ISSUE NO. 2024/27

भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA

INSUNEWS - WEEKLY E-NEWSLETTER

29TH JUNE – 05TH JULY 2024

Insurance Term for the Week

LOSS REPORT

The meaning of a Loss Report goes beyond just a notification of a loss. It may include specific details about the incident, such as the date and time of occurrence, the nature and extent of the damage, the circumstances leading to the loss, and any other relevant information that can aid the insurer in assessing the claim. For instance, in the case of a car accident, the Loss Report would include details about the vehicles involved, the accident scene, any witnesses, and the extent of damage to the vehicle.

The importance of a Loss Report cannot be overstated. It serves as the foundation for the insurance company's investigation into the claim. Based on the information provided in the report, insurers can evaluate the validity of the claim, determine their liability, and estimate the amount of compensation. Therefore, accuracy and thoroughness in completing the Loss Report are crucial. Any discrepancies or omissions can lead to delays in processing the claim or even result in denial of the claim.

Moreover, the Loss Report may also be used for legal and statistical purposes. Insurers often analyze loss reports to identify trends, assess risks, and make decisions about coverage and premiums. Legally, these reports can become part of the documentation in disputes or litigation related to the claim.

QUOTE OF THE WEEK

"It is indeed a desirable thing to be well-descended, but the glory belongs to our ancestors."

PLUTARCH

INSIDE THE ISSUE

INSURANCE INDUSTRY

Insurance firms eye tax reliefs in upcoming Budget to boost penetration - Business Standard – 02nd July 2024

Indian insurance companies are eyeing multiple tax exemptions from the central government in the upcoming Union Budget to enhance attractiveness and affordability of insurance products, thereby promoting greater penetration nationwide.

Life insurance companies have called for tax deduction on annuities as well as lower goods and services tax (GST) on their other products. Further, the industry is also hoping that the government will tweak the new tax regime to include tax exemption for life insurance products. Currently, the new tax regime does not allow any exemptions on these products, which were allowed under 80C in the old tax regime.

"We urge the government to align life insurance annuity or pension products with the National Pension Scheme (NPS) and allow similar additional deduction of Rs 50,000 or more for life insurance annuity or pension products under income tax," said Tarun Chugh, MD & CEO, Bajaj Allianz Life Insurance. Non-life insurance companies have reiterated there is a need to reduce GST rates from 18 percent to 5 percent on health insurance products to make them affordable so that there is greater uptake of such products.

"Currently, out of pocket expenses are still high relative to global standards, indicating a considerable protection gap. The insurance regulator has set a vision of achieving insurance for all by 2047. Thus, our submission to the government is to reduce the current 18 per cent GST rate on essential services like health Insurance," said Prasun Sikdar, MD & CEO, ManipalCigna Health Insurance.

For the last few years, insurers have also proposed an increase in the limit of tax deduction under 80D of the Income Tax Act. Under this section, a person can claim a deduction of up to Rs 25,000 for health insurance premium and expenses incurred towards medical expenses under the old tax regime. According to experts, increasing the deduction limit for medical insurance to Rs 50,000 for individuals from the existing Rs 25,000 and raising it to Rs 75,000 from Rs 50,000 for elderly people will help cover the surge in healthcare expenses.

"Besides financial protection, health insurance offers tax benefits under Section 80D, making it attractive from a savings perspective. The 80D tax exemption should be linked to inflation and revised periodically," said Krishnan Ramchandran, MD & CEO, Niva Bupa Health Insurance. The insurance industry is also keenly awaiting better implementation, greater participation of multi-specialty and corporate hospitals, and improved reach to the deserving Below Poverty Line (BPL) population, according to Dr S Prakash, MD & CEO-designate, Galaxy Health Insurance Company Limited, India.

(The writer is Aathira Varier.)

TOP

Bond Yields are Falling, Life Insurers May Raise Rates - The Times of India – 2nd July 2024

The fall in long-term bond yields, coupled with pressure from reinsurers, is causing private insurers to reevaluate their term insurance rates. Three of the top five private life companies are expected to raise their term rates soon, a senior industry source said. The yield on the 40-year bond has decreased from 7.34 percent at the time of issue last year to 7.09 percent. Similarly, the yields on other long-term bonds have also dropped. For example, the 27-year bond maturing in 2051 is trading at a yield of 7.06 percent - only marginally higher than 10-year bond yield of 7 percent. These long-term bonds were already highly sought-after, with demand from insurance companies surpassing supply.

However, the entrance of new foreign investors in the bond market following JP Morgan index's inclusion of govt bonds has further pushed down yields. And if RBI cuts rates later this year to keep pace with the US Fed, as expected by some economists, bond yields could fall further.

As part of their balance sheet management, insurers have to set aside a certain amount for claims they expect to pay over the next four decades, from the policies they have issued today. If bond yields fall, the amount that insurers must set aside goes up. The other factor is that the reinsurance market continues to be hard. "Many private insurance companies had gone overboard issuing large policies without medical underwriting. Now all companies are insisting on full medical underwriting for policies above Rs 50 lakh," said a distributor.

(The writer is Mayur Shetty.)

TOP

Improving claims outcomes in insurance with technology – The Times of India – 1st July 2024

Claims are the moment of truth in insurance, the moment when the promise of protection and support is put to a litmus test. For policyholders, filing a claim can be a stressful and emotionally charged experience, often following a traumatic event or loss. The insurance industry's response to this vulnerable moment can make all the difference, either reinforcing trust and loyalty or shattering it.

When claims are handled efficiently, compassionately, and fairly, policyholders feel seen, heard and valued, which cements their trust in the industry. On the other hand, delays, errors, or unfair settlements can lead to feelings of betrayal, damaging the industry's reputation and eroding trust.

This trust is hard-won and easily lost, making claims handling a critical differentiator in the industry. Fortunately, technology has come to the rescue, revolutionising claims processing and enabling insurers to respond with greater speed, accuracy and empathy. Advanced analytics, AI-powered automation, and digital platforms are streamlining the claims journey, reducing errors, and enhancing the overall customer experience. By harnessing the power of technology, the insurance sector can not only improve claims outcomes but also strengthen the bond of trust with the consumer.

Improving risk assessment and course-correcting real-time
The industry is riding the wave of AI and putting it to the best use - improving end-toend claims experience. Imagine being able to analyse vast sets of data - right from health records to financial background to driving patterns and much more - with exceptional accuracy in no time. What was once an aspiration is now a tangible reality. That's precisely what AI-powered algorithms can do, enabling insurers to assess risk with unprecedented accuracy and offer personalisation and customisation. According to reports, new-age technology can trim underwriting time by up to 70%, boost accuracy by up to 90%, and increase automation rates by up to 80%. It's a gamechanger, especially when compared to traditional underwriting methods that rely on manual data and actuarial analysis.

But that's not all. AI-powered underwriting can also enable real-time risk assessment, allowing insurers to respond swiftly to changing circumstances and improve customer satisfaction. In claims processing, AI-powered Optical Character Recognition (OCR) and Natural Language Processing (NLP) are reducing errors and streamlining the process. Similarly, AI-driven verification of Know Your Customer (KYC) documents and fraud detection is improving accuracy and reducing manual intervention.

Industry-specific applications: Health, life and motor Insurance

AI and ML are being applied across various insurance lines, including health, life and motor insurance. In health insurance, analytics can predict the likelihood of chronic diseases, such as diabetes or heart disease, based on medical records and genetic data. This enables insurers to offer personalised wellness programs and preventive care, reducing the likelihood of claims and improving customer health outcomes. That's not all. Fairer outcomes also lead to stuck claims being resolved more efficiently and swiftly, thanks to industry initiatives such as Policybazaar's Claim Samadhan or Claim Assurance Program. These programs facilitate a smoother and more streamlined claims settlement process and ensure that policyholders receive their due benefits without unnecessary delays or hassles.

Similarly, in, algorithms can help identify high-risk behaviours, such as smoking or excessive alcohol consumption and charge appropriate premiums. For instance, the cost of term insurance is directly tied to mortality and morbidity rates, which results in premiums for women being up to 30% lower than for men. But what's behind these numbers? Mortality rates measure the number of deaths in a population, while morbidity rates track illnesses and injuries. The statistics are clear: women tend to live longer than men, thanks to a combination of healthy habits, genetic factors, and better healthcare. This means women are less likely to pass away during the policy term, translating to lower premiums and a more affordable insurance option. Talking about motor insurance, AI-powered telematics can track driving behaviour and offer personalised premiums based on driving habits. Also, AI can help assess damages through images and videos, while drones are already expediting vehicle assessments in advanced economies.

Towards fairer premiums and affordability

It's no wonder that the industry is able to come up with so many affordable and costeffective solutions for the consumer now. Advanced risk assessment and underwriting enabled by technology are leading to more accurate pricing and reduced premiums for policyholders. By identifying lower-risk segments and offering personalised pricing, insurers can reduce premiums by up to 20%, according to a study by McKinsey. This is because underwriting can now identify high-risk segments and charge appropriate premiums while also offering discounts to low-risk segments. Moreover, AI-powered underwriting can also improve profit margins. This is because AI-powered algorithms can identify high-risk behaviours and charge appropriate premiums, reducing the likelihood of claims and improving profitability, the benefit of which will be passed down to the end consumer.

With technological advancements and forthcoming regulatory norms, the insurance industry has embarked on a customer-centric journey. Embracing innovation is crucial now than ever before for improving claims outcomes to build consumer confidence.

TOP

Growing need for parametric insurance amid increasing climate challenges - The Economic Times – 28th June 2024

With Indian dreaming of becoming a $5 trillion economy in the next three-four years, insurance will play a significant role in shaping up the economy. While health, life and motor are important for financially protecting the citizens of the country, parametric insurance will be utmost important for protecting the infrastructure of the country and its people. The damage caused by climate change has prompted countries and communities in the developing countries to consider 'parametric' insurance as a means to mitigate financial losses. This type of insurance provides coverage based on predetermined set of conditions or parameters, rather than the actual value of a loss. It is an agreement to make a payment upon the occurrence of a triggering event, as measured by an objective parameter or index related to the insured's particular exposure.

Although this type of insurance has been popular in Western countries for some time, awareness and demand for parametric insurance have been rising in India in recent years. Given the changing weather conditions in the country, parametric insurance will become utmost important in the country in the coming few years. With Indian dreaming of becoming a $5 trillion economy in the next three-four years, insurance will play a significant role in shaping up the economy. While health, life and motor are important for financially protecting the citizens of the country, parametric insurance will be utmost important for protecting the infrastructure of the country and its people.

There are four key factors that can hinder the economic development of any country- inadequate health infrastructure, damage from natural disasters, the impact of climate change on agriculture, and pandemic. India is experiencing a significant increase in natural calamities such as earthquakes, landslides, and floods. Currently, the country is also facing severe heat wave alerts, with temperatures soaring to around 50 degrees Celsius. Besides the growing frequency of these disasters, there is a substantial protection gap between insured losses and economic losses, which exceeds almost 90%. Consequently, the government is often required to allocate substantial funds for relief measures during such natural calamities. Thus, government as well as private institutions are understanding the value of parametric insurance, which can significantly help in bridging the protection gap.

Climate change is also impacting agriculture, a sector which contributes about 14% to India's economy and employs approximately 42% of its population. In 2021, around 5 million hectares of crops were lost due to excessive rainfall. With parametric insurance, the crops and cultivated area can be insured, which can save lands and incidents of farmer suicides in case of any natural calamity. While government schemes have been helpful in bringing down farmer suicides, parametric insurance can further help in reducing the suicide numbers and bring in a financial safety net to India's agricultural sector. The primary advantages of parametric insurance are its rapid pay-outs, minimized basis risk, and enhanced certainty for both the insured and the insurer.

