a recent interview, Natraj Nukala, Founder of Kshema, the fully digitally powered Indian agricultural insurer, explained to Reinsurance News how the company is taking advantage of a capacity shortfall and leveraging advanced technology to bring vital insurance solutions to those in need. “There is a lot of reinsurance supporting India agriculture today, but in terms of growth, it is shrinking. So, companies like ours come into the picture and bring new premium into the system, which the current reinsurers are not able to support due to a lack of capacity,” said Nukala. Expanding on this, Nukala said, “There is space for participation from new domestic insurance companies along with GIC and other global players. For players like ourselves, availability of more domestic reinsurance capacity will make business and growth more efficient” Nukala is of the opinion that portfolio diversification and technology are the two key positives for investing in the Indian market today.

“India is a large country with diversified datasets,” he explained. “So, when we are added to an existing portfolio of a reinsurer which does not have any exposure in India, we help in diversifying their portfolio

better and enhancing their returns. We provide that diversification." "For example, a cyclone in India doesn't mean that something is happening in the Philippines at the same time. The bottom line is that Indian business can be a great diversifier," added Nukala. Kshema registered with the Insurance Regulatory and Development Authority of India in November 2022 and subsequently had its license issued. The company's operations are fully digitised. Nukala described the insurer's model as easy-to-use, where the farmers are directly encouraged onto an onboarding process for the company application, which has been enabled in 11 regional languages.

It also boasts a customer centric application, where a client can decide the natural perils they want to be insured against. Nukala also highlighted the important role of some of the backend technology, where the pricing and loss assessment takes place through data sources that are both API and satellite driven. Expanding on the technology point, Nukala stressed, "Companies like us that are completely digitally driven, we are able to get our PML ratios in almost near real-time. I can analyse and see what my portfolio is looking like and how it is performing. So, companies like us, which are totally built on and dependent on the entire infrastructure being technology-led, gives us greater transparency in the entire business. These are the two major advantages that I see for participating in the Indian marketplace."

Of course, India, like many parts of the world, is still extremely underpenetrated in terms of insurance, but companies like Kshema serve as a bridge to lessen the protection gap that exists in the market. India as an economy has a higher purchasing power in rural sectors, that has so far been untapped due to the lack of infrastructure, although efforts by Kshema and others has started to change this. The two major perils faced by Indian farmers are drought and cyclones. Kshema insurers against "All act of God perils", and the company has products for 9 perils with different levels of settlement. Ultimately, Kshema's aim is to use its deep expertise to help farmers who are dependent on essentially all regional crops, fruits, vegetables, or spices.

(The writer is Saumya Jain.)

TOP

SURVEY AND REPORTS

Global insurtech funding down 72% last year from 2021 peak: report - The Economic Times – 1st February 2024

Funding of the global insurance technology (insurtech) sector dropped to $4.5 billion in 2023, down 44% from 2022 and off 72% from its 2021 peak, broker Gallagher Re said in a report on Thursday, after investors got burnt by frothy valuations. Poor performance by U.S. insurtech Lemonade, which has lost more than 85% of its stock market value since early 2021, is among high-profile setbacks to have curtailed the appeal of the sector. "The poster child insurtechs that were well-known didn't perform particularly well when they went public," said Andrew Johnston, global head of insurtech at Gallagher Re. "Lots of non-insurance investors were writing cheques, we've now seen a lot of those investors leave."

However, reinsurers, who tend to focus on insurtech players at a more advanced stage of their growth, made investments in a record 148 deals, 12% higher than the previous record of 132 deals in 2019, the report showed. The most active corporate venture capital investor in 2023 was Munich Re Ventures, while the most active traditional venture capital investor was Plug and Play. Insurtech firms specialising in artificial intelligence were attracting attention, such as those using AI to detect claims fraud, Johnston said. Deal size has shrunk in line with smaller valuations, and the number of deals last year held up better than deal volume, the report said. There were 422 insurtech deals in 2023, down 19% from 2022 and 25% from 2021.

TOP

INSURANCE CASES

Insurance firm can't reject claim for reimbursement of medical cost on ground that claimant is diabetic, says consumer commission – The Hindu – 29th January 2024

Dakshina Kannada Consumer Disputes Redressal Commission has ruled that an insurance firm can't reject the claim for reimbursement of treatment expenses on the ground that the claimant had diabetes mellitus for long.

Hearing a case, the commission directed Bajaj Alliance General Insurance Company Limited to pay 70-year-old K.S. Rajeeva, a resident of Kulai in Mangaluru taluk, ₹48,872 with 8% interest from February 15, 2023, till realisation of the amount. The insurance firm has also been directed to pay Mr. Rajeeva a sum of ₹10,000 as compensation, and ₹5000 as cost of proceedings.

Mr. Rajeeva had taken a medical insurance policy from Bajaj Alliance and it was valid for the period between November 9, 2022, and November 18, 2023. Mr. Rajeeva was admitted to Omega Hospital in Kankanady following a breathing problem and he underwent treatment for the period between September 30, 2022, and October 2, 2022. He spent ₹48,872 towards treatment. Mr. Rajeeva submitted the claim to the insurance firm for reimbursement of the amount.

