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INSURANCE INSTITUTE OF INDIA

INSUNEWS - WEEKLY E-NEWSLETTER

27TH JULY – 02ND AUGUST 2024

QUOTE OF THE WEEK

"Imagination is the beginning of creation. You imagine what you desire, you will what you imagine and at last you create what you will."

GEORGE BERNARD SHAW

Insurance Term for the Week

Multiple peril crop insurance (MPCI)

MPCI covers crop losses, including lower yields, caused by natural events, such as:

Destructive weather (hail, frost, damaging wind), Disease, Drought, Fire, Flooding, Insect damage.

MPCI is federally supported and regulated, and is sold and serviced by private-sector crop insurance companies and agents. More than 90 percent of farmers who buy crop insurance opt for MPCI. Both the cost of insurance and the amount an insurer will pay for losses are tied to the value of the specific crop. MPCI is available for more than 120 different crops, though not all crops are covered in every geographic area.

MPCI policies must be purchased each growing season by deadlines established by the federal government—and before a crop is planted. If damage occurs early enough in the growing season, the policy may include incentives to replant—or penalties for not doing do.

INSIDE THE ISSUE

INSURANCE INDUSTRY

The Insurtech evolution: Transforming Bharat's insurance landscape through digital disruption – Express Computer – 29th July 2024

Insurtech is primarily a synergy between traditional insurance and technology. Imagine you're on a vacation in a remote corner of the country when you suddenly realize your insurance premium payment deadline expires tomorrow and there are no ready means to make your payment or the ordeal to claim your insurance because of the tedious processes and the lengthy never-ending approval timings. It is this gap and painful customer experience that Insurtech companies aim to solve driven by digitalisation, which has transformed the way insurance is provided and purchased.

Digitalisation and the rise of Insurtech

Traditionally, insurance in India was rooted in community-driven initiatives and restricted to public players. For decades, the Indian insurance sector relied on traditional methods, with human agents, cumbersome paperwork, and brick-and-mortar offices. However the onset of digitalisation paved the way for private players to enter the sector and the objective was clear; to simplify insurance processes with the use of technology. The 21st century India is driven by technology, and tech-savvy individuals are progressively adopting all kinds of tech-integrated services and products. The adoption of technology challenged the age-old operational norms and redefined the essence of insurance for the Indian customer.

In recent years, we have witnessed the rise of dedicated insurtech startups, bringing innovative, tech-driven solutions to the forefront offering better tailor-made products to consumers thereby enhancing their overall experience. With a focus on AI, data analytics, and user-centric experiences, these tech-integrated solutions are revolutionising the industry.

How insurtech is reshaping traditional insurance models

Digitalisation is the new norm: Insurtech companies are harnessing the transformative power of digital technologies to streamline insurance processes and improve efficiency. In contrast to traditional methods, Insurtech companies are leveraging AI, blockchain, machine learning, data analytics etc to simplify and hasten the policy issuance and claim processes. By embracing digitalization, insurtech companies are challenging the paperwork and administrative burdens, paving the way for a future where efficiency and convenience reign supreme.

Redefine the customer experience: Insurtech emerges as a potent force redefining the customer experience with increased engagement thereby building deeper relationships and fostering brand loyalty. Leveraging the power of mobile apps, online portals, and digital communication channels, insurers can deliver personalized recommendations, real-time updates, and interactive experiences tailored to each customer's unique needs. By harnessing data analytics, Insurtech companies can better analyse a customer needs and offer customised plans at competitive prices which further maximises customer satisfaction.

Drive innovation: Insurtech startups are spearheading a revolution, driving innovation across various aspects of the insurance sector, like product development, distribution, and risk management. Advanced analytics, artificial intelligence, and machine learning algorithms empower insurers to assess risks with accuracy, price policies meticulously, and detect fraudulent activities proactively. Moreover, the integration of cutting-edge technologies such as blockchain and the Internet of Things (IoT) is paving the way for groundbreaking insurance products and services. Going forward, insurtech platforms are poised to transcend their role as mere insurance providers, evolving into comprehensive digital ecosystems offering a plethora of services, from health consultations to asset management. Additionally, as data analytics continues to advance, insurtech companies will be able to offer hyper-personalized policies based on user behavior, health metrics, and financial status.

Increase market reach: Insurtech is democrattsing access to insurance by breaking down barriers and reaching previously underserved segments of the population. Through digital distribution channels and innovative microinsurance solutions, insurers are now penetrating new markets, offering affordable coverage to a broader customer base, including rural and low-income sections of the population. Insurtech companies are contributing to greater financial inclusion and resilience, promoting socio-economic development and stability.

The way forward

The Insurtech sector in India stands at exciting crossroads. From streamlined processes, personalised solutions, transparency, quicker turn-around time, Insurtech is not only changing the way insurance is bought and sold but is also offering customer experience and value second to none. As insurers embrace technology and change, they are well-positioned to capitalize on emerging opportunities and address the evolving needs of Indian consumers in the digital age.

TOP

Why traditional insurance companies must embrace digital transformation - The Economic Times – 28th July 2024

Digital transformation has disrupted the insurance sector rapidly by improving the overall process efficiency and reducing turnaround time for different tasks. Furthermore, digital transformation has improved customer experience and increased agility among insurance companies. Conventional insurance processes included many manual operations prone to errors, and the completion speeds of basic tasks were quite significant.

However, with the introduction of digital technologies such as data analytics, automation (of processes), IoT solutions, telematics, and AI, insurance companies have been able to address the inherent issues in traditional processes. Embracing digital transformation is no longer a choice but a necessity to stay competitive and relevant. This article delves into why traditional insurers must adopt digital strategies, highlighting the role of Insurtech innovations and the particular urgency for the commercial insurance sector to integrate technology for improved efficiency, customer satisfaction, and overall market success.

Current Challenges for Traditional Insurance Companies

Even though the impact of digital transformation on the insurance sector has been quite rapid, it is critical to acknowledge that many conventional insurance companies have yet to embrace the latest technologies and are, hence, struggling to follow the pace of growth of the Insurtech enterprises. There is no particular definition or categorization of traditional insurance companies, but a few salient features differentiate them from the Insurtech companies. For example, conventional insurance businesses rely on legacy systems and outdated processes that hinder their ability to respond swiftly to market demands. These firms typically rely heavily on paperbased documentation and manual procedures, leading to inefficiencies and higher operational costs. Moreover, customer dissatisfaction is rising as modern consumers expect seamless digital interactions, quick response times, and personalized services, which traditional insurers struggle to provide. Eventually, the insurance companies following a conventional way of operations can lose market share to more agile and technologically advanced competitors.

Benefits of Digital Transformation

As described in numerous instances in the previous parts, operational efficiency is one of the primary reasons why adopting digital transformation is critical for insurance companies. Besides automation of routine tasks and reducing manual errors, here are the most vital benefits of digital transformation for insurance companies:

1. Cost Savings: Digital platforms reduce the need for physical infrastructure and paper-based processes. Efficient data management and analytics help optimize resources and cut unnecessary expenses
2. Improved Customer Service: Digital channels provide customers with 24/7 service access, improving convenience. Personalized offerings and quick response times lead to higher customer satisfaction and loyalty.
3. Improved, Data-Driven Decision Making: Advanced analytics and AI enable insurers to gain deeper insights into customer behaviour and preferences. Data-driven strategies enhance risk assessment, pricing accuracy, and fraud detection.
4. Better Compliance Management: Digital transformation helps simplify compliance procedures, especially for insurance companies operating in more than one market. Enhanced transparency and accountability reduce the risk of non-compliance penalties.

In addition to the above, digital transformation results in innovation and agility, which helps insurance companies rapidly develop and deploy new products and services. It also helps respond to market fluctuations and keep the insurance business competitive.