Parametric insurance can thus cater to the two key pillars of the economic growth in the country. Although parametric insurance is still in its early stages, the market in India is estimated to be valued at around $50-100 million and is projected to grow at a CAGR of 20-25% over the next five years. Currently, India has approximately 15-18 parametric insurance products, with this number expected to increase in the next three years. Recently, parametric insurance solutions have been developed for livestock, silk cultivation, aquaculture, and even warehousing. For instance, the state of Nagaland has adopted parametric insurance to secure financial protection against excessive rainfall. Parametric insurance is growing in India and will be significant in providing quick pay-outs for weather-related risks in agriculture and other sectors. Both the government, private players and consumers should be more aware of the growing parametric insurance in the country, so that there can be faster adoption of this kind of insurance.

(The writer is Tapas Nandi.)

TOP

National Insurance Awareness Day 2024: Closing India's protection gap for enhanced financial security - Financial Express – 2th June 2024

National Insurance Awareness Day has evolved over the years to become an important annual event that highlights the crucial role of insurance in protecting individuals, families, and businesses. The goal of National Insurance Awareness Day is to help people understand the different types of insurance available, to empower people to make informed decisions about their insurance coverage and to recognize the value that insurance provides in safeguarding their financial well-being. By taking proactive steps to review and renew their insurance policies, individuals and businesses can have greater peace of mind and be better prepared to handle life's unexpected challenges.

Despite significant progress in recent years, India still faces a substantial gap in insurance awareness and coverage. According to a report by the National Insurance Academy (NIA), over 40 crore individuals in India, constituting more than 31 percent of the population, lack health insurance. This health protection gap is attributed to lower penetration, coverage inadequacy, and rising healthcare costs. The life insurance sector also exhibits a large protection gap, with an 87% gap across the country. The mortality protection gap is particularly high among younger age groups, exceeding 90% in the 26-35 age bracket.

Some of the key gaps and challenges prevalent in insurance sector:
Low Insurance Penetration and Density: India's insurance penetration (premiums as a percentage of GDP) was just 4.2%, well below the global average of 7.5%. Insurance density is also much lower than developed markets. This indicates a large protection gap, with a majority of the population lacking adequate insurance coverage.

Lack of Awareness and Trust: Many Indians, especially in rural and semi-urban areas, lack awareness about the benefits of insurance and how it works. There is also a general lack of trust in insurance companies due to past mis-selling and poor claim settlement experiences. Improving awareness through education campaigns and building trust through better customer service is crucial.

Affordability and Accessibility Challenges: Insurance products are often unaffordable for lower-income segments due to high premiums. Lack of access to insurance, especially in rural areas with limited distribution networks, is another key barrier. Innovative micro-insurance products and leveraging technology for last-mile distribution can help address these challenges.

Gaps in Product Offerings: While the range of insurance products has expanded in recent years, there are still gaps in terms of customized solutions for specific needs. For example, there is a lack of affordable health insurance plans for the informal sector and a need for more crop insurance options for farmers. Insurers need to innovate and design products that cater to the diverse needs of the Indian population. India is more focused towards health, life and motor insurance, while the need for insurance ranges to home insurance, travel insurance, shop insurance, SME insurance and so much more.

Inefficient Claims Management: Delays and disputes in claims settlement remain a major pain point for customers. Leveraging technology for faster claims processing, improving transparency, and enhancing customer service can go a long way in improving customer experience and trust in the industry. IRDAI too has recently announced for insurance companies to settle claims within three hours; it is a great move and will be transformational, solving a critical insurance aspect for the consumers.

Despite these challenges, India's insurance sector offers immense growth potential given the large uninsured population, rising incomes, and increasing awareness. Insurers that can innovate, leverage technology, and provide affordable and accessible solutions tailored to customer needs will succeed in the coming times. Collaboration between insurers, distributors, and the government will be key to bridging the protection gap and ensuring insurance for all.

(The writer is Chetan Vasudeva.)

TOP

INSURANCE REGULATION

New IRDAI regulations push Indian insurance industry to embrace ESG practices – Outlook – 03rd July 2024

The Insurance Regulatory and Development Authority of India (IRDAI) has introduced new regulations mandating all insurance companies, including foreign branches and Lloyd's India, to integrate environmental, social, and governance (ESG) considerations into their operations.

Including foreign branches and Lloyd's India, to integrate environmental, social, and governance (ESG) considerations into their operations. Prior to these regulations, Indian insurance companies were not obligated to consider ESG factors. The only environmental guidance existed under the Companies Act 2013, which required certain insurers to form a Corporate Social Responsibility (CSR) committee.

ESG is a framework for assessing a company's societal impact across three key areas:
Environment: This includes factors like climate change policies, greenhouse gas emissions, and adherence to environmental regulations.

Social: This considers a company's relationships with employees and communities, encompassing issues like employee well-being and social responsibility initiatives.

Governance: This assesses a company's risk management framework, transparency in reporting, and diversity within leadership.

The concept of ESG in India can be traced back to the Companies Act 1956, with subsequent guidelines and regulations from the Ministry of Corporate Affairs (MCA) promoting social responsibility and environmental considerations within businesses.

The IRDAI's new regulations require all insurers to develop and monitor an ESG framework approved by their board or executive committee. However, the specific details regarding implementation are yet to be clarified. This ambiguity creates uncertainty about whether the IRDAI will adopt existing guidelines or establish new ones for the insurance sector.

These new regulations are likely to influence the insurance industry in a number of ways:
Risk Management: Insurers may prioritise identifying and managing ESG risks, potentially leading to new risk assessment models and incorporating ESG factors into underwriting decisions. This could involve offering discounts for sustainable practices or designing products tailored to environmental damage caused by businesses.

Investment Strategies: ESG norms might influence investment decisions, prompting insurers to consider a company's ESG performance alongside traditional financial metrics. This could lead to divestments from companies with poor ESG practices and increased investments in sustainable businesses.

The insurance sector awaits further guidance from the IRDAI on how these new regulations will be implemented. This will determine how insurers adapt and integrate ESG practices into their core operations.

TOP

Bima Bharosa Portal for Insurance Grievances Launched by IRDAI - The Economic Times – 1st July 2024

Bima Bharosa has been launched by the Insurance Regulatory and Development Authority of India (Irdai) to serve as an online platform for grievance redressal of insurance policyholders. Here’s a step-by-step process to register an insurance-related grievance on the portal.

It can be accessed at https://bimabharosa. irdai.gov.in/. New users need to create an account by clicking on ‘Register’ button and filling in the required information, such as name, contact details and e-mail address. Existing users can log in using their credentials.

Grievance form
After logging in, navigate to the 'Grievance' section, and click on 'Register New Grievance'. Fill the grievance form with the following details:
Policy number.
Insurance company name.
Type of grievance. This should be chosen from the categories provided, such as claim settlement issues, policy servicing, etc.

A detailed description of the grievance should be provided. Any relevant documents that support the grievance, such as claim forms and correspondence with the insurer, should be uploaded. The user can review and submit the grievance, after which an acknowledgement receipt with a unique grievance ID will be allotted.

Tracking grievance

The status of the grievance can be tracked using the unique grievance ID provided in the acknowledgment receipt. The user should log in to the portal and navigate to the 'Track Grievance' section to view updates on the complaint.

Resolution

The IRDAI ensures that all grievances are addressed in a timely manner. The insurance company is required to respond and resolve the issue within a stipulated time frame. Notifications regarding the resolution will be provided through the portal and via e-mail.

TOP

LIFE INSURANCE

Think insurance isn't your concern? Gen Z, think again! - The Economic Times - 29th June 2024

There's an emerging powerhouse driving India's economic growth - Generation Z, also known as Gen Z or Zoomers. With their unparalleled influence and distinctive financial habits, Zoomers are not only shaping trends, but also redefining the financial planning landscape. Comprising a sizeable 22-25% of the population, Gen Z accounts for 32% of digital payments, 33% of credit transactions in India, and a staggering 54% of first-time mutual fund investors. What sets them apart is not only their early adoption of financial products but also a fearless approach to managing finances driven. Let's look at some key elements that drive their financial behaviour:

Digital natives: Having been born in the digital era has allowed Gen Z to effortlessly incorporate technology into their financial routines, with 80% of them using digital banking (KPMG). They are used to e-commerce like buying experience where one-click purchases are a commonplace. This, in part, justifies their general averseness to tools like insurance, which require a relatively longer buying time and typically a third-party assistance. High risk takers: This generation is willing to experiment, even if it involves high risk. Their curiosity often drives their risk appetite, making them far more inclined towards newer asset classes like cryptocurrencies and NFTs. In fact, a survey by Grow shows 65% of Gen Z eagerly pursue riskier investments for potentially higher returns. Their approach often overlooks sustainability, relying solely on high-risk assets without a balanced portfolio exposing them to vulnerability. They are far more inclined to invest for shorter-term lifestyle-linked goals rather than longer term financial needs.

High lifestyle expectations: They prioritize enriching experiences over material possessions yet grapple with the pressures amplified by social media. Deloitte's research reveals that 70% of Gen Z in India prefers investing in travel and dining out. A YOLO and FOMO spirit makes them embrace highrisk activities such as bungee jumping and skydiving, leading to heightened need for expenditures. Given these habits, which indicate shorter term outlook and a high-risk appetite (both in life and financial habits), this generation faces an urgent need to consider protection as a fundamental of their financial habits. Let's look at why Gen Z must consider buying Insurance:

1. Need for protection: If you're someone who loves taking risks—whether it's with investments or living life to the fullest—consider this: every high-flying adventure needs a safety net. Imagine building your wealth early on, only to see it vanish in a blink due to unexpected health issues. That's where life and health insurance come into play—they're not just safety measures, but essential foundations for your financial plans. It's all about balancing your aspirations with smart risk management—because protecting your future is as thrilling as chasing your dreams.

2. Managing today's financial realities: To manage today's financial challenges like rising education costs and increasing debt, insurance products like second income and savings policies provide crucial support. They alleviate financial instability, allowing you to focus on education, career, and personal growth, while also easing the repayment of debts and loans. 3. Safeguarding entrepreneurial spirit: The recent 2024 Instagram Trend Talk report highlights that Gen Z in India believe venturing into entrepreneurship is the ultimate pathway to wealth. This is supported by the 2022 Outlook Toulana Youth Survey, which showed 90% of respondents view startup as a promising career option and a significant number are driven by the promise of generating employment and owning their own company.

This makes Insurance far more crucial for this generation given the uncertain nature of entrepreneurship. Not only do they have a dire need for a second income, but also for income replacement to protect them from unexpected setbacks and market fluctuations. This protection ensures that their hard work and bold investments remain secure, empowering them to pursue their dreams with confidence.

Given that this generation craves simplification, and easy buying experiences, the insurance industry has made significant strides over the past few years. Product compositions have become simpler, they offer a more comprehensive solution to people's multiple needs under a single product, buying experience has improved significantly from a paper-led to digital approach, and much more. The nature of advisory has also changed to make buying of insurance simpler and more DIY for this generation. For instance, web aggregators provide an effective avenue for studying the options in the market and enable people to make their own purchase decisions. There are newer initiatives like insurance portfolio management systems that are aimed at alleviating post purchase customer concerns. It is therefore critical that Gen Z overcomes any pre-conceived notions of complexity regarding insurance and dip their toes into risk management through this instrument. Let's begin with term and health insurance today!

(The writer is Anup Seth.)

TOP

Common myths about life insurance & the claim settlement process - The Economic Times – 29th June 2024

Policies like Unit Linked Insurance Plans (ULIPs) offer market-driven growth, whereas guaranteed income plans provide stable returns regardless of market conditions. For this reason, life insurance can aid in the achievement of long-term financial objectives such as retirement, education, or marriage, offering both maturity and death benefits.

Life insurance is a staple of solid financial planning, offering a buffer for surviving family members if someone else in the household passes away prematurely. However, there are a few myths related to life insurance claims that dissuade most people from buying policies or somewhat make them feel anxious. Breaking Some Common Myths about the Life Insurance Claim Settlement Process.