On December 9, 2022, the insurance firm rejected the claim on the ground that the claimant had diabetic mellitus for 27 years and it was a known case of diabetes. Contending that he is entitled to claim treatment expenses within the limitation of policy condition, Mr. Rajeeva filed the complaint before the District Commission accusing the insurance firm of deficiency in service and unfair trade practice.

The District Commission comprising of president K. Prakasha and Members P.V. Lingaraju and H.G. Sharadamma, in its judgement dated January 17, 2024, referred to the 2022 decision of Delhi State Consumer Disputes Redressal Commission, wherein it was said that common lifestyle diseases like diabetes and hypertension cannot be treated as pre-existing diseases. And this cannot be grounds for insurance firms to reject the claim, the Delhi Commission stated. "In view of the above citation, we are of the opinion that the opposite party (insurance firm) is not justified in repudiating the claim of the complainant as pre existing on the ground that the complainant is known case of diabetes mellitus for 27 years," the District Commission said.

(The writer is Raghava M.)

TOP

Over 100 in dock over crop insurance scam in Bhiwani – The Tribune – 25th January 2024

The ongoing investigation into the alleged fraud in cotton insurance under the Pradhan Mantri Fasal Bima Yojna (PMFBY) has landed over 100 persons in trouble. They include farmers of Rohnat village in Bhiwani district and officials of the various agencies.

Case under lens

A woman farmer showed cotton cultivation on 12 acres taken on lease from another farmer. The woman farmer (now an accused in the case) paid premium for cotton crop insurance and then received claim for crop damage. During the probe, the actual landowner denied that he had ever given his 12 acres on lease to the woman

Two persons, Sitaram and Vishal, of the village have been arrested in connection with the case. Police sources said about Rs 4 crore have been fraudulently claimed by the village farmers by showing cotton cultivation in fields that were neither owned by the people who claimed insurance cover nor had cotton crop in those fields.

Investigating officer Radhe Shyam told The Tribune that about 100 persons were involved in the scam. “We have arrested two persons,” he said.

The matter came to light when the CM’s Flying Squad inquired into it on the basis of a tip-off by a local resident in September. Following a preliminary inquiry by the squad, an FIR was registered at the Bawani Khera police station against five persons who had reportedly got several lakhs as insurance claim for cotton crop damage during the kharif season 2021.

Further probe revealed that a scam to the tune of Rs 4 crore and over 70-80 people, including men and women, mostly belonging to about 15 families and other people belonging to the concerned agencies were involved in it.

The police sources said the beneficiaries had claimed insurance cover for damaged cotton crop that they never sowed. The sources said the scam could not have taken place without involvement of people from insurance sanctioning agencies such as the insurance firm, Haryana Agriculture Department and Primary Agriculture Cooperative Societies (PACS).

Under the modus operandi, the accused people had got cotton crops cultivated on land taken on lease by them insured. The accused had submitted an affidavit to the insurance firm mentioning names of original owners of the land and showed themselves as tenants. The inquiry revealed that most of these people had paid premium to the insurance firm through PACS in Bhojawas village of Mahendergarh district.

(The writer is Deepender.)

TOP

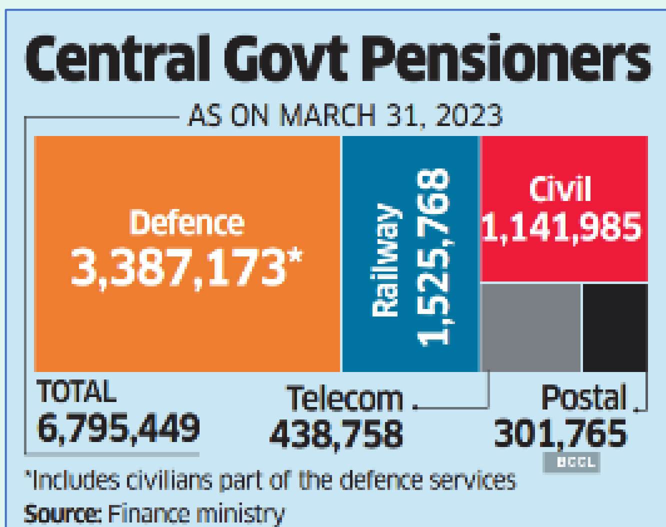
PENSION

Interim Budget 2024 likely to present a status report on National Pension System - The Economic Times – 1st February 2024

Budget 2024: The February 1 interim budget is likely to present a status report on the National Pension System (NPS), said people aware of the matter. The group headed by finance secretary TV Somanathan that's reviewing the scheme is likely to submit its report by the end of this month, they said.

The panel has considered some tweaks and guarantees in the discussions that have been held, but it's not in favour of adding to the fiscal burden or going back to the old pension scheme, said the people cited above. The Centre may seek public consultations before taking any action.

"The fine print is being worked out," one of the officials told ET. The report will focus on how to improve the NPS, taking into consideration the worries of a section of pensioners in comparison with the old pension scheme (OPS).



"The report will not be prescriptive and any changes, if at all required, will be weighed against the fiscal impact and it will be then put for the public consultation," the official added.

