ISSUE NO. 2024/41

भारतीय बीमा संस्थान
INSURANCE INSTITUTE OF INDIA
॥ज्ञानयोगात सिद्धिः॥

INSUNEWS - WEEKLY E-NEWSLETTER

5TH – 11TH OCTOBER 2024

QUOTE OF THE WEEK

"Success is peace of mind, which is a direct result of self-satisfaction in knowing you made the effort to become the best of which you are capable."

JOHN WOODEN

Insurance Term for the Week

Facultative Reinsurance

Facultative reinsurance is coverage purchased by a primary insurer to cover a single risk or a block of risks held in the primary insurer's book of business.

Facultative reinsurance allows the reinsurance company to review individual risks and determine whether to accept or reject them and so are more focused in nature than treaty reinsurance.

By covering itself against a single or block of risks, reinsurance gives the insurer more security for its equity and solvency and more stability when unusual or major events occur.

INSIDE THE ISSUE

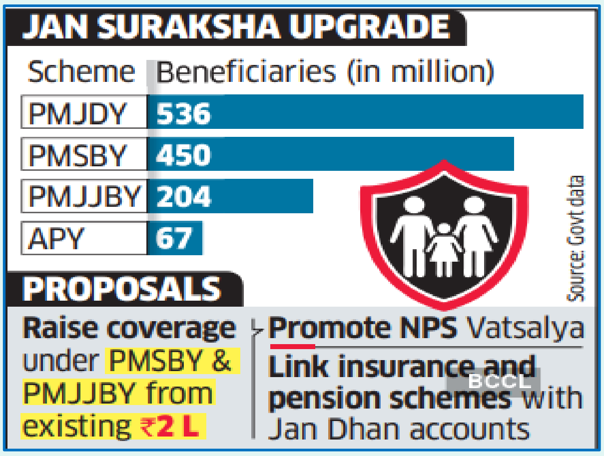
INSURANCE INDUSTRY

Government revamps financial inclusion program for enhanced social security coverage – The Economic Times – 8th October 2024

The government plans to revamp its financial inclusion programme, targeting more comprehensive coverage of eligible persons under its social security schemes.

The upgraded Jan Suraksha model may offer higher insurance and pension coverage, with a focus on linking all the Jan Dhan account holders, two officials aware of the discussions said.

"We are reviewing a proposal to double the limit in the life and accident cover under the two flagship schemes," a government official said. Other suggestions, including hiking the minimum guaranteed pension under the Atal Pension Yojana (APY), are also being looked at, he said.



At present, under the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY), the insurance cover is ₹2 lakh each. The minimum pension guaranteed under APY ranges from ₹1,000 to ₹5,000, depending on one's contribution.

"The focus is also on prompt claim payment in case of the insurance schemes and that banks will proactively inform nominees of insured deceased account holders by detecting the same from its core banking solution (CBS) and autogenerating communication," the official said.

At present, banks and insurers have been advised to settle claims within 14 days of receipt of the claim, with a week each for the bank and the insurer to process it. "The financial institutions will also publicise expeditiously settled claims to give more confidence to subscribers and increase the numbers," he said.

Another official said that through various state-level bankers' committees, or SLBCs, it has been conveyed to banks that all Jan Dhan accounts that have a quarterly average balance of ₹1,000 or more may be taken as an indication that they will be able to pay those premiums and should be actively pursued.

The Prime Minister's Jan Dhan Yojana (PMJDY) is a zero-balance savings account scheme to ensure access to banking services to all citizens.

Banks will also actively push NPS Vatsalya, launched earlier this year. The scheme allows parents to open a pension account for minors with a ₹1,000 annual contribution.

Premium revision

An executive with a state-run general insurer said if the government is looking to increase the insurance coverage under PMSBY and PMJJBY, then there may be a case for increasing their premium as well. "This also needs to be factored in as the last premium revision was only done after the claim ratio had drastically increased," he said.

At present, life insurance scheme PMJJBY's annual premium is Rs 436, and accidental death and disability insurance scheme PMSBY has an annual premium of just Rs 20. The government had revised these rates in 2022 in view of the adverse claims experience of the schemes, PMJJBY and PMSBY, and in order to make them viable for the implementing insurers.

(The writer is Dheeraj Tiwari.)