Myth 1: Life Insurance Payouts Only Happen Upon Death:
One common myth about life insurance is that it only pays out when the policyholder passes away. While term plans are designed for this purpose, endowment plans combine insurance with investment. Policies like Unit Linked Insurance Plans (ULIPs) offer market-driven growth, whereas guaranteed income plans provide stable returns regardless of market conditions. For this reason, life insurance can aid in the achievement of long-term financial objectives such as retirement, education, or marriage, offering both maturity and death benefits.

Myth 2: You can buy life insurance Later in Life:
Many believe that life insurance is something to consider only in later years. The COVID-19 pandemic has underscored the unpredictability of life, emphasizing the importance of securing insurance early. Younger individuals benefit from lower premium rates, and starting early maximizes the growth potential of any investment-linked components of the policy.

Myth 3: Employer Provided Insurance is enough:
Group insurance policies provided by the employer are quite common but still are insufficient. These benefits typically end when you leave your job and might not satisfy your individual financial needs. Not only is it important to make sure there are no gaps in your coverage, but also that you have a policy specific tailored to your life insurance needs.

Myth 4: Life Insurance Is Just for Tax Savings:
It's a common misconception that life insurance is primarily a tool for tax savings. While it's true that life insurance premiums can be tax-deductible under Section 80C of the Income Tax Act, and the maturity benefits are generally tax-free under Section 10(10D), focusing solely on these tax benefits is a mistake. The fundamental purpose of life insurance is to provide financial security for your family in the event of your untimely demise. This can help cover living expenses, pay off debts, and fund future needs like education. Also, knowing that your loved ones will be taken care of can provide significant peace of mind, allowing you to focus on your life and work without worrying about their future. Life insurance can also be part of a broader financial plan, helping you achieve long-term financial goals, such as retirement planning or wealth transfer.

Myth 5: Life Insurance Policies Cannot Be Customized:
Another widespread myth is that life insurance policies are rigid and cannot be tailored to individual needs. Life insurance can be highly customizable, allowing policyholders to tailor their coverage to their unique circumstances. Many life insurance policies offer riders or add-ons that provide additional benefits. Common riders include Accidental Death Benefit, Critical Illness Cover and Disability Income etc.

Policyholders can choose the sum assured and adjust it over time as their needs change. Various premium payment options are available, including single, limited, and regular payment terms.

By taking advantage of these customization options, one can ensure that your life insurance policy meets their specific needs and provides comprehensive coverage for them and their family.

Myth 6: Insurers Frequently Reject Claims
Many people hesitate to purchase life insurance due to the misconception that claims are often rejected. However, insurers generally strive to pay out legitimate claims to uphold their reputation and retain customer trust. The claim settlement ratio (CSR) is a key indicator of an insurer's reliability in handling claims. A high CSR signifies a trustworthy insurer. By being honest and thorough during the application process, you can further minimize the chance of claim rejection.

Tips for a Smooth Claim Process
Transparency and Honesty: Always provide accurate and complete details about your health, lifestyle, and income. Inaccurate or incomplete information is a common cause of claim rejections. Timely Premium Payments: Ensure that your premiums are paid on time to keep your policy active and your coverage intact.

Choosing a Reputable Insurer: Select an insurer with a high claim settlement ratio to enhance the likelihood of a smooth and successful claim process. Life insurance should be a cornerstone to any sound financial plan, offering some level of assurance and potential tax advantages as well. By dispelling common myths and understanding the true nature of life insurance, you can make informed decisions that safeguard your family's future. Always approach the application process with honesty, choose a reputable insurer, and understand the claim process to ensure peace of mind.

(The writer is Lalitha Bhatia.)

TOP

GENERAL INSURANCE

India: Insurer acts to bridge insurance gap of MSMEs – Asia Insurance Review - 03rd July 2024

While India is home to 62m business owners, a mere 3% have embraced SME insurance, according to Mr Anand Singhi, chief- Retail and Government Business at ICICI Lombard. In an interview with ET Online, Mr Singhi indicated how much is at stake. MSMEs contribute about 33% to India's GDP and account for 42% of all Indian exports. Small companies, which comprise 96% of industrial units, generate employment, especially in rural and urban areas.

Measures taken to meet MSMEs' insurance needs

Mr Singhi said that ICICI Lombard aims to bridge the glaring insurance gap by providing a vast suite of insurance products tailored to the diverse needs of MSMEs and ensuring swift claim settlements, which are essential for businesses that cannot afford prolonged downtime.

He said that ICICI Lombard has formed partnerships with several platforms like Actyv.ai, a SaaS, to provide seamless access to group insurance options. The insurer has also launched a specialised programme for its women agents catering to MSMEs. This initiative involves webinars on insurance and financial literacy based on research findings, intending to raise awareness among women about the benefits of insurance policies.

Mr Singhi also said that ICICI Lombard has developed a specialised digital platform that provides a holistic suite of services ranging from group health and property insurance to specialised coverages such as liability floater. "We meticulously design each product to defend businesses against a spectrum of risks, including cyber threats and issues of employee dishonesty. In sum, ICICI Lombard's primary mission is dual-pronged: to equip MSMEs with a comprehensive shield of protection, and to offer them a seamless digital experience, " he said.

TOP

As India battles deadly heat waves, can insurance offer relief? – Devex – 03rd July 2024

As deadly heat waves sweep the globe, a new initiative in India is experimenting with parametric heat insurance, in what experts hope will prove an innovative financing model to help climate-vulnerable communities mitigate losses from extreme heat. Run in partnership between the nonprofit Climate Resilience for All and the Self Employed Women's Association, or SEWA, a women's labor union in India, the heat insurance scheme was piloted this summer and aims to protect workers against heat-induced financial losses. With climate change set to increase both the frequency and severity of heat waves, experts are increasingly turning to insurance to provide essential financial protection for the most vulnerable — but emphasize that risk-transfer tools should not replace other forms of development assistance, and need to be combined with risk reduction measures if they are to remain sustainable in a warming climate. "I don't want to convey the sense that [disaster insurance] is the solution to everything," said Ekhosuehi Iyahen, secretary general of the Insurance Development Forum, a public-private partnership driving collaboration between the insurance industry and key development institutions. "But it can be used to address a very pressing need that many communities are currently dealing with."

Humanitarian financing has historically focused on mobilizing large sums of money after disasters occur. But the promised relief is often slow to materialize, delaying rehabilitation efforts and making spending less cost-efficient, Iyahen said. "We could do a much better job if we just spent a little bit more time putting money ahead of these disasters," she said. Parametric insurance is one way to do this. Unlike indemnity insurance, which pays out for specific losses, parametric insurance payouts are triggered automatically once predetermined thresholds are crossed. This negates the need for insurers to authenticate claims, facilitating faster payouts and helping disaster-impacted communities get back on their feet more quickly. But insurance coverage in most low- or middle-income countries is low. Global reinsurer Swiss Re estimates for example that the natural catastrophe protection gap — the level of economic loss not covered by insurance — in India is 95%, making it one of the highest in the world. The collaboration between SEWA and Climate Resilience for All aims to change that. In one of several experiments with parametric disaster insurance in India, it offered heat insurance to 50,000 SEWA members, many of whom work as outdoor laborers with little protection from the heat.

"They are reporting miscarriages, dizziness," said Kathy Baughman McLeod, CEO of Climate Resilience for All. "They have burns and blisters from using tools that aren't made for the heat they are being used in." Most of the women work in the informal sector with no workplace protections, forcing them to choose between income loss and exposure to dangerous levels of heat in the summer. Despite "doing everything they know how to do" to provide financial stability for their families, said Baughman McLeod, "the one thing that pushes them into poverty … is heat." With the subcontinent predicted to experience a sixfold increase in the number of heat waves under a 2 degrees Celsius model of global warming, trying to roll out a comprehensive and sustainable insurance scheme has often felt like "a race against time," she added. Northern India has witnessed record-breaking heat waves this summer, with temperatures in many cities consistently exceeding 40 C. Of the 50,000 women insured under the scheme, 92% have already received a payout.

The financial protection has enabled the women to continue paying for essentials such as food and school fees even when they were unable to work, Baughman McLeod said. But it also helped them to avoid vicious debt cycles and potentially exploitative situations, and retain "self-respect, dignity, credit worthiness — status in the community," she said. "Isn't that all we want — for women to have choice and power and opportunity?" Centering the needs of vulnerable communities and "trying to unpack what matters the most to them" was an essential component of the scheme, Iyahen said. She called it "pioneering" in demonstrating "the innovation that can take place when we apply insurance thinking and principles to real development challenges and targeted at communities that one would think ordinarily are not reachable." The challenge now is to work out how to expand the initiative into other regions. As foreign aid budgets have shrunk and donor countries rethink the efficacy of their development spend, Iyahen said she has seen increasing interest from partners in exploring how insurance can be used to meet development goals. At the 27th U.N. Climate Change Conference, the Group of Seven leading economies launched the Global Shield initiative which would combine subsidized insurance with preapproved disaster funds for the most climate-vulnerable countries. Last year, Ghana became the first country to submit a request for funding, after an evaluation process with national stakeholders.

But some activists have expressed concerns that wealthier nations could seek to position the Global Shield as a substitute for a loss and damage fund. But Iyahen emphasized that disaster insurance should be seen as a financing tool to complement other funds that compensate for noneconomic losses, such as loss of culture, or the impact of slow-onset disasters. "I really want to avoid the sense that insurance is being put out there to replace obligations that have not been met," she said. "What we want to see happen is greater investments." Despite the increasing interest in parametric disaster insurance, insurers and development agencies have been slower to take up the mantle on extreme heat. "The problem with the tropical countries is that we believe that heat is something that we are used to," said Abhiyant Tiwari, lead climate resilience and health consultant at Natural Resources Defense Council India, pointing out that heat is not a nationally notified disaster in India. Insufficient data has also proven a barrier. Parametric insurance relies on complex, data-driven calculations to determine trigger thresholds, but this data is lacking in many LMICs — especially when it comes to heat.

"Defining a death or morbidity because of heat is a diagnosis by exclusion," Tiwari said. And the data that does exist is not always an accurate depiction of the on-the-ground reality. Meteorological data, for example, does not necessarily reflect the temperature of extremely localized work conditions. The physiological impact of heat on the body is also complicated to predict, said Tiwari, and needs to take into account multiple parameters such as nighttime temperature, humidity and heat load, rather than just the maximum daytime temperature. "We have lots of parametric insurance for assets, physical things. The difference here is that it's the human body," Baughman McLeod said. "We don't understand it. We don't have all the data we need." In the future, Climate Resilience for All plans to use emerging technologies to collect more accurate, localized data, and incorporate metrics such as nighttime temperature into insurance algorithms. But there are still "a lot of gaps to fill," Baughman McLeod admits. The quest for better data demonstrates that the role of insurance schemes goes beyond just filling a liquidity gap and could also help to fill an information gap by "crystallizing what those risks and exposures are," Iyahen said. In other words, a greater presence in the insurance industry could in itself help to define and reduce risk overall. Overall risk reduction needs to be the primary goal in a warming world, experts agree. "One of the things that we have learnt is that insurance alone is not the solution," Baughman McLeod said. "The size and scope of extreme heat is so epic and ubiquitous that no one can just transfer [the risk] — we have to reduce it."