The Centre had set up the panel in April last year to look into the issue of pensions under the NPS for government employees. The committee was asked to suggest measures to improve NPS pension benefits while keeping in mind fiscal considerations.

The NPS has been implemented for all employees joining the central government on or after January 1, 2004, except those in the armed forces.

According to the Pension Fund Regulatory and Development Authority (PFRDA), all state governments, except Tamil Nadu and West Bengal, have notified and implemented the NPS for employees.

Debate over the NPS sharpened last year after Congress-ruled states such as Rajasthan, Chhattisgarh and Himachal Pradesh decided to go back to the old defined benefit system, which offered government employees 50% of their last-drawn salary as monthly pension. In contrast, the NPS is a defined contribution scheme through which an employee accumulates a corpus for retirement. Rajasthan and Chhattisgarh have since got BJP governments.

The opposition has said that state government employees cannot be left at the mercy of the equity market in which NPS funds are invested. The states that brought back the OPS had also asked for a refund of the corpus accumulated under the NPS. The Centre rejected this, saying it's not possible under the existing law.

The Centre has argued that the old pension scheme is not fiscally sustainable as the burden on the exchequer keeps mounting, the reason it was discontinued. The Reserve Bank of India (RBI) and several economists have opposed restoration of the OPS. They argue that such a move will upset the fiscal balance of the states. The government told the Rajya Sabha last month that there was no proposal under consideration for the restoration of the OPS in respect of central government employees.
(The writer is Anuradha Shukla.)

TOP

EPFO releases guidelines for EPS members having multiple accounts – Business Standard – 31st January 2024

The Employee Provident Fund Organisation (EPFO), in a latest circular, has issued guidelines to regulate the Employee Pension Scheme (EPS) entitlement of members having multiple account numbers. The circular, released on Monday, states that whenever an EPS member possesses multiple account numbers for concurrent employment, thus working simultaneously in two or more establishments, the pension from each establishment shall be worked out at the date of exit on an actual basis and pension payable from all establishments shall be aggregated. "The aggregate pensionable salaries at any point of time shall not exceed the wage ceiling and, as and when it exceeds the wage ceiling, the contribution received on such excess salary shall be diverted to the provident fund account and the minimum pension provisions will only apply on the total pensionable amount," the circular reads. "The aggregate pensionable salaries at any point of time shall not exceed the wage ceiling and, as and when it exceeds the wage ceiling, the contribution received on such excess salary shall be diverted to the provident fund account and the minimum pension provisions will only apply on the total pensionable amount," the circular reads.

Furthermore, the circular directs regional officers of the social security organisation to ensure that the total contributions in the scheme by an individual working in multiple establishments under their jurisdiction shall not exceed contributions payable on the wage ceiling of Rs 15,000 per month. Also, if the wages in a single establishment do exceed Rs 15,000 (with effect from September 1, 2014), then the full 24 per cent Provident Fund (PF) contribution shall be retained in the PF account only. "The above instructions shall be brought to the notice of all such establishments where such incidence of multiple memberships is more by the concerned Regional Officers, so that in the first instance itself the employer submits the correct Electronic Challan cum Return (ECR)s," the circular reads. EPS is a minimum pension scheme launched by the EPFO in 1995 under which a person is eligible for the pension benefit. From September 2014, an individual joining the EPF scheme is eligible to join the EPS if their basic salary does not exceed Rs 15,000 per month. Furthermore, in order to qualify for an EPS monthly pension, an employee must have a minimum of 10 years of contributed service. The present guidelines are to streamline the claims process, as many times a member has multiple accounts and the contributed amount varies, causing trouble during the calculation of the amount.
(The writer is Shiva Rajora.)

TOP

EPFO's new survey seeks details on women workers to boost their share in workforce – The Indian Express – 31st January 2024

Amid concerns over the suboptimal rate of female labour force participation in the country, the Employees' Provident Fund Organisation (EPFO) and the Ministry of Women and Child Development (WCD) have launched a new survey on "increasing women participation in the workforce". The EPFO, which is the retirement fund body for organised sector workers under the Ministry of Labour and Employment, has reached out to its subscribers seeking details regarding the working facilities available for women workers in companies across the country, including provision of flexibility in working hours for women and 'equal pay' for female workers.

The survey has a detailed questionnaire seeking organisation details, including whether the company provides an internal complaints committee for addressing Prevention of Sexual Harassment (POSH) formalities, crèche facilities for children, and transportation facilities during late hours. The survey has also sought answers on whether there is 'equal pay for equal work' for male and female workers along with a query on availability of flexible or remote working hours for women.

The survey questionnaire has been shared by the EPFO with its nearly 30 crore subscribers across the country. The employer rating survey was launched at an event "Women in the Workforce for Viksit Bharat" by the Ministry of Labour and Employment and the WCD ministry on Tuesday. Details have to submitted on the myscheme.gov.in portal. As per the EPFO's Annual Report for 2022-23, there are 29.88 crore members across 21.23 lakh establishments under the ambit of the retirement fund body.