TOP

INSURANCE REGULATION

Irdai to increase scrutiny of cyber security breaches after Star Health episode – The Economic Times – 11th October 2024

The Insurance Regulatory and Development Authority (Irdai) is intensifying scrutiny of cyber security lapses in the insurance sector after Star Health Insurance, one of the country's largest health insurers, suffered a major data breach. Over 31 million customers' sensitive personal information was allegedly sold to hackers, seen as one of the most severe breaches in the insurance industry. "Irdai sees this data leak as a very serious issue," a person said, adding that other insurers would also need to review their data security policies. "As more sensitive data flows into insurance firms, there is a need for stronger cybersecurity. The regulator wants to ensure that every insurer applies the best possible security measures, including regular audits and updates to safeguard data."

Irdai will wait for an audit report to identify the gaps and issue instructions. The regulator has asked Star Health to extensively audit the company's cybersecurity framework. The audit, led by an external firm, is expected to identify control gaps and recommend compliance measures to prevent future data thefts. The breach, linked to the company's chief information security officer (CISO) Amarjeet Khanuja, surfaced after a hacker going by the alias "xenZen" claimed Khanuja had sold the data and later tried to renegotiate for more money in exchange for continued backdoor access.

(The writer is Shilpy Sinha.)

TOP

Regulator seen nudging insurance cos to list – The Economic Times – 6th October 2024

The Insurance Regulatory and Development Authority of India (Irdai) is nudging insurers to go public. However, unlike the Reserve Bank of India (RBI), which has given banks a timeline to list, the insurance regulator is "using moral suasion during one-on-one meetings" with senior executives of insurance companies which have been around for at least a decade, according to people in the know. While Irdai hasn't formally mandated a timeline, it is now frequently raising the matter during discussions, particularly with companies that have been operating for more than 10-15 years, a senior insurance sector executive said.

The regulator believes that going public will improve corporate governance and serve in the interest of policyholders. "Irdai meets with at least one managing director or CEO from an insurance company every week," said a source. "During these meetings, it consistently encourage companies to list, believing it's in the best interest of all stakeholders." Insurers, particularly new-generation ones, many of which are backed by private equity, are more likely to list, the source said. These firms are more inclined to pursue public offerings to reduce promoter ownership and improve corporate independence. "Newer players see listing as a route to unlocking value," said the source. In contrast, some of the more established insurers, such as Bajaj Allianz, which has been in operation since 2000, have yet to move towards an initial public offering (IPO). However, the regulator continues to motivate older players to follow suit.

In its meetings, the Irdai has pointed out that several holding companies of insurers have already been listed, according to the source. However, it believes that listing the insurance operating companies would unlock greater value, as holding company structures often do not fully capture the potential of the underlying businesses. "Listing a holding company has its merits, but it tends to come with a discounted valuation, and this doesn't fully benefit stakeholders," an executive said.

Directly listing the company would release more value for the market, but it's a complex legal and technical decision that many companies are still grappling with, the executive said. Irdai's strategy so far has been to engage companies through dialogue, especially focusing on those that have been around for over a decade. Life insurers like LIC, SBI Life and ICICI Prudential Life are already publicly traded, but the Irdai believes more companies need to follow. Large players such as Bajaj Allianz and others that have grown significantly over the years would be now encouraged to explore IPOs to align with global corporate governance standards.

(The writer is Shilpy Sinha.)

TOP

LIFE INSURANCE

Term insurance purchases spike 50% among Indian millennials, self-employed - Business Standard – 10th October 2024

Purchases of term insurance among self-employed individuals have surged by 50%, driven by tailored plans and the growing gig economy. With the rise of young entrepreneurs, the demand for flexible insurance options is reaching new heights, according to a report by Policybazaar, an insurance marketplace.

A person is considered self-employed if he or she works with his or her own set-up, or employs people for own ventures. The definition of self-employment is wide: It ranges from a tea stall to working in a farm to practising doctors. Under this category, there are two types: Those who are account workers or employers and those who are helpers in household enterprises. The latter type is basically unpaid work undertaken in one's own economic activities.

Tailored products drive growth in term insurance
“The uptake of term insurance among self-employed individuals is a clear indicator of rising financial awareness. With flexible, specialised plans now available, it’s easier for business owners and freelancers to secure their families' financial futures,” Rhishabh Garg, Head of Term Insurance at Policybazaar said. The growth is largely due to term plans that don’t require traditional income documentation. Here’s a closer look at what’s fuelling this rise:

— The self-employed segment has seen a 50% year-on-year growth, with 70% of sales coming from plans tailored for them.

— These plans have simplified the process by removing the need for Income Tax Returns (ITR) or salary proofs, making it easier for self-employed individuals to access insurance.