Currently, the SEWA heat insurance premiums are being subsidized through philanthropy. But Baughman McLeod is confident that in the future the scheme's precise targeting, combined with a social protection layer of cash transfers during summer to help the women mitigate heat impacts, will allow the insurance to stand on its own. Tiwari agrees that the focus needs to be on longer-term mitigation. He was involved in designing India's first Heat Action Plan in Ahmedabad City, which uses a color-coded early warning system to disseminate alerts via SMS and radio and helps hospitals to prepare ahead of hot days. The initiative, which has since been rolled out across other cities in India, is estimated to avert over 1,100 deaths in Ahmedabad each year. But Heat Action Plans in India are just advisories, Tiwari said, with no legal backing. The effects of heat are also multifaceted, affecting multiple sectors of the economy — from water and electricity demand to health and educational achievement. "It's a complex hazard compared to others," he said, requiring extensive coordination between government departments. Tiwari advocates for the installation of a chief heat officer in each city, who is empowered to act under the law. "A single expert who can coordinate all the actions," he said, could help to "ensure that whatever advisories, policies to protect the workers from the heat, are being implemented on the ground." Similarly, the insurance industry would benefit from country risk officers who could oversee and manage risks, Iyahen said. An expert with a comprehensive understanding of the data and local context could help to drive innovation in insurance products, she said, adding that risk reduction and management "is intrinsically linked to the availability of insurance." But like Baughman McLeod, she acknowledged that we are running out of time. As climate change increases the likelihood and unpredictability of extreme weather events, insurance premiums will increase to unsustainable levels unless the underlying risks are managed. "If we don't get a handle on it, we will have a world that is uninsurable. And a world that is uninsurable is a world that is uninvestable," she warned. The broader impacts on development could be catastrophic. "Capital will not flow where it does not understand the risk," Iyahen said.

(The writer is Catherine Davison.)

TOP

Insurers Eye Windfall from Proposed Satellite-Based Toll Collection System - Business Standard - 1st July 2024

The National Highways Authority of India's (NHAI) plan to switch to satellite-based toll collection system will not just eliminate the physical toll booths and the road congestion, but will also offer a significant opportunity to insurance companies to customise motor vehicle insurance based on real-time location data, according to insurers. On Tuesday, the NHAI conducted a workshop on Global Navigation Satellite System (GNSS), for which it had floated tenders earlier this month. According to preliminary deliberations in the run-up to the workshop, the authority plans to amend central motor vehicle rules to make fitting of an onboard unit (OBU) - a 24/7 location tracking device mandatory. This OBU will be seamlessly integrated with the FASTag payment mechanism, allowing for toll deduction without a booth. This unit will collect location data every 5 seconds, and transmit it through every 60 seconds. Anurag Jain, union road transport and highways secretary, said that location data of users can be eventually monetised.

According to insurers, motor insurance has largely been priced based on the assets. The price is usually based on the make and model of the car and premiums are charged uniformly even though claims frequency varies. "GNSS can be a game-changer for the insurance industry. Today we use a lot of proxies. For example, we ask the customer to give a photograph of their odometer and then we decide how many kilometres a vehicle has been driven. We also capture the data on the basis of service records. A lot of manufacturers come with connected cars and we got a lot of information from that," Rohit Daga - Business Head (Motor Insurance) at ICICI Lombard, said at NHAI's workshop on GNSS.

(The writers are Dhruvaksh Saha and Ashutosh Mishra.)

TOP

Rise in cyber threats make companies go for unified security command - The Economic Times – 1st July 2024

As our world goes increasingly digital, cybersecurity professionals, especially at the leadership level, are more in demand than before. Organisations have started to consider cyber as a key enterprise-wide risk that can not only pose financial losses but also tarnish reputations, destroy customer trust, and even threaten public safety, says Anand Venkatraman, Partner, Deloitte India. The stakes are higher in today's interconnected digital landscape, and this calls for robust cyber defences and risk management strategies. There is a clear surge in demand for cyber insurance so that organisations can offset or transfer some financial damage from this risk.

The areas of demand

Venkataraman says that several sectors are driving the demand for cyber insurance. Finance and banking institutions are bolstering their defences against cyberthreats to safeguard sensitive financial data and maintain customer trust. Healthcare and pharmaceutical companies are prioritising cyber insurance as they digitise patient records and medical devices, recognising the need to protect themselves from potential disruptions to critical healthcare services.

Technology firms and e-commerce platforms are investing in cyber insurance to mitigate risks associated with data breaches and ransomware attacks, ensuring the security of customer information and the resilience of their operations. Additionally, critical infrastructure sectors such as energy and utilities are recognising the importance of cyber resilience in safeguarding essential services and preventing widespread disruptions.

Jyoti Bowen Nath, Managing Partner at Claricent Partners, says leadership-level cybersecurity professionals play a pivotal role in leading organisations' efforts to protect sensitive data, infrastructure and systems from cyber threats.

The scope for senior roles

Organisations have started to create senior roles for cyber insurance and this requires a new type of expertise. Deep cyber expertise combined with strong business acumen is necessary to navigate the complexities of cyber threats and translate technical insights into actionable risk management strategies, says Venkatraman of Deloitte. Candidates must understand regulatory and compliance requirements, possess analytical skills and have exposure to risk quantifying models.

It has become common practice for boards to invite chief information security officers (CISOs) to present the state of security of their organisation. So CISOs not only have to develop strong technical skills but also better articulation and influencing skills so that they can influence board members and top management. They also need to understand the cyber insurance process, including proposals, underwriting, claims and incident response. Effective communication, negotiation, networking and collaboration skills are also paramount, as professionals work closely with clients, underwriters and other stakeholders to tailor insurance solutions to their unique needs at an optimal cost.

Bowen Nath explains that in many organisations, the CISO focuses mainly — and sometimes exclusively — on cybersecurity. However, with today's sophisticated threats and evolving threat landscape, businesses are shifting many roles' responsibilities, and expanding the CISO's role is at the forefront of those changes. According to Gartner, regulatory pressure and attack surface expansion will result in 45% of CISOs' remits expanding beyond cybersecurity by 2027.

Merging of the roles

The CISO and Chief Security Officer (CSO) traditionally have distinct focus areas: the CISO is primarily responsible for information security and cybersecurity, and the CSO overseeing broader security functions, including physical security and corporate security policies. However, as the cybersecurity landscape continues to evolve and threats become more sophisticated and pervasive, there has been a growing recognition for a holistic approach to security management. This has led to the merging of the roles of CISO and CSO. The executive position is often referred to as the chief security officer (CSO) or certified information systems security officer (CISSO).

Bowen Nath points out that by consolidating leadership responsibilities for both information security and physical security under a single executive, organisations can achieve greater synergy and coordination in their security efforts. The merger also reflects the evolving nature of cybersecurity. No longer confined to the realm of IT, cybersecurity has become a strategic business imperative that requires input and collaboration from across the organisation. A unified security leadership role can facilitate better alignment between security objectives and broader business goals, enabling more effective risk management and resource allocation. As the cyber insurance landscape continues to evolve, organisations must stay ahead of the curve by investing in the right talent and strategic partnerships, Venkataraman adds. So they have to build strong cyber defences and leverage the expertise of seasoned professionals to protect their assets and thrive in an increasingly digital world.

(The writer is Debleena Majumdar.)

TOP

Climate change and insurance: Impact of natural disasters on policies and premiums in India - The Economic Times – 29th June 2024

Words such as hottest summer and harshest winter, wildfires and 40-degree summers in Europe are commonplace now. It is clear climate change is here and is impacting everyone and every Industry in different ways. The insurance sector in fact is far more impacted by the havoc caused in the wake of natural disasters which are now occurring with both increasing frequency and increasing severity. This has prompted significant changes in insurance policies and premiums, forcing key players to look forward and think green.

The intensity of natural disasters in India such as cyclones, floods, droughts, and earthquakes, has been on the rise. For instance, the Indian Meteorological Department reported a rise in cyclonic disturbances over the past decade, while floods in regions like Assam and Bihar continue to displace thousands annually. These natural calamities pose significant challenges to the insurance industry. Insurers face escalating claims due to property damage, crop loss, and infrastructure destruction. Reports from the Insurance Regulatory and Development Authority of India (IRDAI) highlighted a surge in insured losses from natural catastrophes, straining insurers' solvency.

In response, insurers are reevaluating risk assessments and adjusting premiums accordingly, particularly in high-risk regions prone to frequent disasters such as cyclones along coastal areas. Embracing technology and data analytics has become imperative for the industry. Advanced modelling techniques and satellite mapping are now utilized to forecast risks proactively, safeguarding insurers' financial stability and ensuring prompt assistance to policyholders in times of crisis.

While Insurers will price their policies according to the risk, one of the key challenges is the huge protection gap due to low penetration of insurance especially in the rural areas. The ones prone to catastrophic events, are left with no means of bearing the financial burden left due to large scale destruction of property and loss or life or injuries. In fact, the low penetration of insurance actually drives the price higher for customers. Higher participation will average out losses across a much larger population and diverse geography thus driving down average claims rate for Insurers and they can pass on this benefit to customers. The Indian government has also taken proactive steps, collaborating with insurance stakeholders through initiatives like the National Disaster Management Authority (NDMA). These efforts aim to enhance resilience and disaster preparedness, supported by regulatory frameworks from IRDAI to ensure accessible and affordable insurance coverage, especially for vulnerable groups like farmers and low-income earners.

Looking ahead, the insurance industry in India must continually evolve amidst aggressive climate change trends. Enhancing sustainability, expanding market penetration in underinsured regions, and fortifying climate-resilient infrastructure are pivotal for future-proofing insurance operations. While climate change is reshaping the insurance landscape in India, it also compels all of us as good corporate citizens to evaluate our practices. We can contribute to sustainable living in many ways, big and small. At Zuno, we have been planting a tree for every Car Policy since our inception, in the drought prone region of Vidarbha and thus doing our bit to mitigate the carbon footprint of the vehicles sold, to some extent. Similarly, as a digital first organization, we don’t do paper, we have never printed an application form in our existence and are committed to continuing our paperless existence, unless of course required by the law of the land.We have also embraced progressive workplace policies like work from anywhere thus reducing employee commute and hope usage of fossil fuels. Every person and every organization must realize that climate change is a clear and present danger and do their part to address this.

For Insurers in India, increasing market penetration in regions that are not yet well-insured, influencing all stakeholders to adopt sustainable practices and incentivising development of climate-proof infrastructure, planting trees are some ways the industry is already making their contribution to check the onslaught of climate change. Much more effort is required, and we need to make rapid progress on the efforts already made.

(The writer is Shanai Ghosh.)

TOP

How aware are consumers even today about insurance? - The Economic Times - 30th June 2024

Remember when agents with stacks of documents would pursue consumers to buy insurance? A lot has changed since then and may be- a lot has not. The current insurance penetration of 4.2% in the country, which is also below the global average of 7.2% indicates that a lot needs to change, in order to bring in more consumer outreach. Despite advancements, insurance remains highly under-penetrated in India, particularly in smaller cities and towns, due to its complex product structures and consistent reliance on physical, branch-led distribution model.

The good part is that the offline insurance model in India is rapidly evolving, with insurance companies increasingly recognizing the value of digital solutions. In recent years, many insurers have adopted a digital insurance model to achieve their business goals. This new approach is consumercentric, focusing on tailoring insurance products to meet individual needs. The traditional model of distribution through agents or direct sales via websites is quickly transforming, reflecting this shift towards digital empowerment.

The gaps, even today, are primarily centred around awareness and trust, which is centred majorly the smaller cities and towns. Even today, over 800 million people remain underserved and in need of insurance.

Thus, the industry needs to work around five cumulative critical levers to build consumer confidence, outreach and trust- increased awareness, affordable products, wide-spread distribution, disruptive underwriting and good claim experience. The good thing is that today's consumers are smarter, quicker and more adaptable to the changing environment. People across age groups are adopting the 'Millennial Mindset', reflecting a transformation in consumer behaviour. Internet usage in the country has increased to 820 million active internet users, with more than half of them coming from the rural pockets of the country. This has created a huge opportunity for insurance companies to reach out to the under-penetrated consumers, using digital and technology the right way.

However, relying solely on digital methods will not effectively increase consumer outreach, companies need to hit the pulse with consumer behaviour today. Today's consumers are busy and lack the time or patience for lengthy, complex documents. They are also unlikely to engage with elaborate explanations or long product descriptions in emails. This behaviour is becoming consistent across various geographies and demographics in India. Thus, the one-size-fits-all insurance product structure and outreach model will fast change. The traditional practice of visiting retail stores amongst consumers for purchases has also changed a lot, where consumers are substantially shifting towards digital platforms. This trend is extending to the insurance sector too, where they are seeking out multiple options to identify the most suitable choice for their needs.