Commercial Insurance Sector and Digital Transformation

The B2C insurance sector has seen a massive digital transformation in analytics, ID verification, digital payments, AI, and ML. Due to digital transformation and easy availability of insurance services including individual health, life, and other general insurance, there has been a significant improvement in customer service and the total number of people served by insurance companies. However, the commercial insurance sector still has a long way to go before the impact of digital transformation can be felt similarly. The sector still has lengthy manual processes, starting with client onboarding, claim settlement, and asset analysis. The increased complexity of commercial insurance products and policies necessitates advanced technological solutions to efficiently manage and process large volumes of data. Traditional methods are often inadequate and slow for handling the requirements of commercial clients, leading to inefficiencies and potential errors. The regulatory and compliance processes, along with the already slow internal procedures, further reduce the overall efficiency of the commercial insurance businesses. Digital systems streamline compliance processes by ensuring better data management, tracking, and reporting, thus reducing the risk of non-compliance penalties. Hence, adopting the latest digital tools is critical for commercial insurance enterprises to survive in a rapidly changing external environment. By adopting technology, commercial insurers can enhance operational efficiency, meet regulatory demands, and deliver superior risk management solutions, ultimately ensuring better service for their clients and maintaining a competitive edge in the market.

Summing up

Based on the rapid strides the insurance sector has made in the Indian market in the past decade, a lot of credit should be given to the latest digital technologies for expanding the scope of these services and improving the error-prone traditional systems. In the commercial insurance sector, there is still significant scope for implementing digital technologies to transform internal systems and compliance. The future of insurance lies in leveraging technology to create more efficient, customer-centric, and resilient businesses. As digital ecosystems expand, insurers integrating advanced technologies will deliver superior services and maintain a competitive edge in a dynamic market.

(The writer is Aditya Dadia.)

TOP

Why M&A Insurance is growing important in India – considering the growing PE deals in the country - The Economic Times – 27th July 2024

Merger and Acquisition (M&A) Insurance, also known as Transactional Risk Insurance, provides a suite of protections aimed at mitigating risks and facilitating the successful closure of mergers and acquisitions. This insurance is designed to address common concerns for both buyers and sellers, such as the potential impact of contractual indemnities, tax liabilities especially for DTAA risk, Title dispute or ongoing litigation on the transaction. The recent introduction of the umbrella policy has brought in unique solution to cover the tax liability of the past exits (can be clubbed with multiple exits) with regards to the DTAA exposure.

M & A insurance has gained significant popularity worldwide, particularly in Western countries, due to its comprehensive coverage model that safeguards buyers and sellers from financial losses resulting from misrepresentations or inaccuracies. This insurance allows buyers to strengthen their bids and sellers to minimize indemnity obligations, enabling both parties to close deals more efficiently. With close to 800 deals, which totalled to around USD 36 billion, it is high time that Indian companies get rightly aware of M&A Insurance and its benefits.

The M&A insurance market in India is currently valued at 146 billion USD and is experiencing a steady growth rate with a CAGR of 10-12%. This type of insurance assists companies in covering losses from breaches of warranty related to corporate mergers or acquisitions and DTAA tax indemnity claims. When properly structured, M&A insurance facilitates the information-gathering process and clarifies the target company's status by mandating disclosure of key characteristics and issues. Failure to disclose against warranties can lead to significant compensation claims, allowing the purchaser to recover the diminished value of the acquired company.

Amidst significant global economic challenges such as high-interest rates, macroeconomic uncertainty, regulatory scrutiny, and geopolitical risks, India's M&A landscape is expected to remain resilient over the next 2-3 years. Despite a soft global M&A market, Indian companies will be impacted by a robust domestic economy and are likely to view M & A as a vital strategy for expansion, supply chain integration, and strengthening market positions. This will make it all the more important for companies to insure their transactions through M&A insurance.

The Indian M&A insurance market is evolving and expanding in line with the growth of M&A deals, as more dealmakers turn to transactional risk insurance to facilitate transactions. International private equity firms and other foreign investors are increasingly seeking robust insurance for their ventures into India's emerging market, making the use of M&A insurance far more commonplace. Higher interest rates, the prospect of political change can lead to the 'valuation gap' between seller and buyer, which will take time to converge. M&A Insurance will act as a catalyst in order to bridge that valuation gap.

Initially considered too expensive and inflexible, M&A insurance has evolved to adopt a more solution-driven approach. Brokers and underwriters have enlisted M&A specialists, including financial advisers and commercial lawyers, to make product and policy negotiations more adaptable to deal requirements and timelines. While underwriting was once predominantly tied to the UK and US markets, M&A insurance is now seeing significant global expansion, particularly in Asia, Africa, and the Middle East. The recent traction in Indian market towards the introduction of "buy-side" policies has provided greater certainty for buyers contributing to the increased utilization of M&A insurance.

This insurance segment is significantly expected to grow in India, which will provide increased financial protection to the companies during their large-scale transactions. It is important for companies now to be aware of the significance of M&A insurance and take this coverage to secure their long-term PE deals.

(The writer is Tapas Nandi.)

TOP

LIFE INSURANCE

Life Insurers to seek extension on implementing surrender value norms – Business Standard – 30th July 2024

Life insurance companies are planning to seek a three-month deadline extension from the regulator on the implementation of surrender value norms, said multiple people aware of the development. New product launches could slow down due to the new norms, which need to be implemented before September 30, 2024. According to sources, the insurers will need more time since revising all the traditional products and renegotiating commercials with the distributors on the revised products is a logistical challenge. In June, Insurance Regulatory and Development Authority of India (Irdai) issued the 'Master Circular on Life Insurance Products', wherein it introduced norms to ensure better payouts to customers who exit policies prematurely. According to the revised norms, life insurers have to pay an enhanced special surrender value (SSV) after the completion of the first policy year, provided the customer has paid one full-year premium. Currently, companies do not pay such an amount to customers surrendering their policies in the first year.

Additionally, the norms stated that the discount rate for discounting the paid-up value to calculate SSV will be allowed up to 50 basis points (bps) higher than the 10-year G-Sec yield. Revising all the traditional products, according to the new surrender value norms, and renegotiating terms with the distributors within the timeline is a huge challenge. Hence, the industry is looking to seek an extension in the deadline to implement the new norms, said one of the sources. Another source indicated that the insurers are likely to seek an extension to the September-end deadline because the industry will take time for re-pricing the existing products and re-filing them.

"Also integrating these products into the platform and training distributors for these products also require time. It is a total rehaul of everything", the source added. Life insurance companies, because of the new norms, will have to discontinue their current products and refile them by tweaking offerings and commission payouts to distributors. Many analysts have said that since life insurers will have to pay higher surrender value on non-linked products, the internal rate of return (IRR) for customers may reduce. Implementation of the new surrender value norms is expected to slow down new product launches during the current quarter, especially in the non-linked segment, industry experts said. They added that new non-linked products will have to be launched in line with new surrender value norms.

"The industry is likely to see a slowdown in new launches during this time period and more products coming post September as most insurers will be busy recalibrating or recalculating their existing products, according to new norms. This recalculation will occupy most of their time," said a life insurer. Saurabh Bhalerao, associate director, CareEdge Ratings, said, "…the industry has to be compliant with the new surrender value norms by October 1, 2024. There may be some crunch in this time period as companies are busy repricing and refilling their existing ones. We might see refiling of products but the launch of fresh products is likely to be slower during the time period."

The total number of life insurance products in the industry stood at 917 in June while the industry had 927 products in May. The number of products by private life insurers dropped from 875 in May to 865 in June, according to the Life Insurance Council's data. Bikash Choudhary, chief actuarial and governance officer at IndiaFirst Life, said that the industry is focused on launching new products that comply with the new surrender value norms, while also modifying existing policies.

(The writer are Aathira Varier & Subrata Panda.)