— Insurers now use digital metrics like credit or loan history and even the Insured Declared Value (IDV) of vehicles to gauge an applicant’s financial stability.

— Major insurers like Max Life, Tata AIA, HDFC Life, and Bajaj Allianz have developed products specifically for self-employed individuals, broadening their market reach.

Term insurance plans for self-employed:
Plan Name: Bajaj Allianz Life iSecure
Sum Assured: Rs 50 lakh
Premium paid monthly: Rs 1,035
Sum Assured: Rs 1 crore
Premium paid monthly: Rs 1,778
Plan Name: MRS Select Self Employed (TATA)

Sum Assured: Rs 49.99 lakh
Premium paid monthly: Rs 1,107
Sum Assured: Rs 1 crore
Premium paid monthly: Not available
Plan Name: Smart Secure plus (Max Life)
Sum Assured: Rs 50 lakh
Premium paid monthly: Rs 995
Sum Assured: Rs 1 crore
Premium paid monthly: Rs 1,595
Plan Name: Click 2 Protect Super (HDFC Life)
Sum Assured: Rs 50 lakh
Premium paid monthly: Rs 1,001
Sum Assured: Rs 1 crore
Premium paid monthly: Rs 1,735
Plan Name: iTerm Prime (Bandhan)
Sum Assured: Rs 50 lakh
Premium paid monthly: Rs 670
Sum Assured: Rs 1 crore
Premium paid monthly: Not available
These Premium paid monthlys are as of October 10, 2024, according to Policybazaar.com. They are subject to change.

Income distribution and insurance cover
When it comes to choosing the right cover, self-employed individuals are increasingly opting for life insurance equivalent to ten times their annual income. For example:

— Those with an income between Rs 3-5 lakh often choose a cover of around Rs 39 lakh.

— Higher earners with an income exceeding Rs 10 lakh tend to select policies that offer coverage of about Rs 1 crore.

74% of term insurance buyers in the self-employed category are aged between 27 and 38. This younger demographic's familiarity with digital platforms and financial literacy tools is playing a key role in their proactive approach to securing their financial futures, according to Policybazaar.

Gender distribution in insurance purchases
Although self-employed males still dominate the market, making up 84% of policyholders, women are beginning to make strides in this area. As more women enter the business world and take up entrepreneurship, their participation in term insurance purchases is expected to rise.

Top markets for self-employed term insurance
Mumbai leads the way in term insurance purchases among the self-employed, followed by cities like Delhi, Chennai, Lucknow, Bangalore, and Hyderabad.

What is term insurance?
Term insurance is a type of life insurance policy that provides coverage for a specific period or "term." If the insured person passes away during this term, the policy pays a death benefit to the nominated beneficiaries. The key feature of term insurance is that it offers a high level of coverage at relatively low premiums compared to other types of life insurance.

(The writer is Surbhi Gloria Singh.)

TOP

9 life insurance myths debunked and tips to secure your financial future – Financial Express – 10th October 2024

Navratri, a celebration of victory over darkness, is the perfect time to dispel misconceptions about life insurance and make informed financial choices. While life insurance is a crucial pillar of personal finance, many myths can cloud our understanding and decision-making. Let's debunk nine common life insurance myths and offer some valuable personal finance tips to secure your financial future this festive season.

Myth 1: Life Insurance Is Only For the Wealthy
Contrary to popular belief, life insurance is not just for the wealthy. It's a necessity for individuals across income levels. Affordable term plans, savings plans, and ULIPs are available for everyone, ensuring financial protection for loved ones, irrespective of one's income.

Tip: Start early to reap the benefits of lower premium prices and lock in long-term interest rates.

Myth 2: Life Insurance Is Not Necessary For Everyone in the Family
Life insurance is important for everyone, including stay-at-home parents, homemakers, and non-working family members. While the particular family member might not be earning, taking a policy in that person's name would help the person achieve the life goals. Also, in case of their sudden absence, while the emotional impact cannot be compensated, the family's financial goals would remain unaffected.

Tip: Include all members in financial planning and ensure adequate coverage for them. This way, you not only protect your family's financial future but also honour the love and care they bring to your lives.

Myth 3: Employer-Provided Insurance Is Enough
Employer-provided life insurance is a good perk but often provides limited coverage. It may not be enough to cover long-term financial goals like paying off a mortgage or funding children's education in case of the person's absence. Also, when you are between jobs, you will be left without coverage.