Data shows women's labour force participation rate (LFPR) has improved over the last few years but much of this increase has been seen in the unpaid work category. As per the Periodic Labour Force Survey (PLFS), the female participation rate rose to 27.8 per cent in 2022-23 from 17.5 per cent in 2017-18, but a major chunk of this is of the women reported as "helpers in household enterprises", who do not receive any regular salary for their work.

According to the Centre for Monitoring Indian Economy, female LFPR reduced to 8.73 per cent in 2022-23 from 11.80 per cent in 2017-18. Female LFPR in rural areas slowed to 9.68 per cent in 2022-23 from 12.16 per cent in 2017-18, while that in urban areas moderated to 6.90 per cent in 2022-23 from 11.10 per cent in 2017-18. Globally, the South Asia region had a female labour force participation rate of 26 per cent in 2022, with India's neighbouring countries registering female LFPR of 33 per cent in Sri Lanka, 25 per cent in Pakistan, 29 per cent in Nepal, 38 per cent in Bangladesh and 61 per cent in China, as per World Bank.

In the proposed four labour codes, which are expected to replace a set of 44 central labour laws and are likely to come into effect after elections, the government has incorporated specific provisions for safeguarding the employment of women workers. The Code on Social Security, 2020 provides for enhanced paid maternity leave, provision for mandatory crèche facilities in establishments having 50 or more employees, permitting women workers in the night shifts with adequate safety measures, etc. The Code on Occupational Safety, Health And Working Conditions (OSH), 2020 has proposed tweaks in employment terms and conditions for women workers in the above-ground mines. The Code on Wages 2019 has provisions for no gender-based discrimination for wages in an establishment for similar nature of work.

(The writer is Aanchal Magazine)

TOP

Pension funds sizzle with over 25% 1-year equity return – The Hindu Business Line – 30th January 2024

Riding on a roaring bull market in equities in the last one year, pension funds have clocked a robust average 25.25 percent annual return in equities, latest PFRDA data showed. This average annual return of 25.25 percent in equities — as of January 27, 2024 — is more than triple the return of about 7.34

percent seen in corporate bonds; 8.46 percent in Government Securities, and about 10.16 percent in Central and 10.11 percent in State government schemes, data showed. Over the last three-year period, the seven pension funds have generated an average equities return of 17.11 percent. The average return from equities since inception of NPS stood at 13.13 percent. Meanwhile, overall National Pension System (NPS) assets — including Atal Pension Yojana — surpassed a new milestone of ₹11-lakh crore, touching a level of ₹11.07-lakh crore as of January 27, up 28.37 percent on a year-on-year basis. Of the total NPS AUM of ₹ 11.07-lakh crore, the total NPS monies parked in equities stood at about ₹2-lakh crore. On January 28 last year, NPS assets stood at ₹8.63-lakh crore. PFRDA Chairman Deepak Mohanty had recently expressed confidence that NPS assets will touch ₹12-lakh crore by the end March 2024. Equity markets in India have been on a roll since 2023 — especially in the last two months of the year —on the back of strong domestic inflows from retail investors, and also with Foreign Portfolio Investors (FPI) returning to the markets in a big way as net buyers. FPIs pumped in over $ 20 billion in Indian equities in calendar 2023.

Most analysts in the Street have strong outlook for equities in 2024 with many contending that ongoing bull run still has some distance to go given the robust macroeconomic situation and expectations of likely continuity of current dispensation in upcoming 2024 general elections. A recent Jefferies note forecast the December 2024 Nifty50 target at 24,000. The robust growth in NPS assets was aided by strong show on the 'corporate' and 'all citizens model' categories. In the last 12 months, as of January 27, as many as 8.4 lakh new subscribers have joined NPS. Of this, 8.4 lakh new subscribers, as many as 5.8 lakh subscribers came in through the 'all citizens model', and the rest 2.6 lakh in corporate model. The total number of NPS and APY subscribers as of January 27 this year stood at 7.11 crore, up 16 percent over 6.14 crore in year ago. PFRDA this fiscal year expects atleast 13 lakh new subscribers from both Corporates and all citizen categories. Last fiscal year PFRDA had added a million new subscribers. NPS took six years and six months to reach the milestone of ₹1-lakh crore AUM after its implementation in the year 2009. It then took 4 years and 11 months to further increase AUM to ₹5-lakh crore. NPS AUM had doubled to ₹ 10 lakh crore as of August 25 from ₹5-lakh crore in a span of just 2 years and ten months.

(The writer is KR Srivats.)

TOP

PFRDA proposes information help desk for NPS/APY – The Hindu Business Line – 28th January 2024

Pension regulator PFRDA wants to enable the setting up of an 'information help desk for NPS/APY' to help prospective or existing NPS/APY subscribers with their queries regarding scheme features, process/procedures for enrolment, operations and exits. This proposed help desk would also disseminate information on old age income security, retirement planning, pension, etc. Towards this end, it has now invited bids by issuing a Request for Proposals (RFP) from professional call-centre operators for being appointed as an information help desk service provider. The proposed help desk would also help obtain feedback or understanding the expectations of the system; obtain feedback from the subscribers/participants attending the various awareness sessions conducted by PFRDA's empanelled training agency or by retirement planners.