Insurance companies will thus need to modify their models, expand their digital outreach, and fully leverage their distribution networks to reach more consumers. Using data analytics to gauge consumer's buying patterns, income background, family and medical history will help in curating the right kind of insurance product and reach out to them in a more targeted way. Hyper-personalization and hyper-localization should be used in a more specific way, targeting consumers, conducting 'Near me' searches on their smartphones.

In the coming few years, consumers will increasingly demand comprehensive yet flexible coverage from their insurers. Traditional models of risk assessment and standard coverage will no longer meet the evolving needs of modern consumers. Consumers will look for simplified language, clearly outlining their rights and entitlements under their insurance plans. With the rapid growth of the insurance sector, consumer awareness is expected to increase in the coming years. However, the insurance industry must effectively integrate technology, digital solutions, and independent agents to achieve this.

(The writer is Indraneel Chatterjee.)

TOP

HEALTH INSURANCE

Ayushman Bharat may cover families of citizens over 70 – Live Mint – 5th July 2024

The Centre is exploring a dozen different models to extend the benefits of its marquee free healthcare insurance scheme—Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB PM-JAY)—to senior citizens, according to two officials with knowledge of the development. The move is in keeping with a promise made by the ruling NDA (national democratic alliance) in the run-up to the general elections to cover all people 70 years of age and above in the PM-JAY. An announcement on the scheme's extension can be expected in the upcoming Union budget, the two people said on condition of anonymity. "Different models are being studied by the government to implement AB PM-JAY for senior citizens 70 years of age and above," said the first official cited above, adding that the government is working out the mechanics of how to extend the scheme.

The National Health Authority (NHA), which has been tasked with formulating the plan, is actively looking at two preferred models among the several being considered. "Two models are being studied to take the initiative forward—all family members with senior citizens may get covered, or only senior citizens in a particular family will get the health coverage," said the second official cited above. Accordingly, health benefit packages are being firmed up for geriatric treatment, with hospitals providing dedicated geriatric services to be onboarded for PM-JAY. Geriatric therapy is a medical specialty focused on the care of the elderly.

"The budget proposal has been submitted with a view to increase the beneficiary base of AB PM-JAY," said the second official. "It is likely that the government may mention the implementation of PM-JAY for eligible senior citizens during the Union budget. Government meetings are being done internally to explore the mechanism and how to start with it."Queries sent to the health ministry spokesperson remained unanswered till press time. During the release of Bharatiya Janata Party's (BJP's) election manifesto, Prime Minister Narendra Modi had announced that all senior citizens above 70 years will be covered under PM-JAY scheme, across poor families, middle income groups and even economically well-to-do families.

"Extension of PM-JAY's coverage to the elderly will help prevent families from exercising painful choices between needed healthcare for elderly family members and other essential household expenditures," said K. Srinath Reddy, former president of Public Health Foundation of India (PHFI). "It will also enable elderly persons to be fit and functional, reduce their dependency, and make further economic and social contributions to society. This measure will promote inter-generational social harmony," he added. According to government's population projection report 2011-2036, there are nearly 104 million elderly persons in India, of which 53 million are women and 51 million men. With the new policy that is in the works, there may be a possibility that having a senior member in a family will be a criterion to be eligible for the scheme regardless of whether they are listed in socio-economic caste census 2011 (SECC 2011) database or not. The scheme originally picked beneficiaries from this database.

TOP

Tax Relief on Health Insurance: Soaring Medical Costs Prompt Calls for Higher Section 80D Limit in Budget 2024 - Financial Express – 04th July 2024

Union Finance Minister Nirmala Sitharaman is likely to present the maiden Budget of Modi 3.0 government on July 24. In this budget, the insurance sector as well as middle-class taxpayers are hoping to see a much-needed raise in deduction limit on health insurance premium under Section 80D. The last time the government brought any changes in the 80D limit was in Union Budget 2015, so the expectations are high this time that the Centre might give some relief to taxpayers in the form of raise in deduction limits, including for 80D.

Taxpayers can claim tax deduction benefits under Section 80D when taking health insurance policies for themselves, their spouses, parents and dependent children. Under Section 80D of the Income Tax Act, 1961, individuals and Hindu Undivided Families (HUF) get deduction benefits for health insurance premiums. This deduction limit is up to Rs 25,000 per financial year for individuals under 60 years of age. For senior citizens, this limit is up to Rs 50,000. In total, taxpayers can claim up to Rs 1 lakh in deductions under Section 80D.

Explaining why the government should increase the 80D deduction limit benefits, Pankaj Nawani, CEO, CarePal Secure, said that the past five years have seen a significant rise in healthcare costs across India, encompassing not just hospitalization expenses but also diagnostic tests, medical services, and medications. "While health insurance acts as a social good, the current Section 80D deduction limit of Rs 25,000 falls short of adequately covering these escalating costs. This poses a challenge for taxpayers seeking tax relief for essential medical expenses," he added.

Akhil Chandna, Partner, Grant Thornton Bharat, said that there has been no enhancement in these limits for the past many years, despite increasing medical treatment costs. "The current tax deduction limits often fall short in covering the premiums of a health insurance policy for a family. Heightened awareness about health these days has led to the increased demand for health insurance. Therefore, it is expected that the deduction limits will be revisited and enhanced in the upcoming budget." Nawani also suggested that in the upcoming Budget 2024, the government should consider a comprehensive strategy to address this disparity between rising medical costs and tax relief provided to taxpayers, particularly for the unorganized sector which includes domestic workers, drivers, and gig workers.

Nawani suggested a two-pronged approach to address this issue:
Increased Tax Relief for Individuals:
Raising the Section 80D deduction limit would provide much-needed tax relief for individuals and families struggling with rising healthcare costs.

Public-Private Partnership for Expanding Coverage in the Unorganized Sector:
Relying solely on government programs like Ayushman Bharat may not be enough. A public-private partnership can create a sustainable solution.

Funds allocated under Ayushman Bharat, when combined with employer contributions through matching grants, can be used to create a larger pool of resources. This pool can be used to provide subsidized private health insurance plans for the unorganized sector. This approach would ensure quality healthcare access while fostering a sense of self-reliance among the employees, moving them beyond sole dependence on government or employer support.

(The writer is Mithilesh Jha.)

TOP

Insurers' Budget Wishlist: GST relief, health regulator and more healthcare funds - The Economic Times – 03rd July 2024

With the Union Budget 2024 around the corner, health insurers are amplifying their demand for policy reforms aimed at strengthening the healthcare sector. A major expectation is the better implementation and uniformity of the Universal Health Scheme across states. "The Universal Health Scheme requires greater participation of multi-speciality and corporate hospitals, and improved reach to the deserving BPL population," said Dr. S Prakash, MD & CEO Designate of Galaxy Health Insurance Company Limited.

He emphasized the need for a dedicated health regulator to standardize procedures and address unethical practices in hospitals. "A health regulator can create effective packages based on the location and expertise available in hospitals, which can boost public confidence and improve financial transactions between insurers and hospitals," he added.

Reduce GST on Health Insurance
Another significant demand from the industry is the reduction of GST on health insurance policies. "Lowering the GST rate from 18 percent to 12 percent, and waiving it for senior citizens, physically disabled individuals, and other disease-specific categories would provide much-needed relief," Prakash stated.

This sentiment was echoed by Prasun Sikdar, MD & CEO of ManipalCigna Health Insurance, who underscored the importance of making healthcare more affordable for the middle-income and senior citizen segments.
"Reducing out-of-pocket expenses is critical. Private health insurance is vital in bridging the protection gap," Sikdar noted, pointing out that the National Health Policy aims to increase public expenditure on healthcare to 2.5% of GDP by 2025, a target that requires a substantial boost in Budget allocation.

Give Personal Tax Relief
Additionally, the industry is pushing for extending 80-D (premium paid under medical insurance) deductions under the New Tax Regime, similar to the Old Tax Regime. "Raising the 80-D limit to Rs 50,000 for self, spouse, and children, and Rs 1 lakh for senior citizens would significantly help in making healthcare more accessible," Prakash suggested. Including personal accident cover under the 80-D limit is another recommendation.

Addressing Systemic Challenges
These demands come at a time when the GST Council has also recommended favorable measures for the insurance sector to the government. The health insurance industry's push for GST relief and regulatory reforms highlights the urgent need for policy changes to enhance healthcare accessibility and affordability for all segments of society. The upcoming Budget is expected to be crucial in addressing these long-standing demands and bringing about transformative changes in the health insurance landscape, which could ultimately benefit millions of Indians.

The health insurance sector faces several challenges, including complex and inconsistent regulations, insufficient funding, and lack of standardization. Government schemes like Ayushman Bharat and Arogya Yojana struggle with poor integration with private insurers, low awareness, inadequate healthcare infrastructure, fraud and abuse, and quality of care issues. Addressing these requires streamlined regulations, increased and efficient fund allocation, better integration of government and private efforts, and enhanced use of technology in claim auto adjudication and fraud prevention. Additionally, improving risk pooling and data management across the industry is essential to enhance healthcare access and outcomes for all citizens.

(The writer is Sheersh Kapoor.)

TOP

Budget 2024: Experts call for restructuring AB-PMJAY to hike health budget - Business Standard – 29th June 2024

Echoing the urgency of healthcare reforms ranging from restructuring of Ayushman Bharat Yojana (AB-PMJAY) to accelerating the digital health mission, experts and industry leaders have outlined key priorities for the Modi government in its third consecutive term. Their statements highlight the importance of prioritising preventive healthcare measures, strengthening infrastructure, and increasing healthcare spending.

Healthcare experts have expressed concerns about whether the government in its new term will make any difference by increasing public expenditure on healthcare to the desired level in India. Notably, the National Health Policy (NHP) 2017, which promises to increase public health spending to 2.5 percent of the GDP, remains overdue even as Indians rely heavily on private services. Dr Girdhar Gyani, Director General, AHPI (Association of Healthcare Providers, India) said, "In the upcoming term, we urge the government to prioritise a comprehensive approach to fostering a 'Healthy India'. This entails promoting preventive health measures focusing on sanitation, clean drinking water, and nutrition, alongside the rapid implementation of health and wellness Centres for preventive health education and screening."

Intensifying the 'Fit India Movement', strengthening occupational health schemes, and restructuring the Ayushman Bharat Yojana to reach all SECC-2011 beneficiaries are also crucial steps, Dr Gyani said. He also highlighted the importance of incentivising the private sector to establish tertiary care facilities in tier-III cities, promoting the indigenisation of medical equipment, and accelerating the National Digital Health Mission to address healthcare infrastructure gaps and achieve universal health coverage through increased government spending. Expressing his views, Probal Ghosal, chairman and director, Ujala Cygnus Group of Hospitals said, "As we embark on the next five-year term under the newly-elected government, there's a prime opportunity to catalyse transformation in the healthcare infrastructure, enhancing the lives of millions."

"Increased healthcare spending, coupled with initiatives like AB-PMJAY, can benefit both the public and private sectors, albeit requiring adjustments in pricing structures. Addressing the shortage of healthcare staff and providing regulatory relief, particularly in GST input credit, will alleviate burdens on the industry," Ghosal said. "Moreover, focusing on India's potential as a medical tourism destination can boost revenue for private hospitals and establish the nation as a global healthcare leader," he pointed out. Abhishek Kapoor, CEO, Regency Health, said the new government faces a critical opportunity to prioritise universal healthcare.

"A comprehensive roadmap is essential, focusing on long-term infrastructure financing, expanding medical education, and implementing fiscal reforms in health insurance. Elevating the healthcare budget to 2.5 per cent of GDP is pivotal for progress," Kapoor said. Streamlining the GST framework, enhancing healthcare professional skills, and strengthening infrastructure in tier II and III cities are equally crucial, he added. Kapoor also advocated for providing infrastructure status for private sector investment, facilitating low-cost funding, and incentivising specialists to serve in these areas. Budget allocations for primary care, tax exemptions, and expanding primary health centres (PHCs) through public-private partnerships (PPPs) are essential steps, according to the CEO of Regency Health. Furthermore, integrating government schemes under a unified digital platform will enhance efficiency and accelerate payments for private healthcare providers, he said.