TOP

GENERAL INSURANCE

State-owned non-life insurers report Rs 7,558 cr net profit in FY24 – Business Standard – 30th July 2024

State-owned non-life insurers reported a combined net profit of Rs 7,558 crore in 2023-24 (FY24), compared to a loss of nearly Rs 3,529 crore in FY23, Minister of State for Finance Pankaj Chaudhary said in a written response to a question in the Lok Sabha. Public-sector general insurers include New India Assurance Company, Oriental Insurance, United India Insurance, and National Insurance Company. General Insurance Corporation (GIC Re) is the sole state-owned reinsurer in the country. Agriculture Insurance Company is the public-sector agriculture insurer. This comes days after Department of Financial Services Secretary (DFS) Vivek Joshi indicated that the government had asked state-owned general insurers, who are struggling to improve their solvency ratio and profitability to move out of motor and health insurance segments. These two are identified as significantly loss-making segments and moving out of these areas will help to strengthen the financial health and operational efficiency of the insurers.

The government had infused capital worth Rs 17,450 crore in three years from FY20 to FY22 to restore solvency levels to control level. "Companies have undertaken various steps to improve their profitability, which inter alia, included adopting key performance indicators (KPIs) for company and employees, enhancing their IT capabilities, launching new products, setting up centralised hubs for underwriting and claims, etc. As a result of such measures, the financial position of these companies has begun to improve," Chaudhary said.

TOP

How to Spot and Prevent Insurance Fraud - The Economic Times – 28th July 2024

The rise of insurance fraud in India is concerning and has a substantial impact on how the industry perceives and measures risks. It has a significant impact on the customer as well since insurance serves as an instrument of financial protection. The recent times have seen a meteoric rise in fraudulent activities both online and offline, with the Insurance industry being one of the many victims to organized financial crimes. Deloitte's 2023 Insurance Fraud Survey highlights key contributors to this issue: a 34 percent rise in digitization, alongside 22 percent each for post-pandemic remote work and weakened oversight. The rise of insurance fraud in India is concerning and has a substantial impact on how the industry perceives and measures risks. It has a significant impact on the customer as well since insurance serves as an instrument of financial protection. The customers place trust on the insurance companies to safeguard their interests and maintain an overall integrity in terms of their data as well as ensure that the claims are paid on time. Unfortunately, fraudulent activities within this sector pose serious risks, resulting in undermining trust and security for genuine policyholders. By understanding how to detect and prevent insurance fraud, one can safeguard their finances and contribute to preserving the trustworthiness of the insurance industry.

Here is a quick guide on spotting and preventing insurance fraud:

The Invisible Ghost Brokers
Ponzi schemes where fake insurance policies are sold to the customers is one of the most common methods of insurance fraud. These scammers, known as "ghost brokers," pretend to be trustworthy brokers or agents and attract clients with unrealistically low prices. They typically operate online through seemingly professional websites or social media platforms, presenting fake documents that look genuine but are not valid insurance contracts. When a customer wishes to file a claim, it is discovered that the policy is invalid. Leaving the customer without coverage. It is important to be vigilant before purchasing an insurance policy.

Complete Applications Carefully

Ensure proper documentation
It is essential that the policyholder fills out the insurance application form completely and honestly. Withholding or giving wrong information could result in the claim getting jeopardised. It is imperative that the customer reads and understands the application form thoroughly and provides correct information at the time of proposal submission. Accuracy and honesty are critical for ensuring a seamless experience in the event of a claim.

Avoid Cash Payments
It is advisable to pay insurance premiums via cheque or secure transactions methods, like a bank transfer/ insurer payment gateway, and always get a receipt confirming the payment. Paying by cheque or bank transfer helps create a paper trail, which is useful in case of a dispute. Though cash payments are acceptable, it is better avoided.

Verify Online Transactions
In the digital age, online scams are rampant. Fraudsters create fake websites that look almost identical to those of legitimate insurance companies. These sites might even show up in online searches or advertisements. Other such scams include deep fakes, and AI-generated documents; thus, making the identification process even more challenging. A customer should validate the legitimacy of a website and the company's authenticity prior to engaging in any monetary transaction.

Review Your Policy Immediately
After receiving the policy documents, it is essential for a customer to review them to ensure they contain all the coverages agreed on. In case of discrepancies, it is advised to contact the concerned company/ agent immediately. In most cases, life and health insurance policies come with a 30-day free-look period that allow the customer to cancel the policy in case they are not satisfied with the cover.

Tips to check if a Policy is Fake:

- **Be Cautious with Personal Information**: Avoid sharing personal information with unknown sources. Scammers often use social engineering tactics to obtain sensitive data.
- **Utilise Insurance Company Applications**: Many insurance companies offer apps that can help policyholders detect and report fraud.
- **Educate Yourself**: Awareness is key. A customer should educate themselves about common fraud schemes and tactics used by fraudsters. This knowledge can help one recognise and avoid potential fraud.
- **Be Vigilant**: Insurance fraud can happen to anyone, but staying informed and cautious can significantly reduce risk.

The 2023 Deloitte India survey revealed that insurance companies lose close USD 6 billion annually or about 10% of their overall premium collection to frauds. Fraud prevention is as important as fraud detection. Preventing insurance fraud requires one to be cautious, vigilant and alert.

(The writer is Rakesh Kaul.)

TOP

Time for Businesses to Wake Up to "Loss of Profit Insurance" - The Economic Times – 28th July 2024

In today's interconnected world, the reliance on technology is undeniable. However, with this reliance comes the risk of significant disruptions, as evidenced by the recent IT outage, which has been termed the 'largest IT outage in history'. This incident underscores the critical need for comprehensive insurance coverage, including cyber insurance and loss of profit insurance.

While the headline grabber is the travel industry, more particularly the high visibility aviation sector, the tech meltdown shows why corporates across sectors should sign up for more protection.

Corporate Cyber Insurance: A Necessity
In the wake of this event, it is expected that many corporations impacted by the outage will review their cyber insurance programs. The inclusion of losses resulting from such disruptions in their policies will be a priority. This proactive approach will ensure that businesses are better prepared to handle similar incidents in the future.

Decision-Making on Cyber Insurance
A significant barrier to the penetration of cyber insurance is the decision-making process within organizations. Often, it is the Chief Financial Officers (CFOs) who decide on the extent of cyber cover, rather than the technical teams who have a deeper understanding of the cyber risks. This can lead to inadequate coverage as CFOs may prioritize cost-saving over comprehensive protection. Involving technical experts in the decision-making process is crucial to ensure that the organization is adequately protected against cyber threats.

Business Interruption and Loss Claims
The recent outage has the potential to trigger loss claims under Business Interruption. However, since CrowdStrike has ruled out a cyberattack and attributed the incident to a software update, no significant claims have been reported yet. We have to wait and watch as businesses come to term with this temporary derailment. This highlights the importance of having clear evidence and understanding the root cause of disruptions to make valid claims.

Impact on Insurers
Among the many businesses that have been impacted are insurers too. The disruption in operations serves as a stark reminder of the vulnerabilities that even insurance companies face. It emphasizes the need for robust cyber insurance policies to protect against such incidents.

Innovative Protection through Insurance
Insurance can play a vital role in protecting against tech losses. The integration of digital insurance with adequate tech provisions enables parametric protection, offering more innovative and comprehensive coverage. This approach ensures that businesses and individuals are safeguarded against a wide range of technological disruptions.

The Need for Parametric Protection Products
The growing complexity and frequency of technological disruptions highlight the need for parametric protection products. These products offer predefined payouts based on specific triggers, such as system downtimes or cyber incidents, without the need for lengthy claims processes. This ensures swift financial support and minimizes operational disruptions. By incorporating parametric protection into their insurance portfolios, businesses can achieve a higher level of resilience and continuity in the face of unforeseen tech-related challenges.

Loss of Profit Insurance: Safeguarding Business Continuity
While many businesses may not have suffered losses due to this outage, many have suffered loss of profits or an opportunity to earn profits. For example, an airline which cancelled flights had to refund its passengers. This opportunity to earn a profit from flying the aircraft can be covered under loss of profit insurance. Businesses should also consider signing up for loss of profit insurance products to avoid the loss of opportunity to earn the profit they would have earned if the incident had not occurred. This type

of insurance provides financial compensation for the income lost during the period of disruption, ensuring that businesses can maintain their financial stability and continue their operations without significant setbacks. By having loss of profit insurance, businesses can protect themselves against the financial impact of unforeseen events and ensure their long-term success.