The appointed service provider would also be required to inform the existing subscribers of their persistent contributions regarding their NPS/APY account. PFRDA has in the RFP made it clear that it does not intend to set up the infrastructure for the information help desk. It, however, intends to hire the existing infrastructure of bidders including tele-calling executives on a lease basis from their existing call centres. The minimum eligibility criteria include the bidder to be a registered company in India under the Companies Act or a Registered Partnership or a Limited Liability Partnership. However, proposals from consortiums would not be entertained. Also, the bidder should have been in the business of providing business process outsourcing/call centre/contact centre/ITeS-related services for the past five years. The bidder should be operating a call centre process for at least two financial institution and one government organisation during the last three years on the date of submission of bid. Also, the bidder should have net profits in at least three out of the previous five financial years (FY2018-19 to FY2022-

23). The average turnover from call centre-related business should not be less than ₹ 50 crore in the last three financial years (FY2020-21 to 2022-23), PFRDA has said.

(The writer is KR Srivats.)

TOP

Fresh NPS adoption by corporate sector slips to 34-month low in Nov: NSO – Business Standard – 26th January 2024

Fresh adoption of the National Pension System (NPS) by formal sector employees in the corporate segment fell to nearly a three-year low in November, according to the latest data released by the National Statistical Office (NSO) on Thursday. The data shows that the addition of new monthly subscribers under the corporate segment fell by 25 per cent to 7,728 in November from 10,341 in October. Earlier, 6,451 new subscribers had joined the NPS in January 2021. Meanwhile, the cumulative number of new subscribers, comprising central government employees, state government employees, and corporate sector employees, stood at 108,057 in November, up from 70,947 in the previous month. The corporate component of the scheme is voluntary in nature and includes people working in public sector organisations, private limited companies, or public sector banks, among others.

The corporate segment of the scheme has witnessed a decline in recent months as the new tax regime doesn't provide incentives to invest in pension schemes. For employees in the corporate sector who earn up to Rs 7 lakh and pay no taxes, there is no incentive to save through NPS. Last week, the Pension Fund Regulatory and Development Authority (PFRDA) Chairman Deepak Mohanty prodded banks to shore up fresh enrolments to achieve the ambitious target of enrolling 1.3 million new subscribers under the private sector of the NPS in 2023-24.

"If you look at the private sector component of the NPS, which includes corporates and individuals, we have a target of enrolling 1.3 million new subscribers this year. Of that, we have crossed the halfway mark until now (around 600,000)," Mohanty told reporters. In the central and state government components of the scheme, the number of new subscribers stood at 16,737 and 83,592, respectively, during November, while 18,780 and 41,826 new subscribers had joined it in the previous month.

The Union government has mandated the NPS for all its new employees; hence, this can be used as a proxy to gauge fresh recruitments at the central level. However, since a few states like Rajasthan, Chhattisgarh, Himachal Pradesh, Jharkhand, and Punjab have announced a return to the Old Pension Scheme (OPS), thereby abandoning NPS, it cannot be used as an exact metric to gauge hirings at the state level.
Managed by PFRDA, the NPS is designed on a defined contribution basis. Here, both the subscriber and the employer contribute an equal amount to a person's account. It was made mandatory for all new central government employees from January 1, 2004, except the armed forces. Since April 2018, the NSO has been bringing out employment-related statistics in the formal sector, using information on the number of subscribers under the Employees' Provident Fund Scheme, Employees' State Insurance Scheme, and the NPS.

(The writer is Shiva Rajora.)

TOP

IRDAI CIRCULAR

Circular	*Link*
Exposure Draft of IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Indian Insurance Companies) Regulations, 2024	https://irdai.gov.in/web/guest/document-detail?documentId=4389529

Modification in Product for Persons with Disabilities(PWD), Persons afflicted with HIV/AIDS, and those suffering from Mental Illness	https://irdai.gov.in/web/guest/document-detail?documentId=4384424
Guidelines on providing AYUSH coverage in Health Insurance policies.	https://irdai.gov.in/web/guest/document-detail?documentId=4384057

TOP

GLOBAL NEWS

Sri Lanka: Non-life insurers' performance to weaken on ceding all strike, riot & terrorism premiums to reinsurer – Asia Insurance Review

A new directive that Sri Lankan non-life insurers remit 100% of motor insurance strike, riot, civil commotion and terrorism (SRCCT) premiums to state-owned National Insurance Trust Fund Board (NITF) should benefit NITF while the underwriting profitability of non-life insurers is likely to worsen, says Fitch Ratings.

However, the effect on non-life insurers' profitability and risk-based capital adequacy ratios could be reduced if they can raise premium pricing. The impact will also depend on the level of commissions motor insurers receive from NITF for providing SRCCT cover.

Before 2024, industry practice was to remit only 12% of SRCCT premiums to NITF under a reinsurance arrangement, although a 2008 government gazette required full remittance. The SRCCT segment has generally been highly profitable in recent years due to relatively low claim incidence, though there were significant claims in May 2022 as a result of anti-government protests.