TOP

The need of Tailored Health Insurance Offering for every segment – The Economic Times - 28th June 2024

The National Insurance Awareness Day which falls on 28th June serves as a reminder of the importance of adequate health insurance coverage to access quality healthcare and ensure financial well-being Health insurance is a vital component of financial planning, and its importance increases with age. As you navigate different stages of life, your health insurance needs evolve, requiring adjustments to ensure comprehensive coverage. It is a universal truth that health insurance is necessary at all stages of life, but the sort of coverage you need changes as you age. Here's a guide to determining what to look for in a health insurance plan at various stages of your life.

Segment: Young Adults
Young adults are at the prime of their health. This phase often considers Health Insurance as an option and not a necessity. With the rise in lifestyle diseases and rising medical inflation, it is imperative to plan for a healthy and secure future. Purchasing a plan at an early stage unlocks a treasure trove of benefits, not just in terms of coverage but also in long-term savings. Youngsters can look for plans that offers a High Sum Insured coverage, Mental Health Cover, Adult Health Check-up, wellness benefits, Guaranteed Cumulative Bonus and so on. Many benefits can be reaped by purchasing health insurance at an early age such as Tax Deductions, lower waiting periods and no claim bonuses amongst others. When buying a health insurance policy, it is important to consider the coverage for any dependents, such as a spouse or kids as part of planning for the future. People who have begun working also need to understand the value of personal health insurance coverage. A personal health insurance plan is always better as it is tailored to the individual’s health needs when compared to employer health insurance.

Segment: Middle Age
When seeking insurance for themselves or their family, middle-aged individuals should seek a plan that covers offers a High Sum Insured coverage, critical illnesses, maternity cover, coverage for OPD and Non-Medical Expenses, and conventional medical therapies like homoeopathy and Ayurveda. They should evaluate their existing coverage to assess whether it's adequate and whether they need to request extra coverage before purchasing the insurance plan. At this age, you can also consider upgrading or expanding your health coverage. Additionally, you can also consider health insurance riders—additional financial security that can be added to your existing coverage. Thus, middle age necessitates a speedy revision of your previous policy. This goes a long way toward ensuring your health and financial stability.

Segment: Golden Age

Individuals looking for plans to cover their parents or even senior citizens looking for health insurance should get a specialized plan that offers access to quality healthcare and covers critical illnesses that do not dip into their retirement funds. They need to look for plans that provide comprehensive coverage for medical expenses including PED from 91st Day onwards, higher sum insured options, premium waiver benefit, lifetime renewability, restoration of SI, Tele Consultation and Domestic Second Opinion without financial constraints. They also offer higher sum insured options, shielding the elderly from rising medical inflation, and include features like guaranteed bonus for additional financial incentives. Premiums paid for these plans are eligible for tax deductions under Section 80D, offering valuable tax savings. Choosing the right health insurance plan will help manage health expenses more effectively and provide better access to quality healthcare.

Your health insurance needs will change as you move on with your life. It's important to regularly review and adjust your coverage to make sure you're always adequately protected. By tailoring your health insurance to your life stage, you can ensure peace of mind and focus on enjoying life. Ensure health wellbeing and peace of mind.

TOP

MOTOR INSURANCE

Monsoon mayhem: Auto insurance add-ons can keep you afloat during rains - Business Standard – 29th June 2024

Monsoon brings a sigh of relief for many, but it also unleashes a wave of car damage. Floods and waterlogging can transform roads into rivers, especially in metro cities like Mumbai, Delhi, and Bangalore, leading to water inundation. This can severely damage car engines. Heavy rains can also uproot trees and poles, causing dents and other exterior damage to vehicles. But did you know that your insurer can reject your claim in these situations?

When can your motor insurance claim be rejected?
Insurance providers can deny a claim if the damage falls outside the coverage provided by the policy. Hiten Kothari, Chief Underwriting Officer and Chief Actuary, HDFC ERGO General Insurance Company, lists several instances where motor insurance claims can be denied:

General aging, wear and tear: Damage attributed to regular wear and tear rather than a specific monsoon-related incident. Damage to tyres and tubes, unless damaged during an accident: Tyre and tube damage are generally excluded unless part of an accident, as these parts are more prone to wear and tear.

Coverage limitations: Towing due to mechanical breakdown or engine protection is not included in the standard motor insurance policy. Pre-existing damages: Claims for pre-existing damages of the vehicle will result in rejection. Incomplete documentation: Ensure all necessary documents are submitted to the insurer within the stipulated time to avoid claim rejection.

"A comprehensive car insurance, for instance, may cover various types of damages, but it does not cover engine damage caused by water locking, which is very common during the monsoon season," says Neel Chheda, Senior Executive Vice President & Head - Auto & Actuarial Analytics, TATA AIG General Insurance. Mayur Kacholiya, Head – Motor Product, Go Digit General Insurance, explains, "While the monsoon itself usually isn't a reason for a claim denial, certain circumstances could lead to your motor insurance claim being rejected by the insurance company.

For instance, avoid venturing out during floods. If your car is submerged, do not switch on the engine. This might be classified as contributory negligence, leading to claim rejection. Consequential loss to certain vehicle parts due to water inundation not covered by your policy may also be excluded. Pre-existing damage not part of the claim may not be covered either. "One should read the policy document carefully and be aware of all the terms and exclusions of the insurance policy," advises Chheda.

What must you do?
"According to Kacholiya, comprehensive motor insurance is your first line of defence, safeguarding your vehicle against various threats. It's especially crucial in flood-prone areas where add-on covers can provide additional protection.

"Engine Secure is one of the most important add-ons, as it covers engine damage due to water ingression. Tyre Secure Cover is another essential add-on, providing protection against damages to tyres. Roadside Assistance (RSA) is a must-have during the monsoon season, offering towing services, emergency fuel, alternate key facilities, and accommodation if necessary. Additionally, emergency transport and hotel expenses, consumable covers, and personal accident covers are also prominent add-ons that provide valuable coverage during this time. For Electric Vehicles, Electric Surge Secure add-on covers the EV against short-circuiting, arcing, and leakage of electricity including ingress of water," says Chheda.

What add-ons should you consider?
Location: If you live in coastal or flood-prone regions, comprehensive protection against monsoon-related damages is essential. Vehicle usage: Consider how frequently and in what manner you use your vehicle during the monsoon season.

Value and age of your vehicle: Older vehicles may require different coverage types compared to newer ones. Specific risks: Assess risks such as waterlogging, engine damage from water, and the likelihood of accidents due to slippery roads. Expense of add-ons: Ensure the cost of add-ons aligns with your budget while offering sufficient coverage.
Timing: Remember that add-ons cannot be added midway through the policy and can only be added during policy renewal.

"Verify the insurer’s network coverage, especially in areas you frequently drive, and ensure it includes a broad and reliable network. Also, look for additional benefits like rental car assistance or accommodation if repairs are needed, which insurers like HDFC ERGO offer," suggests Kothari.

Factors influencing car insurance premium
Several factors influence the calculation of car insurance premiums:
1. Car's make and model: Different cars have varying repair costs and spare parts prices. Generally, the higher the car's cost, the higher the insurance premium.

2. Policy coverage: The type of coverage you choose affects the premium. Options include Third-party, Own Damage, and Comprehensive plans, each with different costs.

3. No claim bonus (NCB): This is a discount for not filing a claim in the previous policy year. The NCB can be transferred between insurance companies and increases for each claim-free year, up to a 50% discount.
4. Insured declared value (IDV): The IDV is the market value of your car. Higher IDV results in higher premiums as it represents the amount the insurer will pay in case of total damage or theft.

5. Add-ons: Additional benefits like Zero Depreciation, Engine Protect, and Roadside Assistance increase the premium.

6. Discounts: Insurers offer discounts for safe driving, early policy renewal, and other good behaviours, which can lower the premium.

7. Compulsory personal accident (PA) cover: Mandatory in India, this cover provides up to Rs 15 lakhs for accidental injuries or death, increasing the premium.

8. Goods and Service Tax (GST): An 18% GST is applied to the final premium amount for all general insurance policies in India.

For instance, this is what insurance plans for Maruti Baleno (2019 model)
IDV: Rs 4,00,000

OD premium: Rs 2,500 - Rs 2,800
Nil Depreciation: Rs 1,500 - Rs 1,800
24/7 roadside assistance: Free
Engine protection cover: Rs 750 - Rs 1,500
Consumables: Rs 300 - Rs 1,000
Insurers also have curated plans. Here's what Tata AIG offers:
Gold plan: Glass, fibre, plastic, and rubber repairs; key replacement; emergency transport and hotel expenses; personal belongings loss; roadside assistance.
Silver plan: Glass, fibre, plastic, and rubber repairs; depreciation reimbursement; consumable expenses.
Coral plan: Glass, fibre, plastic, and rubber repairs; key replacement; emergency transport and hotel expenses; personal belongings loss; roadside assistance; depreciation reimbursement.
Pearl plan: Glass, fibre, plastic, and rubber repairs; key replacement; emergency transport and hotel expenses; personal belongings loss; roadside assistance; depreciation reimbursement; engine secure.
Pearl plus plan: Includes Pearl Plan benefits plus consumable expenses and tyre secure.
Sapphire plan: Glass, fibre, plastic, and rubber repairs; key replacement; emergency transport and hotel expenses; personal belongings loss; roadside assistance; depreciation reimbursement; consumable expenses; tyre secure.
Sapphire+ plan: Sapphire Plan benefits plus engine secure.
Sapphire++ plan: Sapphire+ benefits plus return to invoice and electric surge coverage.
Emerald plan: Glass, fibre, plastic, and rubber repairs; key replacement; emergency transport and hotel expenses; personal belongings loss; roadside assistance; depreciation reimbursement; return to invoice; consumable expenses; tyre secure.
e-Sapphire+ plan: Similar to Sapphire+ with electric surge coverage.
e-Sapphire++ plan: e-Sapphire+ benefits plus return to invoice and electric surge coverage, excluding engine secure and daily allowance.

Here are motor insurance plans by other insurers:
Add-on insurance covers for Monsoon (actual price will vary based on several factors mentioned above)
ICICI Lombard
Plan type: Comprehensive
Claims settled: 96.75%
Price: Rs 2,417
Reliance General Insurance
Plan type: Comprehensive
Claims settled: 98%
Price: Rs 2,422
Bajaj Allianz
Plan type: Third Party
Claims settled: 98.5%
Price: Rs 2,094
Oriental Insurance
Plan type: Comprehensive
Claims settled: 94%
Price: Rs 2,455
Cholamandalam insurance
Plan type: Comprehensive
Claims settled: 96%
Price: Rs 2,094
National Insurance
Plan type: Third Party
Claims settled: 93%
Price: Rs 2,094

What common mistakes do people make with motor insurance?
"Many people underestimate the coverage needed, failing to recognise the specific risks associated with their location and vehicle usage. Not thoroughly checking the policy's terms and conditions can lead to unexpected claim rejections. Missing or delaying policy renewals can leave the vehicle without coverage when it's needed most. Finally, not keeping updated records and documentation can hinder smooth claim processing," says Chheda.

Kacholiya adds, "People might focus solely on getting the cheapest policy without fully understanding what it covers and does not cover. This can lead to claim denials when the specific damage isn't covered by their policy. It's crucial to read your policy documents carefully and understand types of coverage, perils covered, exclusions, limits, and deductibles."

How can you avoid common motor insurance mistakes?
Select a comprehensive cover: Protects your vehicle from damages and losses due to natural calamities.

Choose the right insured declared value (IDV): Reflects the current market value of your car, balancing premium costs and coverage.

Consider add-on covers: Provides additional protection against specific situations.