The recent IT outage serves as a wake-up call for both individuals and corporations. The need for cyber insurance, loss of profit insurance, and parametric products has never been more apparent. By investing in these insurance policies, businesses and individuals can protect themselves against unforeseen technological disruptions and ensure continuity in their operations.

Box Item:
1. Technology Errors and Omissions (E&O) Insurance - Under this product, liability claims arising from errors, omissions, or negligence (from vendors) in the provision of technology services or products are covered. Financial losses suffered by clients due to failures in the insured's technology products or services can also be covered.
2. Cloud Service Provider Insurance - Under this product, Service Level Agreement (SLA) gets covered. The policy covers losses resulting from the failure of cloud service providers to meet their SLAs, such as guaranteed uptime percentages. This policy also covers costs associated with data loss or recovery efforts due to cloud service provider failures

(The writer is Shashi Kant Dahuja.)

TOP

Govt asks public insurers to move out of motor, health insurance to reduce losses: DFS Secy – Moneycontrol – 27th July 2024

The Union government has asked the public sector insurance companies, who are struggling to improve their solvency ratio and profits, to come out of motor and health insurance segments, which have been identified as significant loss-making areas. This directive comes as part of a broader strategy to enhance the financial health and operational efficiency of these insurers, Department of Financial Services Secretary Vivek Joshi said. "We are nudging them not to focus on topline. Earlier they used to take business to show growth. Now we are asking them to come out of loss-making segments like motor and health insurance," Joshi said in an interview. The move is aimed at reducing the burden of unlimited liability claims associated with motor insurance and high claim ratios in health insurance.

The three major public sector insurers – United India Insurance Company (UIIC), National Insurance Company Limited (NICL), and Oriental Insurance Company Limited (OICL) – received a combined capital infusion of Rs 17,500 crore in two phases, with Rs 9,950 crore injected in FY 2019-20 and Rs 7,500 crore in FY 2020-21. The government's directive to move away from motor and health insurance is part of a strategy to steer these companies towards more profitable and manageable segments. Motor insurance, in particular, has been problematic due to the unlimited liability associated with accident claims, unlike aviation and railway insurance, which have caps on claims.

Against expectations, the Union Budget did not announce any fresh capital infusion for the public insurers. The performance of these public sector insurers will be reviewed in FY25 to plan any further capital infusion, he said. Last year's performance of these public insurance companies has been good. United India Insurance (UIIC) has made a remarkable turnaround, reducing its losses from Rs 5,000 crore in FY23 to a profit of Rs 19 crore in FY24. NICL has significantly narrowed its losses from Rs 3,800 crore in FY23 to Rs 187 crore in FY24. Similarly, OICL has seen its losses decrease from Rs 2,800 crore in FY23 to Rs 800 crore in FY24. New India Assurance has continued to perform well, increasing its profits from Rs 1,000 crore in FY23 to Rs 1,100 crore in FY24. In addition to the shift in focus, the government is also addressing operational issues within these insurers. "A lot of employees retired, and there was a ban on hiring new staff. But now they are asked to recruit in a balanced way. We expect them to strengthen further," the financial services secretary said.

(The writer is Meghna Mittal.)

TOP

HEALTH INSURANCE

Now cashless treatment up to Rs 1.5 lakh for road accident victims - Financial Express – 02nd August 2024

Under Ayushman Bharat Pradhan Mantri-Jan Arogya Yojana (AB PM-JAY), now road accident victims will get a free treatment worth Rs 1.5 lakh. The ministry has formulated a scheme and initiated implementation on pilot basis in Chandigarh and Assam to provide cashless treatment to victims of road accidents caused by use of motor vehicle, on any category of road, in collaboration with National Health Authority (NHA), Union Road Transport Minister Nitin Gadkari said in a written reply to the Rajya Sabha on Thursday.

Free treatment facility to be available for 7 days from date of accident
"Under this scheme, the eligible victims are administered Health Benefit Packages relating to trauma and polytrauma care at empaneled hospitals under Ayushman Bharat Pradhan Mantri-Jan Arogya Yojana (AB PM-JAY), up to a maximum of Rs 1.5 lakh for a maximum period of 7 days from date of accident," a PIB release said citing the minister's reply. The ministry has formulated a scheme and initiated implementation on pilot basis in Chandigarh and Assam which is being administered under the aegis of the Motor Vehicle Accident Fund, constituted under section 164B of the Motor Vehicles Act, 1988, it said. The sources of income and its utilization has been provided under the Central Motor Vehicles (Motor Vehicle Accident Fund) Rules, 2022, the release said. The NHA, under Ministry of Health & Family Welfare, in coordination with local police, empaneled hospitals, State Health Agency, National Informatics Centre and General Insurance Council is responsible for implementation of the programme. The pilot programme for cashless treatment to victims of road accidents caused by use of motor vehicle, launched in Chandigarh and Assam, extends support irrespective of the place of occurrence of the road accident, considering the mandate under Motor Vehicles Act, 1988.

What is Ayushman Bharat Pradhan Mantri Jan Arogya Yojana?
Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PMJAY) provides a health insurance cover of up to Rs 5 lakh per family per year, for secondary and tertiary care hospitalization. Crores of vulnerable entitled families are eligible for these benefits. PMJAY provides cashless and paperless access to services for the beneficiary at the point of service.

(The writer is PF Desk.)

TOP

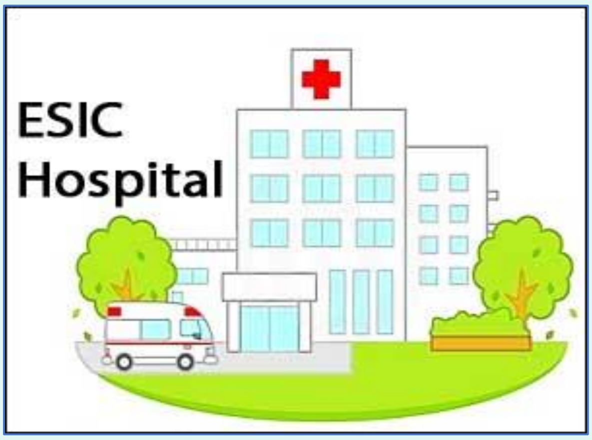
ESIC takes initiative to upgrade ESI hospitals across the country – Express Healthcare – 30th July 2024

Employees' State Insurance Corporation (ESIC) has planned to modernise/ upgrade ESI hospitals across the country with up-to-date and comprehensive facilities for better patient care. These facilities inter-alia include an operation theatre (OT) complex with intensive care units, a labour complex with neonatal intensive care unit and pediatric intensive care units, various laboratory services, a resuscitation area, imaging services, a central sterile supply department (CSSD)/theatre sterile supply unit (TSSU), etc.

The ESI Corporation has given in-principle approval for setting up 105 new hospitals in the country. ESI Corporation (ESIC), in its meeting held on February 10, 2024, has approved norms for establishing Ayush Units in ESI hospitals and dispensaries. Ayush units are to be established on a co-location basis in those

ESIC/ ESI Scheme (ESIS) hospitals and dispensaries and Dispensaries-cum-Branch Offices (DCBOs) where the daily average allopathic Outdoor Patient Department (OPD) registration is more than 150 patients during the preceding 12 months. The 50-bed ESIC Ayush hospitals are to be co-located with the existing ESI allopathic hospitals having 500 beds or more, out of which 50 beds are to be earmarked for Ayush hospital.

In addition, ESI Corporation has taken various steps to improve the quality of medical services in ESI Hospitals, as under:
Enhancement of sanctioned staff strength of ESIC hospitals, as per new norms.