NITF has yet to renew its reinsurance cover with international reinsurers for the SRCCT segment following its expiration in July 2023, and Fitch believes unforeseen losses faced by NITF without such cover could result in heightened volatility for its capital position and earnings. This, along with the non-renewal of its retrocession cover for its inwards reinsurance business, was a factor in Fitch's decision to downgrade its rating, from 'BBB+(lka)', in October 2023.

NITF's combined ratio for SRCCT was 27% during the last five years, against its overall combined ratio of 78%, with ratios below 100% indicating an underwriting profit, which means a rise in premiums should boost profitability.

Motor insurers

Motor insurers previously had a maximum annual aggregate net retention of LKR10m ($31,560) before passing on losses to NITF. This will no longer be the case under the new setup and NITF's exposure will increase as a result.

Fitch expects non-life insurers that have higher exposure to motor insurance generally to be more affected by the directive. The non-life industry's combined ratio increased to 113% in 3Q2023, from 109% in 2022, partly reflecting various factors that have eroded the underwriting profitability and market share of non-life insurers in the motor insurance segment in recent years. Fitch estimates that the new requirements for SRCCT premiums may add 5ppt-10ppt to the non-life sector's combined ratio, before accounting for any premium price adjustments and any commissions from NITF. This could weigh on the improvement in the combined ratio that Fitch had expected for Fitch-rated non-life insurers in 2024.

Nonetheless, Fitch expects Sri Lanka's economic conditions to improve in 2024, with GDP growth recovering, inflation easing and external liquidity metrics improving. These factors should support vehicle demand and motor insurers may be able to raise premiums significantly faster than inflation, on average, over 2024. This would moderate the impact on profitability from full remittance of SRCCT premiums to NITF, although higher prices may dampen demand growth for SRCCT policies. The capacity

of many insurers to pass on price increases will still be constrained by competition, and the agency expects most Fitch-rated non-life insurers' combined ratios to remain above 100% for 2024.

Investment and liquidity risks will likely remain the downside risks for most Fitch-rated Sri Lankan insurers in the near term, but poor profitability and capitalisation metrics could weigh on ratings over time. Fitch revised the outlooks on most of its rated insurers to 'Stable', from 'Rating Watch Negative' (RWN), in October 2023 following the upgrade of Sri Lanka's Long-Term Local-Currency Issuer Default Rating to 'CCC-' from 'Restricted Default' and the subsequent removal of the RWN on Fitch-rated banks.

TOP

Taiwan: Insurance industry turns around its performance to report profits in 2023 – Asia Insurance Review

The pre-tax profit of insurance companies for 2023 was NT$98.1bn ($3.1bn), a turnaround in performance from pre-tax losses of NT$18.6bn in 2022, according to data released by the Financial Supervisory Commission (FSC).

The breakdown of the pre-tax results of the life and non-life sectors is as follows:

Net results of the insurance industry				
	2023	2022	Change	
	NT$ bn	NT$ bn	NT$ bn	%
Life insurers	80.6	171.9	-91.3	-53.1
Non-life insurers	17.5	-190.5	208.0	109.2
Total	98.1	-18.6	116.7	627.4
Source: Financial Supervisory Commission				

Shareholders' equity of insurance companies at the end of December 2023 stood at NT$2,373.4bn. Of this total, shareholders' equity of life insurers was NT$2,245.6bn, representing an increase of 41.2% compared to the end of 2022, while that of non-life insurance companies NT$127.bn, more than doubling at 108.1% compared to 12 months previously.

As of the end of December 2023, the Taiwan dollar had depreciated by 0.09% against the US dollar from the end of 2022.

The cumulative balance of foreign exchange valuation reserves of life insurance companies was NT$92bn on 31 December 2023, plunging by NT$136.9bn from 12 months previously.

The combined impact of exchange gains/losses, hedging gains/losses and the net effect of volatility on the foreign exchange valuation reserve of life insurers was NT$-228.8bn for 2023.

Forex-related results in 2023				
		Life	Non-life	Total
		NT$ bn	NT$ bn	NT$ bn
Exchange gains/(losses)		3.7	-0.4	3.3
Hedging	Hedging gains/ (losses)	-9.2	0	-9.2
	Hedging costs	-360.2	-0.8	-361.0
Net effect of volatility on forex valuation reserve		136.9	0	136.9
Total [1] +[2]+[3]		-228.8	-1.2	-230.0
Source: Financial Supervisory Commission				

Also in 2023, the overseas investments of life insurers resulted in net gains (including exchange gains/losses and hedging gains/losses, but not including the net effect of volatility on the foreign exchange valuation reserve) of NT$515.9bn.

TOP

Multi-cancer early detection tests offer opportunities for life and health insurers - Asia Insurance Review

The widespread adoption of multi-cancer early detection (MCED) tests would inevitably have implications for life and health (L&H) insurers, said Swiss Re Institute.

MCED tests, a type of liquid biopsy, are designed to detect biomarkers of a wide range of cancers, potentially earlier than current, established screening methods; or when patients first present with symptoms.

In a report titled "Multi-Cancer Early Detection: Cancer screening beyond today's boundaries", Swiss Re Institute said that early cancer screening using MCED tests is a potential net benefit for insurers and their policyholders, as an earlier diagnosis is in the best interests of both. By identifying cancer at its nascent stages, and with the possibility of earlier treatment, insurers may anticipate some decrease in mortality for various cancer types and potentially mitigate long-term treatment costs.