Renew your policy on time: Avoid lapses and potentially losing out on your No Claims Bonus (NCB).

Provide accurate information: Honesty in your application and claim forms is crucial to avoid claim rejections.

Don't ignore the no-claim bonus (NCB): Failing to transfer the no-claim bonus when switching insurers or not understanding how to retain it, can result in a loss of accumulated discounts.

(The writer is Surbhi Gloria Singh.)

TOP

CROP INSURANCE

Monsoon season: Is rain damage covered by crop insurance? – CNBC – 2nd July 2024

As the monsoon season is here, farmers across India brace themselves for the impact on their crops. Monsoon rains, while essential for agriculture, can also cause significant damage if they are excessively heavy or erratic.

This raises the question: can crop insurance provide coverage for damage caused by the monsoon?
What is covered under crop insurance?
Crop insurance is designed to protect farmers from financial losses due to crop damage or loss
According to Rakesh Jain, CEO of Reliance General Insurance, crop insurance policies cover a range of risks that farmers face during the crop growing season.

These include:
Prevention of sowing or planting: If adverse weather conditions prevent sowing or planting, farmers can claim insurance for the financial losses incurred. Damage to standing crops: This includes damage caused by unavoidable risks such as drought, flood, and landslides.

Given that monsoon can lead to floods and landslides, these events are typically covered under crop insurance policies.

Post-harvest losses: Damage occurring after the harvest due to specific risks is also covered.

However, it is important to note that crop insurance does not cover losses due to war, malicious damage, or preventable risks arising from the beneficiary's negligence.

Policies offering crop insurance
In India, the primary schemes providing crop insurance are the Pradhan Mantri Fasal Bima Yojana (PMFBY) and the Restructured Weather Based Crop Insurance Scheme (RWBCIS).

These schemes, introduced by the Ministry of Agriculture & Farmers' Welfare, are implemented by the States and Union Territories through various insurance companies.

PMFBY: This scheme provides comprehensive coverage against non-preventable natural risks.

RWBCIS: This scheme offers parametric coverage based on weather proxies, which means payouts are determined by predefined weather conditions rather than actual crop damage.

Who should buy crop insurance?
Crop insurance is vital for all farmers, including sharecroppers and tenant farmers, who grow notified crops in notified insurance units during the season. "The coverage amount, known as the Sum Insured, is typically set at the beginning of the crop growing season. It is equivalent to the Scale of Finance for the crop, as determined by the District Level Technical Committee (DLTC) of the government for the season," Jain told CNBC-TV18.com.

Importance of crop insurance during monsoon
The monsoon season can bring about variability in weather patterns, including heavy rainfall leading to floods or insufficient rainfall causing droughts. Crop insurance plays a crucial role in providing financial security to farmers against such unpredictable weather conditions. By covering the risks associated with monsoon damage, crop insurance helps ensure that farmers are not left vulnerable to the financial repercussions of adverse weather.

Premiums
The rate of insurance charges payable by the farmer is very nominal given below:

Types of Crop	Premium %
Kharif	2% of Sum Insured
Rabi	1.5% of Sum Insured

(Source: Policybazaar)

Insurance companies offering crop insurance in India
Some of the insurance companies offering crop insurance in India are (as per Policybazaar):
Tata AIG General Insurance
Reliance General Insurance
IFFCO-Tokio General Insurance
Bajaj Allianz General Insurance
SBI General Insurance

(The writer is Anshul.)

TOP

Insurance Brokers may Join Govt Efforts to Expand Fasal Bima Coverage - The Economic Times – 2nd July 2024

The government is planning to involve insurance brokers to increase the penetration of its crop insurance programme, Pradhan Mantri Fasal Bima Yojana (PMFBY), from the kharif season this year. The government intends to use the broker network with 1.2 million point-of-sales persons (PoPS) to increase its adoption by farmers who have not taken crop loans.

Introduced in 2016, PMFBY is mandatory for farmers who have taken crop loans in the states that have implemented the scheme. States like Bihar, West Bengal, Gujarat and Punjab have not implemented the programme. "Utilising such an extensive network of over 12 lakh (1.2 million) PoSPs via insurance brokers offers a substantial opportunity to increase non-loanee farmer enrolments. This strategy significantly enhances the enrolment of non-loanee farmers," the Ministry of Agriculture said in a consultation note.

According to government data, the programme covered nearly 40 million farmers in 2023-24, of which 55% belonged to non-loanee category. Currently, non-loanee farmers are enrolled through the government-enabled Customer Service Centres (CSCs) at various levels like panchayats and taluks. "The challenge was that the farmers had to visit these centres to enrol, leading to varied enrolment rates across states. Now the government plans to involve insurance brokers to increase the penetration of the scheme," said Narendra Bharindwal, vice president of the Insurance Brokers' Association of India.

Of the 2.4 million POSPs in the insurance ecosystem, around 400,000 are with the CSCs and the rest are with insurance companies and brokers. "Brokers can reach farmers at their doorsteps which is crucial to increase penetration in states with low enrolment rates," said Bharindwal. According to industry estimates, opening up of the PMFBY for insurance brokers has a potential to generate a business of more than Rs 3,000 crore.

The government held a meeting with stakeholders of the insurance industry last week to discuss a draft service-level agreement to empanel brokers for the PMFBY. It was attended by insurance companies, reinsurers and insurance brokers. The government is currently deliberating on qualification criteria for pre-empanelment of the insurance brokers, service charges, etc. A recent study of the PMFBY carried out by government agency National Institute of Agriculture Extension Management noted the need to increase coverage of non-loanee farmers: "…the crop insurance product purchase is not popular among non-loanee farmers. Wide coverage of non-loanee farmers under the scheme through creation of awareness using various means may be enhanced," it said.

(The writer is Jayashree Bhosale.)

TOP

SURVEY AND REPORTS

India's wealthy opt for term insurance policies worth Rs 5-20 crore: Report - Business Standard – 3rd July 2024

High-net-worth individuals (HNIs) in India are increasingly opting for high-value term insurance policies. This growing preference for policies worth Rs 20 crore and beyond indicates a change in financial planning and risk management among the affluent. Rhishabh Garg, Business Head of Term Insurance at Policybazaar, said, "The increasing demand for high-value term insurance policies highlights the importance of growing awareness among HNIs"

In recent years, more HNIs have been opting for term insurance policies valued up to Rs 20 Crore. A recent report by Policybazaar highlights this shift, countering the conventional belief that online platforms are unsuitable for high-value transactions. It also indicates that Rs 5 crore policies, once considered substantial, are now becoming commonplace.

The purchase of such high-value policies is primarily concentrated in major metropolitan areas. The National Capital Region (NCR) and cities like Pune, Hyderabad, and Visakhapatnam have seen significant uptake in Rs 20 crore policies. Similarly, Bangalore, Chennai, and Mumbai report purchases of policies valued between Rs 10 to Rs 15 crore.

Who are the high-net-worth individuals in India?
HNIs in India are classified into three categories based on their net worth:
High net worth individuals (HNWIs): Those holding liquid assets up to Rs 5 crore.

Very high net worth individuals (VHNWIs): Individuals with a net worth between Rs 5 crore and Rs 25 crore.

Ultra high net worth individuals (UHNWIs): Those with a net worth above Rs 25 crore.

New trends in the buying behaviour of HNIs:
Customised coverage: Many individuals now customise their coverage with suitable riders to ensure additional protection. Special exit benefit plans: Customers are increasingly choosing plans with a Special Exit Benefit option over traditional Return of Premium plans, as the former offers similar benefits at a lower cost. Female buyers: There has been a remarkable increase in the number of female buyers, both working and non-working, taking charge of purchasing term insurance policies.

What challenges do HNIs face?
Despite various investment options, HNIs encounter several risks and challenges, including:
Market risk: Investments in market-linked options are highly sensitive to price movements and volatility.
Liquidity risk: Accessing funds quickly can be challenging with illiquid investments like private equity and real estate.
Regulatory risk: Unregulated products expose HNIs to potential mismanagement and fraud.
Concentration risk: Investing a significant portion of wealth in a single asset poses risks from unexpected events.
Operational risk: HNIs are vulnerable to theft or fraud, leading to substantial financial losses.
Complexity: Measuring risks and potential returns accurately can be difficult with complex investment options.
Taxation: HNIs face complex taxation issues, including estate taxes, capital gains, and gift taxes.

"Term insurance is crucial for everyone with dependents, but even more so for HNIs," says Garg.

"For HNIs, liabilities can be substantial, such as home or car loans that run into crores. They often have significant business obligations and potential high-cost education expenses. HNIs face many risks, including substantial liabilities from properties and personal loans. They may also encounter business continuity challenges where their sudden death could disrupt operations. Market volatility and economic stability can impact their investments, making a term plan with a high cover amount essential," he explains.

(The writer is Surbhi Gloria Singh.)

TOP

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76 Percent of companies improved their cyber defenses to qualify for cyber insurance, Sophos Survey finds - The Economic Times – 28th June 2024

Sophos, a global leader in innovative security solutions for defeating cyberattacks, today released findings from its survey, “Cyber Insurance and Cyber Defenses 2024: Lessons from IT and Cybersecurity Leaders.” According to the report, 97 percent of those with a cyber policy invested in improving their defences to help with insurance, with 76 percent saying it enabled them to qualify for coverage, 67 percent to get better pricing and 30 percent to secure improved policy terms.

The survey also revealed that recovery costs from cyberattacks are outpacing insurance coverage. Only one percent of those who made a claim said that their carrier funded 100 percent of the costs incurred while remediating the incident. The most common reason for the policy not paying for the costs in full was because the total bill exceeded the policy limit. According to The State of Ransomware 2024 survey, recovery costs following a ransomware incident increased by 50 percent over the last year, reaching $2.73 million on average.

“The Sophos Active Adversary report has repeatedly shown that many of the cyber incidents companies’ face are the result of a failure to implement basic cybersecurity best practices, such as patching in a timely manner. In our most recent report, for example, compromised credentials were the number one root cause of attacks, yet 43% of companies didn’t have multi-factor authentication enabled,” said Chester Wisniewski, director, global Field CTO.

“The fact that 76% of companies invested in cyber defenses to qualify for cyber insurance shows that insurance is forcing organizations to implement some of these essential security measures. It’s making a difference, and it’s having a broader, more positive impact on companies overall. However, while cyber insurance is beneficial for companies, it is just one part of an effective risk mitigation strategy. Companies still need to work on hardening their defenses. A cyberattack can have profound impacts for a company from both an operational and a reputational standpoint, and having cyber insurance doesn’t change that.” Across the 5,000 IT and cybersecurity leaders surveyed, 99% of companies that improved their defenses for insurance purposes said they had also gained broader security benefits beyond insurance coverage due to their investments, including improved protection, freed IT resources and fewer alerts.

“Investments in cyber defenses appear to have a ripple effect in terms of benefits, unlocking insurance savings that organizations can be diverted into other defenses to more broadly improve their security posture. As cyber insurance adoption continues, hopefully, companies’ security will continue to improve. Cyber insurance won’t make ransomware attacks disappear, but it could very well be part of the solution,” said Wisniewski.

Data for the Cyber Insurance and Cyber Defenses 2024: Lessons from IT and Cybersecurity Leaders report comes from a vendor-agnostic survey of 5,000 cybersecurity/IT leaders conducted between January and February 2024. Respondents were based in 14 countries across the Americas, EMEA and Asia Pacific. Organizations surveyed had between 100 and 5,000 employees, and revenue ranged from less than $10 million to more than $5 billion.

TOP

INSURANCE CASES

Hisar District Commission holds New India Assurance Co. liable for wrongful repudiation of genuine claim - Live Law – 1st July 2024

The District Consumer Disputes Redressal Commission, Hisar (Haryana) bench of Jagdeep Singh (President), Rajni Goyat (Member) and Amita Agarwal (Member) held New India Assurance Company liable for wrongful repudiation of a genuine claim under Pandit Deen Dayal Upadhyayay Pashu Beema Yojna (Govt. of Haryana) due to a clerical error.