Enhancement of 50 per cent of bed strength, if bed occupancy is more than 70 per cent in ESIC/ESI Scheme (ESIS) hospitals for the last three consecutive years.
Formation of state ESI societies so that States have financial and administrative freedom to make decisions for the improvement of medical services.
Allocation of additional budget under Project Implementation Plan (PIP) for State ESI Schemes.

The Employees' State Insurance Corporation provides Rs.200/- per IP per annum over and above the ceiling to the state government, where the bed occupancy in all the State-run ESIS hospitals is more than 70 per cent during the previous financial year. As regards super speciality services, facilities like Urology, Cardiology, Nephrology, Plastic surgery, Oncology, Paediatric Surgery, Gastroenterology, Endocrinology, Rheumatology, and Neurology etc. are provided by some existing ESIC hospitals. Services which are not available in-house are provided through tie-up hospitals.

ESIC has also taken steps for the expansion of medical services and infrastructure in the North Eastern region. It issued necessary instructions in this regard on June 24, 2024, for upgrading all the ESIC-run one-doctor dispensaries to two-doctor dispensaries to strengthen the primary care services and designate these dispensaries as hub facilities to provide medical services. It also includes reducing the threshold limit of Insured Persons due to low population density to improve the doctor-patient ratio. There are 2 Employees' State Insurance Corporation (ESIC) run hospitals, one at Beltola (Guwahati) and the other at Tinsukia in the state of Assam, where a total of 41 doctors have been deployed. In addition, there are 3 ESIC run Dispensary-cum-Branch Offices (DCBOs) in the North Eastern region, one each at Papumpare (Arunachal Pradesh), Darrang (Assam) and Imphal West (Manipur), where one doctor at each location has been deployed. Moreover, there are 41 ESI dispensaries which are run by the states under the ESI Scheme (ESIS). The empanelment of hospitals/health facilities for providing super speciality medical services to ESI beneficiaries is done by the ESIC for two years. This includes 29 hospitals/ health facilities in Assam and 1 (one) each in Manipur, Meghalaya and Tripura. This information was given by the Union Minister of State for Labour & Employment, Shobha Karandlaje in a written reply in Lok Sabha

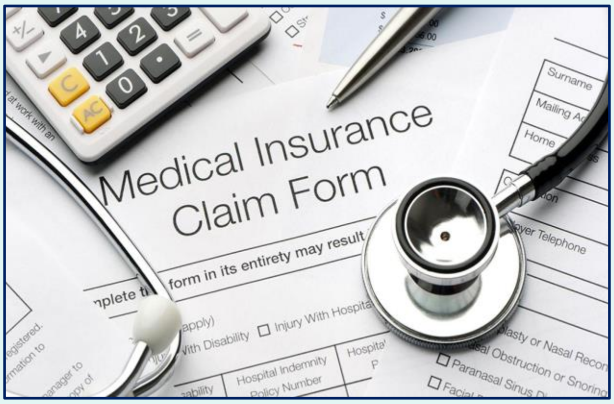
TOP

Evaluating pricing health insurance in lower-income countries: A field experiment in India – IFS – 29th July 2024

Universal health coverage is a widely shared goal across lower-income countries. We conducted a large-scale, 4-year trial that randomized premiums and subsidies for India's first national, public hospital insurance program, called RSBY. We find substantial demand (~ 60 percent uptake) even when consumers were charged a price equal to the premium the government paid for insurance. We also find substantial adverse selection into insurance at positive prices. Insurance enrollment increases insurance utilization, partly due to spillovers from use of insurance by neighbors. However, healthcare utilization does not rise substantially, suggesting the primary benefit of insurance is financial. Many enrollees attempted to use insurance but failed, suggesting that learning is critical to the success of public insurance. We find very few statistically significant impacts of insurance access or enrollment on health. Because there is substantial willingness-to-pay for insurance, and given how distortionary it is to raise revenue in the Indian context, we calculate that our sample population should be charged a premium for RSBY between 67-95 percent of average costs (INR 528-1052, $30-60) rather than a zero premium to maximize the marginal value of public funds.

TOP

NHCX has 34 insurers, TPAs and 300 hospitals onboard: Health Ministry - The Hindu – 27th July 2024



Thirty-four insurers and Third-Party Administrator (TPAs) are currently living on National Health Claims Exchange (NHCX) and approximately 300 hospitals are ramping up to start sending their claims on NHCX, as on July 21, the Health Ministry noted according to the information submitted in Lok Sabha on Friday. Thirty-four insurers and Third-Party Administrator (TPAs) are currently living on National Health Claims Exchange (NHCX) and approximately 300 hospitals are ramping up to start sending their claims on NHCX, as on July 21, the Health Ministry noted according to the information submitted in Lok Sabha on Friday.

Supported by the Insurance Regulatory and Development Authority of India (IRDAI) and General Insurance Council (GIC), the NHCX was brought in by the Union government to enable standardised and faster health insurance claim processing. Responding to a question on the issue by MPs Dhairyasheel Sambhaji Rao Mane and Sudheer Gupta, Minister of State for Health and Family Welfare Prataprao Jadhav said the NHCX is a gateway under the Ayushman Bharat Digital Mission (ABDM).

The NHCX aims to streamline and standardise health insurance claim processing, enhancing efficiency in the insurance industry and improving the patient experience. It serves as a gateway for exchanging health claim information among insurers, third-party audit, healthcare providers, beneficiaries, and other relevant entities and ensures interoperability, machine readability, auditability and verifiability, making the information exchange accurate and trustworthy. This system will enhance efficiency and transparency in the insurance industry, benefiting policyholders and patients. He added that at present, all members of the eligible families irrespective of age are covered under Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana (PMJAY). The scheme provides health cover of ₹5 lakh per family per year for secondary and tertiary care hospitalisation to 55 crore individuals corresponding to 12.34 crore families. Additionally, no expert committee has been set up for extending the health benefits to cover senior citizens aged 70 and above, the Minister informed the Lower House.

(The writer is Bindu Shajan Perappadan.)

TOP

No panel formed for extending benefits to cover citizens above 70 under Ayushman Bharat: Government - Deccan Herald – 26th July 2024

No expert committee has been set up for extending health benefits to cover citizens aged 70 and above under Ayushman Bharat, Union Minister of State for Health Prataprao Jadhav told the Lok Sabha on Friday. He also informed that there was no proposal to open the scheme beyond the existing beneficiaries based on contribution of premium. Jadhav was responding to a question on whether the government proposed to cover citizens aged 70 and above by expanding Ayushman Bharat through the launch of a national health claims exchange and if an expert panel had been set up to strengthen the format of the scheme for the planned expansion.

The minister, in a written reply, said all members of eligible families, irrespective of age, were covered under Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana. The scheme provides health insurance cover of Rs 5 lakh per family per year for secondary and tertiary care hospitalisation to 55 crore individuals, corresponding to 12.34 crore families, he said. "No expert committee has been set up for extending the health benefits to cover senior citizens aged 70 and above," he stated. Initially, 10.74 crore beneficiary families were identified on the basis of the 2011 socio-economic caste census, using select deprivation and occupational criteria separately for rural and urban areas.

In January 2022, the beneficiary base was expanded to 12.34 crore families and states and Union Territories were given the flexibility to use other digitised databases of similar socio-economic conditions for identification of beneficiaries under the scheme. Accordingly, they were provided Aadhaar-seeded databases of poor and vulnerable families for verification under the scheme. A beneficiary may directly visit any empanelled public or private hospital around the country to avail themselves of cashless treatment benefits. Based on the diagnosis done by the hospital, eligible beneficiaries are provided treatment free of cost. Post treatment, the beneficiary is discharged and the hospital submits the claim for reimbursement, Jadhav stated.

The scheme is being implemented in 33 states and Union Territories except the NCT of Delhi, West Bengal and Odisha, he said. Responding to another question, Jadhav said 34 insurers and third-party administrators were live and approximately 300 hospitals ramping up to start sending their claims on the National Health Claims Exchange (NHCX), which aims to streamline and fasten health insurance claim processing, as on July 21. He said the government built the NHCX gateway under the Ayushman Bharat Digital Mission. It aims to streamline and standardise health insurance claim processing, enhance efficiency in the insurance industry and improve patient experience.