Some insurers have established partnerships with MCED companies. These insurers are now deploying pilot tests to their in-force life insurance customers as a post-issue, value-added service for those with an elevated risk of cancer, such as those aged 50 or older.

However, similar to ongoing clinical trials, the medical benefits and harms as well as cost-effectiveness assessments of these pilots remain to be seen.

Over time, other insurers are expected to follow this first phase and implement MCED tests along the entire insurance value chain, potentially including their use for underwriting if they reach sufficient scientific maturity and regulatory acceptance and can be offered at financially viable costs.

Implications and risk considerations

Some of the further implications and risk considerations of evolving MCED tests for L&H insurers include:

Underwriting and disclosure: More MCED tests may be available online or directly from commercial laboratories in time. As people become increasingly invested in their long-term health, consumers may choose not to disclose a positive MCED result at underwriting, which as of today is not formally recognised as diagnostic criteria for cancer. Equally, those with a negative test could defer or delay the purchase of insurance, resulting in greater anti-selection exposure.

MCED tests are today only a part of the picture of a full screening pathway. Where a positive MCED test is submitted, caution would be advised until the applicant has discussed the result with their doctor. A negative MCED test does not rule out the presence of a current cancer nor does it preclude the risk for cancer in the future.

If market regulations allow, closer examination of family and medical history, as well as lifestyle and behaviours, could help to assess a possible cancer pre-disposition or diagnosis, for better mortality and morbidity outcomes.

Critical illness (CI): Cancer is a leading cause of claims in CI insurance products. Most current definitions require histopathological proof as a gold standard to evidence a certain cancer severity level. The ongoing utility of histology may evolve over time as MCED tests continue to grow in effectiveness and acceptance. If the medical definition of a cancer diagnosis changes, L&H insurers may wish to consider how to assess claims and the eligibility for a CI payout. This would become even more important in the presence of a positive MCED test and the absence of other established medical diagnoses.

Over-diagnosis and potential CI claims impact: Although approved MCED tests are expected to have low false-positive rates, over-diagnosis remains a concern. Unequivocal claims definitions, exclusions or partial benefits by recognition of the staging or impact of a cancer, can help to cover or to mitigate over-diagnosis risk. Flexible adjustments to pricing margins and non-guaranteed premiums may be another consideration for insurers.

Pricing assumptions: Pricing assumptions are usually based on historical experience and future trend assumptions. If MCED tests become widely adopted, this may accelerate diagnoses. This may lead to potentially higher claims activity for lines of business such as CI and medical reimbursement. Insurers may notice previously unexpected changes in cancer incidence, stage shifts, and cancer survival probabilities. Expectations for these metrics can be taken into consideration when pricing new policies, especially where long-term guarantees are in place.

Healthcare costs: MCED tests may confront L&H insurers with unexpected healthcare costs far beyond reimbursement for the actual test. Early disease detection by MCED tests could lead to higher costs for additional confirmatory diagnosis, medical counselling and therapeutic interventions, although early diagnosis is likely to decrease the costs of long-term medical care for advanced or late-stage cancers.

Genetic testing regulations: MCED tests aim to detect the presence of a tumour or cancerous cells earlier than other methods. As MCED tests are not genetic tests, they do not indicate the predisposition to developing cancer. Subsequently, established laws and regulations in various markets which protect against the use and disclosure of predictive genetic information for underwriting purposes are unlikely to apply.

MCED tests offer a glimpse of a future where a single blood test may become a routine, comprehensive screening tool. Insurers can continue to monitor these developments as they apply to their business. While treatments continue to evolve, an earlier diagnosis takes a step closer towards better cancer survival rates and quality of life.

TOP

Japan: Profitable underwriting and capital base back non-life insurance market's 'stable' outlook - Asia Insurance Review

Global credit rating agency, AM Best, said that it is maintaining a stable outlook on Japan's non-life insurance industry, citing profitable and stable underwriting and a solid capital base amid financial market uncertainty.

The Best's Market Segment Report, "Market Segment Outlook: Japan Non-Life Insurance", said that insurers' efforts to enhance the profitability of the fire insurance line also is a factor in the stable outlook. Losses from large-scale historical catastrophe events have strained the underwriting results of the fire insurance line considerably and contributed to heightened reinsurance costs in recent years. Consequently, most major domestic non-life insurers have recognised the pressing need to address to sustainability of their fire insurance products. Supported by a rise in premium rates, direct premiums in the fire insurance line grew more than 10% in fiscal year 2022.

Most of Japan's non-life insurance companies have reported an improvement in premium income in most lines of business in the last 12 months.

AM Best expects that the impact of the January 2024 earthquake in Japan will be manageable relative to the non-life segment's profit base, as most residential losses are supported by the government.

Although premium trends and profitability for Japan's non-life market are expected to remain largely stable, uncertainty about Japan's macroeconomic environment could still pressure the domestic insurance market over the next 12 months.