Tip: Supplement employer-provided insurance with a personal policy that aligns with your financial goals. This ensures your family is not left uninsured in case of job loss or career change.

Myth 4: Only Salaried Individuals Can Get Life Insurance
Self-employed individuals can also secure the well-being of their business and family with life insurance. While the absence of salary slips made it difficult traditionally, advancements in technology, such as the Account Aggregator framework, allow insurers to evaluate self-employed individuals based on more accessible financial data.

Tip: As a self-employed individual, life insurance is vital to protect both your business and personal finances. Ensure adequate coverage for liabilities and future expenses. Use tech innovations to simplify the process and make insurance a key part of your financial independence plan.

Myth 5: It's Too Late to Buy Life Insurance
It's never too late to secure life insurance. While premiums may be higher as you age, there are still policies designed for older individuals to ensure their families remain financially protected.

Tip: Don't just think of life insurance; also focus on retirement planning with par and non-par products.

Myth 6: Life Insurance Isn't Needed If You're Single
Single individuals can benefit from life insurance too. Various forms of life insurance, like term plans, guaranteed returns plans, and ULIPs, can help build a corpus to cover debts, medical expenses, or any

dependents you might have in the future. If you plan to start a family, purchasing a policy while you're young guarantees a lower premium.

Tip: Evaluate your needs from time to time and build on the coverage. Today, a simple term plan may be sufficient, but you may need to build a corpus for life events such as marriage or child's education. Life insurance can prove to be an essential tool for long term wealth.

Myth 7: Life Insurance Is Too Expensive
Many people overestimate life insurance costs. Not everybody needs a large sum assured, and not everybody needs the optional benefits that come with the insurance. Both term and savings plans can be designed to be within your reach by choosing the right plan. And of course, if you start young, you would end up saving a lot of money. Additionally, premiums for women are usually lower than for men of the same age.

Tip: Choose from various payment options—monthly, quarterly, or annually—to fit your budget.

Myth 8: Insurance Payouts Are Taxable
In most countries, including India, life insurance payouts are tax-exempt, making it a smart way to protect your family's future.

Tip: Utilize Sections 80C and 10(10D) of the Income Tax Act for tax benefits on premiums and payouts, reducing your taxable income and boosting your savings.

Myth 9: I Don't Need Life Insurance If I'm Healthy
Good health today doesn't guarantee the same tomorrow. Getting a life insurance policy while you're healthy allows you to lock in lower premiums for life.

Tip: Diversify your personal finance portfolio. While health insurance covers medical emergencies, life insurance secures long-term financial goals. Combining both ensures holistic financial protection.

Smart Financial Wisdom
As we celebrate the triumph of good over evil, it's time to challenge misconceptions and make wise financial decisions. Life insurance is a powerful tool to protect your family's future. Take charge of your own money and start by ensuring your family's financial stability with life insurance.

(The writer is Srinidhi Shama Rao.)

TOP

Good Q2 tidings for life insurers, claims to hit others - The Economic Times – 9th October 2024

The life insurance sector is poised for a strong performance in the second quarter, aided by robust equity performance. However, the value of new business (VNB) margins will continue to be under pressure as the product mix shifts away from traditional savings products toward more unit-linked insurance plans (ULIPs).

General insurance companies are likely to see a slowdown in premium income due to muted growth in the motor segment. Also, the claims from natural catastrophes are going to affect the overall profitability of insurance companies. At the same time, standalone health insurance companies are likely to see higher claims due to seasonal diseases and medical inflation.

General insurance companies are likely to see a slowdown in premium income due to muted growth in the motor segment. Also, the claims from natural catastrophes are going to affect the overall profitability of insurance companies. At the same time, standalone health insurance companies are likely to see higher claims due to seasonal diseases and medical inflation.

"Life insurers are expected to deliver robust APE growth during H1FY25, continuing the strong growth momentum during Q1FY25," said Avinash Singh and Mahek Shah of Emkay. "The robust APE growth is expected to be driven by an increase in the number of ULIPs sold, aided by strong movement in the equity markets. An increased proportion of ULIPs in the product mix is expected to impact the VNB margins. Further, continued investments in the distribution channel are expected to weigh on the VNB margins of life insurers."

HDFC Life, which will be the first insurer to report earnings on October 15, is projected to see APE growth of 18-20% during the quarter though its VNB margin may slip by 100 basis points due to the rising share of ULIPs in the product mix. Similarly, ICICI Prudential is likely to report 20-22% APE growth but will also experience a margin decline, with its VNB margin expected to fall to 23% from 28%.