It serves as a gateway for exchanging health claim information among insurers, third party audit, healthcare providers, beneficiaries and other relevant entities and ensures interoperability, machine-readability, auditability and verifiability, making the information exchange accurate and trustworthy, the minister said. This system will enhance efficiency and transparency in the insurance industry, benefiting policyholders and patients, he added. Supported by the Insurance Regulatory and Development Authority of India and the General Insurance Council, the NHCX will enable standardised and faster health insurance claim processing, Jadhav said.

(The writer is PTI.)

TOP

MOTOR INSURANCE

Try pay-as-you-drive insurance cover if driving under 10K km annually – Business Standard – 31st July 2024

Customers in India are gradually warming up to pay-as-you-drive (PAYD) motor insurance plans. According to a recent study by Policybazaar.com, more than one in three of their customers opt for PAYD plans. Among those who have already bought the plans, three out of four renew them, indicating a gradual shift in preference towards personalised coverage.

How does it work?

A standard motor insurance plan has no cap on the number of kilometres (kms) a customer can drive. "In a PAYD plan, customers opt for a predefined number of kilometres. For instance, someone with the minimal requirements can opt for 2,500 kms, while those with higher needs can opt for higher slabs going up to 10,000 kms," says Nitin Kumar, head-motor insurance, Policybazaar.com. If the kilometres purchased get exhausted, customers can top up.

Players like Go Digit offer PAYD as an add-on. "The customer simply needs to share a photo of the odometer reading. If the car, on average, has been driven less than a specified number of kilometres (say, 12,000 kms per year), it automatically becomes eligible for the PAYD discount," says Mayur Kacholiya, product head–motor, Go Digit General Insurance.

Low premium for low usage

In a standard motor policy, all customers pay the same premium, irrespective of whether they drive 5,000 or 35,000 kms. "The PAYD model adjusts the premium based on your driving habits. If you drive less, you pay less," says Pooja Yadav, chief product officer, Zuno General Insurance.

Kacholiya says many vehicle owners do not use their vehicles intensively.

The savings in a PAYD plan depend on the kilometre slab. "If the own damage cover plus add-ons cost Rs 10,000 in a standard plan, opting for the lowest 2,500-km band can save around Rs 4,500. For the 5,000-km band, the savings are around Rs 3,500. The 7,500-km band offers savings of around Rs 2,500, and the 10,000-km band can save you approximately Rs 1,500-2,000," says Kumar.

Kacholiya informs that a customer could get a discount of up to 25 per cent on own-damage premium, with the exact number depending on the kilometres driven annually.

"Customers are not charged for the installation of telematics devices. PAYD also promotes better driving habits through data-driven safety measures," says Yadav.

Kumar adds that the kilometre cap does not apply to total loss, theft, and third-party cover. Some players, like Go Digit, do not charge their customers an extra premium even if the annual cap is exceeded.

Keep an eye on the odometer

PAYD plans are not beneficial for those with high annual usage. According to Yadav, customers with risky driving habits will also not be eligible for the PAYD discount.

Customers must keep an eye on the number of kilometres driven. "After you have exhausted your limit, insurers offer a few kilometres as grace. If you exhaust them and then meet with an accident, your claim will not be admissible if you have not topped up," says Kumar.

Is it for you?

Kumar recommends PAYD plans for those driving under 10,000 kms annually. Infrequent drivers, including college students, older couples, city residents with good public transport, households with multiple vehicles, hybrid workers, and those living in smaller towns with few intercity trips will also find them beneficial.

Essential tips for PAYD plan buyers

- Verify if your annual mileage warrants a switch to a PAYD plan
- Check potential savings vis-a-vis standard plans, then compare costs of PAYD plans with various insurers
- Understand each insurer's method of calculating premiums before purchasing

Select an appropriate kilometre limit based on past usage

- Top up your kilometre limit promptly upon receiving a notification from insurer; multiple top-ups are allowed in a year
- Note that installing a telematics device can raise privacy concerns
- Ensure your vehicle is compatible with the required telematics device

(The writer is Karthik Jerome.)

TOP

INSURANCE CASES

Diabetes is lifestyle disease, so insurance claim can't be rejected – The Times of India – 31st July 2024

The state consumer commission ruled against Oriental Insurance Co Ltd (OICL) for rejecting a mediclaim on the grounds of concealing pre-existing conditions of diabetes mellitus (DM) and coronary artery disease. The commission found credence in the complainant's assertion that in an analogous case, the national consumer commission has adjudicated that "diabetes is a lifestyle-related ailment and is so pervasive in India that the entire insurance claim cannot be denied on this basis." The order was issued on Monday and made public on Wednesday. Anshul Garg, a resident of US Nagar, had purchased a mediclaim policy of Rs 2 lakh for himself and his parents in 2013. In July 2014, his father underwent cardiac surgery, which cost around Rs 5 lakh. Garg submitted the necessary documents to OICL for reimbursement but his claim was denied, forcing him to approach the consumer court.

In March 2018, the district consumer commission ruled in favour of Garg, directing OICL to pay a compensation of Rs 2 lakh, along with 7% interest from the date of filing the case and Rs 15,000 for mental anguish and litigation expenses. OICL then challenged the order in the state commission. After reviewing the documents, the state commission concluded that OICL did not provide any credible evidence to support their claim that there was concealment of pre-existing illness while filling up the proposal form. The commission stated that OICL failed to establish that the father of the respondent had been suffering from DM for the last 15 years and as per the doctor's report, the pre-existing disease was the primary cause of coronary artery blockage.

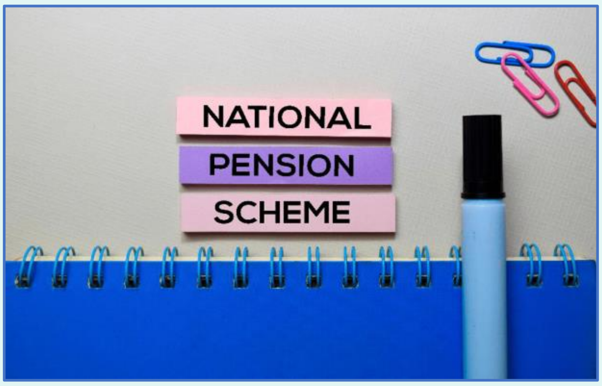
"Thus, we are of the considered opinion that the district commission has perfectly and legally passed the judgment," the division bench comprising president Kumkum Rani and member BS Manral said and directed OICL to pay Rs 2 lakh with 7% interest from April 2014 and Rs 5,000 as litigation costs to the complainant. A journalist based in Dehradun, Uttarakhand with over 18 years of experience. Currently working as Principal Correspondent in TOI. I cover archaeology, industry and judiciary (High Court, NGT, Consumer Commission and tribunals).

(The writer is Pankul Sharma.)