"The most critical uncertainty stems from the risks associated with inflation and foreign exchange markets, both of which are closely correlated with each other," said Mr Charles Chiang, senior financial analyst at AM Best. "Persistently higher-than-expected inflation could squeeze the profitability of non-life insurers, driven by rises in insurance claims and labour costs in the short term."

TOP

Australia: Actuaries harness AI and the data revolution - Asia Insurance Review

In a data-driven world, in which organisations and governments are looking to harness the power of AI and automation, it is up to actuaries, the experts of this domain, to give the data revolution a conscience, said 2024 Actuaries Institute president David Whittle.

"AI has immense power and, with it, immense possibilities and risks," said Mr Whittle in a statement. "Actuaries have always been the independent arbiter, the vital element in systems like insurance, super and investment striving for equal treatment of all people. In the world of automation, it will be up to us to extend that role."

In his presidential address, Mr Whittle, a senior actuary with over 30 years' experience, said that, as a profession committed to understanding and managing risk, actuaries can assist in ensuring that the Australian ideal of a 'fair go' is realised in the emerging world of AI and automation.

"Given the technological power at play – and how that power is deployed almost invisibly – it may be more important now than ever," said Mr Whittle.

With recent Actuaries Institute research covering societal issues such as home insurance affordability, inequality and providing better support for children with autism and developmental delay, Mr Whittle is keen to continue to guide the important work of the peak professional body for actuaries.

"I am excited to be president at a time when actuaries are spreading our influence and broadening our skills. We're creating value across different areas of work and different industries. This year, I would like to encourage our profession to continue to be bold – put forward ideas of change and find ways to be heard in the halls of government and the boardrooms of industry – to continue to make a real impact on issues that matter to Australians. Issues such as climate change, artificial intelligence and intergenerational equity."

TOP

New Zealand: Impact of health issues on finances is underestimated - Asia Insurance Review

The latest Financial Services Council (FSC) research report "Money & You-The Perception Gap" said that there is overconfidence about the potential impact of health issues on day-to-day finances.

Of the 37% of respondents that have health insurance, the top three reasons for doing so are for peace of mind, to reduce stress and to ease worry about financial consequences if there was a significant health event. Of the top health concerns, by far the most frequent is mental health and wellbeing (34%), which is significantly higher for younger generations than older. Overall, respondents also worry about concerns such as cancer (14%), heart disease (12%) and musculoskeletal conditions (9%).

Of those that previously had health insurance, 55% said that the 'cost of living is so high that I can no longer afford it'.

In addition, while 98% of homeowners have insured their homes and 95% of car owners have insured their cars, just 20% of New Zealanders have insured their income against sickness or disability.

This latest research shows that the top five circumstances that would see respondents take out an insurance policy to cover income are:
1. If I had more money
2. If my health started declining
3. If I started a family
4. If it was more simple to understand and apply
5. If any insurance company could better explain the benefits to me

With 39% having life insurance and 82% indicating that they are financially confident, even considering the concept that some New Zealanders will self-insure, there appears to be a perception gap in knowledge around these insurances and managing life risk effectively. Just 62% demonstrated a 'good

understanding' when asked about four financial-concept trivia questions to measure literacy. The questions related to investment, diversification, KiwiSaver, and the relationship between risk and return. KiwiSaver is a voluntary savings scheme set up by the government to help New Zealanders save for their retirement.

The research was conducted via an online survey developed and hosted by CoreData. 2023 data was collected between 7 March and 12 March. A total of 2,030 valid complete responses were collected in March 2023.

TOP

COI Training Programs

Mumbai – February 2024

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Up-skilling teams on CRM	20-Feb-24	21-Feb-24	ClickHere	Register
2	Marine Hull & Energy Insurance- Underwriting & Claims	26-Feb-24	27-Feb-24	ClickHere	Register

Kolkata – February 2024

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Raising Effectiveness of Business Development Executives & Managers- CT	20-Feb-24	20-Feb-24	ClickHere	Register
2	Augmenting Women Power in Leadership - CT (Kolkata)	22-Feb-24	22-Feb-24	ClickHere	Register
3	Augmenting Women Power in Leadership - CVT (Kolkata)	22-Feb-24	22-Feb-24	ClickHere	Register

TOP

Courses offered by College of Insurance

CC1 - Certificate Course in Life Insurance Marketing

Course Structure -

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

CC2 - Advanced Certificate course in Health Insurance

Course Structure –

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

CC3 - Certificate course in General Insurance

Course Structure -

Particulars	Details
Duration of the course	3 months (on weekends)
Mode of Teaching	Classroom / Virtual Training session at COI, Kolkata
Total hours of Teaching	100 hours of both Classroom / Virtual Training (Hybrid)
Exam pattern	MCQ pattern
Target Group	Fresh graduates/Post Graduates, Broking Companies, Insurance Companies, Freelancers
Fees for the course	Rs. 18,880/- (Rs. 16,000/- 18% GST for Classroom training) Rs. 14,160 /- (Rs. 12,000/- + 18% GST for Virtual training)

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

Course Structure -

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

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

Post Graduate Diploma in Collaboration with Mumbai University

Post Graduate Diploma in Health Insurance (PGDHI)

Course Structure -

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

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