Brief Facts:
The Complainant, who runs a dairy, insured five cows under the policy from New India Assurance Company (“Insurance Company”). These cows were examined by a veterinarian and tagged for identification purposes. The insurance was under the Pandit Deen Dayal Upadhyayay Pashu Beema Yojna of the Animal Husbandry and Dairying Department, Government of Haryana. The Complainant paid a premium of Rs. 500/- out of a total of Rs. 5260/-, with the remainder covered by SDO Animal Husbandry and Dairying Veterinary Hospital. The cows were physically, found healthy, and vaccinated against foot and mouth disease. One cow fell ill and, despite treatment by the doctor died on March 22, 2020. Postmortem revealed progressive anorexia as the cause of death. The Complainant submitted all required documents for the insurance claim, but the claim was denied because the cow died outside the policy period. The denial of the claim was communicated to the veterinarian, not the Complainant, who then served a legal notice without receiving a response. Feeling aggrieved, the Complainant filed a consumer complaint in the District Consumer Disputes Redressal Commission, Hisar, Haryana (“District Commission”) against the insurance company and the hospital.

In response, the insurance company stated the policy was valid from March 22, 2019, to March 21, 2020, and the cow's death on March 22, 2020, was outside this period. It attributed the discrepancy to a clerical error, mistakenly listing the insurance period from April 20, 2019, to April 19, 2020. It argued there was no liability as the policy expired and requested the complaint be dismissed with costs. The hospital contended that the Complainant was not its consumer, and any dispute was between the Complainant and the insurance company. It described its role as merely a facilitator of the insurance agreement between the Complainant and the insurance company, as per a memorandum of understanding with the Animal Husbandry and Dairying Department, Government of Haryana.

Observations by the District Commission:
The District Commission held that a policyholder cannot be expected to assume that their insurance coverage would end a month before the date stated on the certificate. It noted that the Complainant promptly filed his claim following the cow's death, but the insurance company took four months to repudiate the claim. It held that the insurance company should have issued a corrected policy during the policy period if they detected the clerical error. It noted that the insurance company's failure o notify or correct the policy within the active period meant it could not later benefit from its mistake when a claim was made. Furthermore, it noted that the insurance company did not respond to the Complainant's representation or the legal notice served. The Complainant successfully demonstrated his entitlement to compensation for the insured cow's death during the policy period. However, the District Commission found no deficiency in service or unfair trade practice on the part of the hospital. Therefore, the District Commission held the insurance company liable for deficiency in services. Consequently, the District Commission directed the insurance company to pay the Complainant Rs. 72,000/-, the loss amount, with interest at 9% per annum. Additionally, the insurance company was ordered to pay Rs. 12,000/- as compensation and Rs. 10,000/- as litigation expenses to the Complainant.
Case Title: Vikram vs New India Assurance Co. Ltd. and Anr.
Case Number: CC No. 87/2021
Date of Decision: 30.05.2024

(The writer is Smita Singh.)

TOP

PENSION

Finance Ministry notifies 7.1 percent as interest rate for Special Deposit Scheme in July-September - The Hindu Business Line – 4th July 2024

The Finance Ministry has said that deposits made under the Special Deposit Scheme (SDS) for non-government provident, superannuation and gratuity funds would earn 7.1 percent interest from July 1 to September 30. The rates remain unchanged from the April-June quarter.

The interest rate on SDS is a major factor influencing declaration of rate of interest on the Employee Provident Fund (EPF). This is because nearly 80 percent of EPF corpus stands invested in the SDS. SDS is a scheme in which the non-government provident funds like EPFO invest. “It is hereby notified that the deposits made under the Special Deposit Scheme for non-government provident, superannuation and gratuity funds, announced in the Ministry of Finance (Department of Economic Affairs) Notification ..dated June 30, 1975, shall with effect from July 1, 2024, to September 30, 2024, bear interest at 7.1 percent. This rate will be in force w.e.f July 1, 2024,” said a notification issued on Wednesday by the Department of Economic Affairs in the Finance Ministry.

The SDS of 1975, introduced by the Government of India, was designed to provide a secure and stable investment avenue for provident funds, particularly those managed by both public and private sector employers. This scheme was established to ensure that the accumulations in these provident funds earned a guaranteed return, thereby securing the financial future of employees. During its inception, the Indian economy was navigating through various financial challenges, and there was a pressing need to offer secure investment channels that could instil confidence among investors. Over the years, the scheme has evolved, with the government adjusting the interest rates and other terms to align with the broader financial and economic landscape. One of the scheme’s main attractions is its guaranteed rate of return. This feature has consistently made the SDS 1975 an appealing option for provident fund trustees seeking safe investment with predictable returns. The SDS is backed by the Government of India, which significantly reduces the investment risk. This backing provides a high degree of security to the invested principal amount. The interest rates for SDS 1975 deposits are periodically revised by the government. These revisions ensure that the returns remain competitive and reflective of the prevailing economic conditions.

(The writer is Kr Srivats.)

TOP

Private sector fuels NPS boom, records 40.1 percent y-o-y growth at ₹2.47-lakh crore as of June 29 - The Hindu Business Line – 04Th July 2024

Driven by buoyant equity markets and an expanding NPS subscriber base in the private sector, National Pension System (NPS) assets, including those of APY, approached the ₹12.50-lakh crore mark as of June 29, latest PFRDA data showed. This reflected a 28.64 percent year-on-year (Y-o-Y) growth over NPS AUM of ₹9.7-lakh crore as of July 1 last year. A strong-showing from the private sector had helped NPS assets record a robust 30.5 percent Y-o-Y growth in 2023-24 to touch ₹11.73-lakh crore as of end March 2024. In fact, private sector NPS assets grew whopping 40.10 percent year-on-year as on June 29 at ₹2.47-lakh crore. The number of subscribers in private sector as of June 29 stood at 56.91 lakh, up 8.95 lakh on a Y-O-Y basis. Meanwhile, Atal Pension Yojana (APY) assets touched ₹38,177 crore as of June 29, up 31.53 percent year-on-year basis. The Pension Fund Regulatory & Development Authority (PFRDA) had onboarded 1.2 crore APY subscribers in 2023-24. This fiscal target is 1.3 crore.

Private sector growth this fiscal has been better across all schemes including APY. The private sector has been the 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 June 30 this fiscal stood at 1,95,857, PFRDA data showed. PFRDA is now aiming to onboard about 11 lakh new NPS subscribers from private sector in 2024-25. In the previous fiscal, as many as 9.7 lakh private sector employees enrolled for NPS. 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 scorching average annual return of 35.79 percent as of June 28 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 18.74 percent in equities, with returns since NPS inception coming in at 14.12 percent for equity investments. As of June 28, this year, corporate bonds recorded an annual return of 7.53 percent, while government securities saw a return of 8.92 percent. The annual return from Central and State government schemes stood at 11.62 percent and 11.63 percent, respectively, data showed. The total number of NPS and APY subscribers as of June 29 this year stood at 7.55 crore, up 15.48 percent over 6.54 crore a year ago. All eyes are now on the PFRDA as it is expected to in July-September roll out a new Balanced Life Cycle Scheme. This option — which is an improvement of existing LC50 (moderate life cycle fund) will be available for private sector under the automatic choice window. The new scheme will initially be allowed only for private sector NPS subscribers, but could be extended to the Government sector in the coming days.

Under the new scheme, the tapering will start from the age of 45 years. Till the age of 45 years the scheme will allocate 50 percent of investments to equity and then gradually reduce as per the age of subscriber. The debt portion will be 50 percent till 45 years.

Currently, for those opting to existing LC 50, the investment towards equity is 50 percent and tapering begins at 35 years, he added. There will also be other benefits from the proposed new Balanced Life Cycle Fund.

(The writer is Kr Srivats.)

TOP

PFRDA to begin same-day settlement for NPS subscribers from July 1 - Business Standard - 29th June 2024

The Pension Fund Regulatory and Development Authority has permitted T+0 settlement for National Pension System (NPS) subscribers effective July 1. NPS contributions received by the Trustee Bank until 11 am (T) on any settlement day will be invested on the same day and the subscribers will get the benefit of same-day NAV (Net Asset Value), PFRDA said in a statement.

Hitherto, contributions received by the Trustee Bank are invested on the next settlement day (T+1), meaning contributions received until the previous day are invested the following day, it said. D-Remit contributions received by 9:30 am on any settlement day were already considered for same-day investment. Now, D-Remit contributions received till 11 am will also be invested on the same day with the applicable NAV, it said. Points of Presence (PoPs), Nodal Offices, and NPS Trust for eNPS are advised by PFRDA to align their NPS operations as per revised timelines to benefit the subscribers in a time-bound manner, it added.

TOP

GLOBAL NEWS

Hong Kong: Insurance industry starts implementation of Risk-based Capital regime – Asia Insurance Review

The Risk-based Capital (RBC) regime for the Hong Kong insurance industry entered into operation yesterday (1 July 2024). This followed the commencement of the Insurance (Amendment) Ordinance 2023 and the relevant subsidiary legislation, as well as the promulgation of new or revised guidelines by the Insurance Authority (IA) that tie in with the regime, according to a statement released by the regulator.

An IA spokesperson said, "The introduction of the RBC regime will strengthen the financial soundness of insurers in Hong Kong by taking a modular approach for an assessment more sensitive to each insurer's risk profile while providing closer alignment with international standards. Its implementation marks a significant milestone for the insurance industry, enhancing protection for policyholders and solidifying Hong Kong's role as a global insurance hub." Since the passage of the Insurance (Amendment) Bill 2023 which provides the legal framework for the RBC regime, the IA has engaged closely with industry stakeholders in developing the subsidiary legislation and relevant guidelines. The IA will continue to maintain close communication with the industry in the implementation of the new regime.

TOP

COI TRAINING PROGRAMS

Mumbai – July – August 2024

Sr. No	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Corporate Governance and Regulatory Compliance in Insurance	29-Jul-24	30-Jul-24	ClickHere	Register
2	Reinsurance Treaty Designing	30-Jul-24	31-Jul-24	ClickHere	Register
3	Challenges in Fighting Fraud – Motor Third Party Insurance	30-Jul-24	31-Jul-24	ClickHere	Register
4	Communication as a Tool for Customer Engagement and Retention	05-Aug-24	05-Aug-24	ClickHere	Register
5	Understanding Life Insurance Operations for Middle Level Managers	05-Aug-24	06-Aug-24	ClickHere	Register
6	Basics of Reinsurance	06-Aug-24	07-Aug-24	ClickHere	Register

7	Comprehensive Financial Planning Series-Part 2 : Financial Planning : Focus on Retirement Planning	06-Aug-24	06-Aug-24	ClickHere	Register
8	Workshop on Team Dynamics and Interpersonal Relationships	06-Aug-24	07-Aug-24	ClickHere	Register
9	Data security for Insurance Industry	07-Aug-24	08-Aug-24	ClickHere	Register
10	Creating High performers in BancaChannel	08-Aug-24	08-Aug-24	ClickHere	Register
11	Environmental, Social, and Governance (ESG) in Life Insurance Companies	12-Aug-24	12-Aug-24	ClickHere	Register
12	Regulatory Compliance for Insurance Brokers	13-Aug-24	14-Aug-24	ClickHere	Register
13	Liability Insurance: Focus-Event and Film	20-Aug-24	20-Aug-24	ClickHere	Register
14	Data Analytics and Data Interpretation	20-Aug-24	21-Aug-24	ClickHere	Register
15	Business Insurance Program for Life Insurance Managers	20-Aug-24	21-Aug-24	ClickHere	Register
16	Corporate Social Responsibility for Insurance Industry	22-Aug-24	22-Aug-24	ClickHere	Register
17	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	Managing the Growing Threat of Cyber Risks & Providing Insurance Cover	08-Aug-24	09-Aug-24	ClickHere	Register
2	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