TOP

PENSION

Private sector continues to fuel NPS assets growth, records 39.62 percent jump at ₹2.52 lakh crore - The Hindu Business Line – 29th July 2024



Buoyant equity markets and a growing subscriber base in the non-government sector have propelled National Pension System (NPS) assets to ₹12.69 lakh crore as of July 20, marking a 28.33 percent year-on-year increase, according to the latest PFRDA data. A strong-showing from the private sector had helped NPS assets record a robust 30.5 percent YoY growth in 2023-24 to touch ₹11.73 lakh crore as of end March 2024. In fact, private sector NPS assets grew whopping 39.62 percent year-on-year as on July 20, 2024, at ₹2.52 lakh crore. The number of subscribers in private sector as of July 20 stood at 57.44 lakh, up 9.12 lakh on a Y-O-Y basis. Overall NPS assets grew 28.64 percent to near ₹12.5-lakh crore on June 29, says PFRDA Private sector fuels NPS boom, records 40.1 percent y-o-y growth at ₹2.47-lakh crore as of June 29 Govt. monetises

₹1.56 lakh crore assets in FY24, falls short of ₹1.8 lakh crore target When a separate health insurance regulator is in place, there's freedom to come out with innovative ideas

Meanwhile, Atal Pension Yojana (APY) assets touched ₹38,827 crore as of July 20, up 31.03 percent year-on-year basis. The Pension Fund Regulatory & Development Authority (PFRDA) had onboarded 1.2 crore APY subscribers in 2023-24. This fiscal the target is 1.3 crore. So far, this fiscal the net addition in APY subscriber base stood at about 20 lakh. Private sector growth this fiscal has been better across all schemes including APY. Private sector has been key reason behind NPS assets' sharp increase in recent years. PFRDA Chairman Deepak Mohanty had recently said the pension regulator is targeting overall NPS Assets of ₹15 lakh crore by end March 2025. The number of new NPS and APY subscriber registrations till July 23 this fiscal stood at 2,58,957, PFRDA data showed. PFRDA is now aiming to onboard about 11 lakh new NPS subscribers from private sector in 2024-25. In previous fiscal, as many as 9.7 lakh private sector employees enrolled for NPS. Till July 22 this fiscal, the net addition of Private sector subscribers stood at 2.32 lakh.

The rapid growth of overall NPS assets is evident as the AUM was only about ₹ 1 lakh crore in 2015. NPS assets had reached the ₹10 lakh crore mark in August last year. Roaring bull markets in equities has helped pension funds record a robust average annual return of 32.50 percent as of July 19, surpassing corporate bonds by over fourfold, and outperforming government securities and State government schemes, latest PFRDA data showed. Over the past three years, pension funds achieved an average return of 19.34 percent in equities, with returns since NPS inception coming in at 14.21 percent for equity investments. As of July 19 this year, corporate bonds recorded annual return of 7.70 percent, while government securities saw a return of 9.10 percent. The annual return from Central and State government schemes stood at 11.33 percent and 11.41 percent, respectively, data showed.

The total number of NPS and APY subscribers as of June 29 this year stood at 7.60 crore, up 16.73 percent over 6.51 crore a year ago. The just announced Budget 2024-25 has sweetened the deal for both employers and employees in the non-government sector, rewarding them with increased tax deduction on their NPS contributions. The deduction of expenditure by employers towards NPS is proposed to be increased from 10 percent to 14 percent of the employee's salary. Similarly, deduction of this expenditure up to 14 percent of salary from the income of employees in private sector, public sector banks and undertakings, opting for the new tax regime, is proposed to be provided, Finance & Corporate Affairs Minister Nirmala Sitharaman had announced in her Budget speech. Sitharaman had also announced the launch of NPS-Vatsalya, a plan for contribution by parents and guardians for minors will be started. On attaining the age of majority, the plan can be converted seamlessly into a normal NPS account.

(The writer is KR Srivats.)

TOP

Pension cannot be linked to inflation: MoS Shobha Karandlaje - The Economic Times – 29th July 2024

The monthly pension of workers under the Employees' Pension Scheme (EPS) of the Employees' Provident Fund Organisation cannot be linked to inflation, Shobha Karandlaje, union minister of state for labour and Employment, in a written reply in Lok Sabha on Monday. "EPS 95 is a defined contribution defined benefit scheme. Demand to link the monthly pension of workers under Employees' Pension Scheme, 1995 (EPS-1995) with cost of living index was considered and it was not found feasible for a funded scheme like EPS-1995," Karandlaje said. "Therefore, the value of benefits cannot be left open ended by linking with inflation, which is variable," she added.
A highly-powered monitoring committee was constituted by the government in 2018 for complete evaluation and review of EPS-1995 and the committee, after comprehensive review, ruled against it.

Meanwhile, the total number of new subscribers added to EPFO in 2023-24 stood at 10.9 million.

(The writer is Yogima Seth Sharma.)

TOP

EPFO pays ₹57,316 crore in Q1 to settle 1.36 crore claims - Live Mint – 26th July 2024

The Employees' Provident Fund Organisation (EPFO), India's social security body, settled nearly 1.36 crore claims in the April to June quarter of the financial year 2024-25, with a payment outgo of ₹57,316.09 crore, according to data released by the government on Thursday, July 25. "EPFO has settled 1,36,68,013 claims in the Q1 of the FY 2024-25 with payment outgo of ₹57,316.09 crore," the Ministry of Labour and Employment said in a statement. The settlement rate of EPFO claims is 25.09 percent higher at 1,36,68,013 as compared to 1,09,26,376 in the first quarter of the financial year 2024, according to the statement. EPFO paid a 25.08 percent higher settlement amount at ₹57,316.09 crore in the April to June quarter, as compared to ₹45,820.69 crore in the same period last year.

The retirement fund body is focusing on improving its service areas, with special emphasis on the settlement of claims. The EPFO has taken initiatives to increase the speed of settlement claims and information release for the return of the claim in case of incomplete information or rejection caused by the ineligibility of a claim, it said. The EPFO is providing the digital connection by informing the subscribers via SMS communication to their registered mobile number in case of a claim rejection. The person claiming their provident fund amount is provided with a link through SMS to keep a check on the status. People can also log in to the member portal to access the same information.

Mint reported on July 25 that the EPFO recorded a subscriber increase of 5.8 per cent in May 2024 to 985,000 as compared to the previous month, according to data collected from the Ministry of Statistics & Programme Implementation (MoSPI). This rise in enrollments can be attributed to factors like rising employment opportunities, awareness of employment benefits, and the EPFO's awareness programmes.

(The writer is Anubhav Mukherjee.)

TOP

GLOBAL NEWS

Pakistan: Regulator promotes risk sharing through insurance pools – Asia Insurance Review

The Securities and Exchange Commission of Pakistan (SECP) has underscored the necessity of establishing insurance pools in the country.

This is to meet the objectives of the five-year "Insured Pakistan" Strategic Plan, says the regulator as it releases a comprehensive report, titled "Insured Pakistan: Pools Dynamics".

Pakistan is exposed to multiple risks such as disaster risks, energy and power sector risks, agriculture risks, etc., and yet the country remains largely uninsured, says the SECP. In the event of an undesired event, heavy reliance is placed on budgetary allocations for loss and recovery financing.

Managing large risks

The insurance pools will serve as risk pooling mechanisms for managing large and specialised risks, the coverage of which an individual insurance company would not be able to handle both in terms of expertise and financial strength.

The pools shall not only help in managing these varied risks optimally and efficiently but also assist the insurance sector in expanding coverage and protection to the country.

The report provides an evaluation of the current insurance landscape and existing official insurance schemes. It discusses international case studies and examples, evaluates domestic legal and regulatory frameworks, and proposes an action plan for creating insurance pools in Pakistan, and emphasises the collective responsibilities of involved stakeholders.

TOP

Asia: Insurance market capacity remains stable even as investments in renewable energy projects surge - Asia Insurance Review

Countries in Asia are increasingly embracing renewable energy, according to Mr Sam Liu, head of Renewable Energy, Asia at WTW, a leading global advisory, broking, and solutions company. "We anticipate a continued surge in investments in 2024, particularly within the Southeast Asia region with countries setting ambitious targets to meet their net-zero emission goals," he said.

Mr Liu added, "We are also seeing increasing cross-border projects being announced to import and export electricity within the region. However, challenges remain for these projects, such as cross-border regulations and complex transmission facilities, including subsea cables and financing. There has also been a shift to develop more hybrid projects to increase reliability and grid stability, and optimise resource utilisation. However, this also increases the interfacing risks between the different technologies. "Nevertheless, insurance market capacity remains stable with new entrants entering the sector. We still expect the tightening of insurance capacities and coverages for emerging technologies and natural catastrophe risks which remain to be the key underwriting concerns due to large losses happening globally.

"The ongoing competition and potential for a La Niña year keep rates steady, with parametric solutions gaining traction despite integration challenges. To capitalise on emerging opportunities, renewable energy risk and insurance buyers should continue to engage with risk advisors and insurers, employing smarter solutions to navigate the complexities of the evolving landscape."

Resilient renewable energy sector
Mr Liu's comments were made in connection with WTW's publication Renewable Energy Market Review 2024 published yesterday. The review, titled "Prepare for storms, plan for stability", says that the renewable energy sector has shown resilience and optimism in 2024 despite facing constraints such as climate issues, supply chain disruption, casualty deterioration, social inflation, and geopolitical conflicts. However, overall profitability remains challenging due to variable results within energy classes.

Several key trends are explored in this year's review:
El Niño & La Niña effect and climate volatility: unpredictable weather patterns continue to challenge the renewable market, with significant natural catastrophe losses and an unprecedented number of individual weather events exceeding $1bn. Supply chain instability: four years post-COVID-19 pandemic, global supply chains remain unstable, influencing lead times for critical items and assessments of asset reinstatement and business interruption risk.

Technological advancements and market response: the renewable energy sector is seeing rapid growth in large wind turbines, floating solar installations, green hydrogen, and utility-scale battery energy storage systems, prompting markets to innovate and adapt their strategies. Energy storage innovations: lithium-ion batteries and green hydrogen are ushering in a new era of energy storage, driving a renaissance in well-known technologies such as hydroelectric pumped storage. Resource skills gap: the renewable energy insurance market faces a major challenge in resource skills, requiring the transfer of skills from traditional energy sectors to support the transition to low-carbon infrastructure.

TOP

Indonesia: Regulator drafting rules for mandatory motor third-party liability insurance - Asia Insurance Review

The Financial Services Authority (OJK) is currently preparing for the implementation of compulsory motor third-party liability (TPL) insurance. OJK said that the technical aspects of the implementation of this compulsory branch of insurance are still being studied.

The Indonesian General Insurance Association together with industry players have stated their readiness to support this government programme to provide protection for the community.

Timing
AAUI chairman Budi Herawan said that current economic conditions are difficult. Therefore, the insurance industry will be very careful in determining the premiums for mandatory motor TPL insurance. Mr Budi indicated that the premiums must cover operational costs and claims costs.

"Of course, we will reach an equilibrium between the premium and the amount of benefits that will be received," said Mr Budi. He said that the objective is for all general insurance companies to be given the opportunity to offer motor vehicle insurance. Therefore, AAUI will draw up a suitable scheme so that there would be no losses when running the mandatory insurance programme.

Also cautious is Association of Indonesian Automotive Industries chairman Yohanes Nangoi, who said that it is not the right time now to implement compulsory motor TPL insurance. "If possible, don't implement it now because the sales of cars (automotive industry) are declining," he said last weekend.

In the Law on Strengthening and Developing the Financial Sector, which was signed by president Joko Widodo on 13 January 2023, there is a mandate stating that the government can form a mandatory insurance programme where required. Implementing regulations are to be issued no later than two years after the P2SK Law is enacted. This is generally understood to mean that compulsory motor TPL insurance will be launched in 2025. Motor TPL insurance is currently voluntary.

TOP

Pakistan:Regulator rolls out digital agenda for insurance industry - Asia Insurance Review

The majority of insurers have yet to take significant steps towards digitalisation, according to the findings of a survey by the Securities and Exchange Commission of Pakistan (SECP) on digitalisation in the insurance industry in the country. In a report titled "Insured Pakistan through Digitalization: Gaps, Potential & Roadmap", SECP states that the insurance industry is still in its infancy stage of digitalisation, evidenced by only a few companies starting their digital journey and digitalisation efforts being primarily focused on the distribution side.

Premiums generated from digital distribution channels for less than 1% of the total premiums. Among the few digitally offered products, travel, accident, motor, and health insurance are the main contributors. The SECP notes that some insurers are hesitant to even participate in the regulatory initiatives.

Roadmap
The report also outlines the roadmap to be followed to realise the objectives of the "Insured Pakistan" five-year Strategic Plan.

Blueprint needed for the digital infrastructure in the insurance sector
Digital initiatives introduced by regulatory authorities and digital activities within the insurance sector are fragmented and not linked with the national digital strategy. To build a centralised and cohesive approach, a blueprint is required which should cover digital distribution, payment, KYC, repository, clearing and settlement, identity, information sharing, and data points, etc.

Adopting a holistic approach to digital adoption
Although an inclination towards digitalisation can be observed among insurance companies, efforts are made in bits and pieces. At such a pace, the insurance sector cannot leverage the true benefits of digitalisation. Hence, there is a dire need for the adoption of a holistic approach to digitalisation.

Regulatory support is crucial
Approval of the proposed amendments in the Insurance Ordinance will be the starting point for regulatory support of digital initiatives. Although there has been a number of initiatives by the regulator, a more proactive role is required which can be achieved by continuous engagement with stakeholders.

Identification of fragmented data sources and establishment of linkages
Data sources vary for different insurance classes. The fragmented data sources are to be identified and linked together. The concept of open insurance can be introduced for data sharing among insurers, third-

party providers, and other stakeholders. Open insurance can significantly improve the digital landscape of insurance in Pakistan by fostering innovation, enhancing customer experience, and increasing market transparency.

New integrated data centres

Once the various data sources are identified, they need to be linked and gathered into new data centres. There should be integrated data centres for health, inclusive insurance, a disaster insurance programme, and national crop insurance programme. Based on the data available through these data centres, insurers could provide data-driven products with improved underwriting and pricing.

Insurance clearing house

An insurance clearing house is a centralised entity that streamlines the processing, verification, and settlement of insurance transactions between insurers, reinsurers, brokers, and policyholders. Automating claims processing, premium collection, data management, and regulatory compliance, reduces administrative overheads and operational costs, enhances accuracy and transparency, and improves customer satisfaction through faster and more reliable services.

System design and infrastructure

The formation of a comprehensive digital infrastructure is essential for the adoption of digitalisation in the insurance sector. A robust infrastructure will enable the seamless integration of advanced technologies, enhance data security, and improve customer experience.

Public awareness

Pakistan has over 190m mobile phone subscriptions and 155m Internet subscriptions. This presents an ideal opportunity for insurers to educate the public about the need for insurance through financial and digital literacy.

The Commissioner of Insurance, Mr Aamir Khan, in a message in the report says that the current state of digitalisation requires immediate attention from all stakeholders. While the SECP is committed to modernising Pakistan's insurance sector, other stakeholders must join forces and advance toward a comprehensive digital insurance ecosystem.

TOP

COI TRAINING PROGRAMS

Mumbai – August 2024

Sr. No	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Liability Insurance: Focus-Event and Film	20-Aug-24	20-Aug-24	ClickHere	Register
2	Data Analytics and Data Interpretation	20-Aug-24	21-Aug-24	ClickHere	Register
3	Business Insurance Program for Life Insurance Managers	20-Aug-24	21-Aug-24	ClickHere	Register
4	Corporate Social Responsibility for Insurance Industry	22-Aug-24	22-Aug-24	ClickHere	Register
5	Forensic Science in Insurance Investigations	27-Aug-24	27-Aug-24	ClickHere	Register

Kolkata – August 2024

Sr. No	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Tax Planning through Life Insurance	16-Aug-24	16-Aug-24	ClickHere	Register

COURSES OFFERED BY COI

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

Course Structure -

Particulars	Details
Date	21st – 23rd August 2024
Duration of the course	3 Days
Mode of Teaching	Virtual Training sessions
Total hours of Teaching	15 hours for online classes
Exam pattern	MCQ pattern
Target Group	Employees working in Fraud cells/ Claims Department/ Audit functions of the company
Fees for the course	Rs. 10620/- (Rs. 9,000/- + 18 % GST)

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

Post Graduate Diploma in Collaboration with Mumbai University

Post Graduate Diploma in Health Insurance (PGDHI)

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

Post Graduate Diploma in Insurance Marketing (PGDIM)

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

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