Max Life is expected to see a 15-17% rise in APE, while its margin is set to shrink to 22%. SBI Life will experience more muted growth at 3-5%, though it will maintain the highest VNB margin in the industry at 26%.

State-run LIC is expected to see an 18-20% increase in APE, with its margin holding steady at 15.3%, as the insurer has been focusing on the growing share of non-participating products. On the general insurance side, ICICI Lombard General Insurance is expected to record a 20% rise in gross written premium, though it could see higher claims due to natural catastrophes in the western region. Star Health and Go Digit are likely to see around 15-18% premium growth with some improvements in their combined ratios. Star Health's expansion into SME and mid-corporate group insurance could drive premium growth, though an increase in seasonal disease-related claims could put pressure on profitability.

For the second half of the fiscal, the life insurance sector could see changes as it adapts to the new regulations on non-linked savings products, which took effect in October 2024. These changes, which provide better benefits for policyholders who lapse their policies, are seen as reducing benefits to persistent customers and affecting distributors' commissions. However, demand for annuities and protection products is expected to help balance the decline in ULIP margins, keeping VNB margins steady.

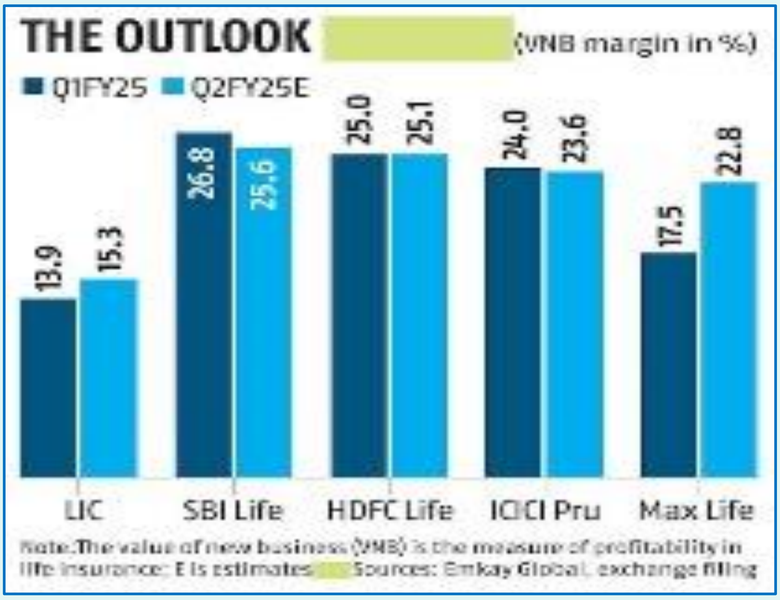
(The writer is Shilpy Sinha.)

TOP

High Ulip share may weigh on life insurers' Q2 margins – Business Standard - 7th October 2024

High share of low-margin unit-linked products (Ulips) and increased investments in distribution channels are likely to weigh on listed life insurance companies’ margins in the September 2024 (Q2FY25) quarter, said analysts. The guidance by these listed insurers on sales and margin for non-linked savings products will be keenly watched by investors. This comes as the revised surrender value norms were implemented by the insurers starting October 1, analysts said. Industry players had previously indicated that their margins will take a hit because of the revised norms. “Aggregate value of new business (VNB) margins is likely to decline 198 basis points (bps) year-on-year (Y-o-Y). This is owing to a change in mix, reduced product-level margins, and increased commission payouts in multi-insurer channels due to increased competition,” said analysts at Nuvama Institutional Equities in their report. The value of new business (VNB) is the measure of profitability in life insurance.

According to analysts at Emkay, continued investments of insurers in their distribution channel is expected to put pressure on VNB margins. However, robust annualised premium equivalent (APE) growth is likely to aid in modest VNB growth for these companies. Emkay analysts expect profit after tax (PAT) of listed players to range between 8.7 percent and 21.6 percent.



Additionally, the analysts expect SBI Life — the largest private sector life insurer — to report a drop in VNB margin to 25.6 percent in Q2FY25 from 28.4 percent in the year-ago period. In Q1FY25, SBI Life's margin stood at 26.8 percent. Similarly, HDFC Life Insurance's margins are likely to see a drop to 25.1 percent in Q2FY25 compared to 26.3 percent in the year-ago period. However, sequentially the margins will remain flat. ICICI Prudential Life Insurance's margin is expected to slide to 23.6 percent from 28 percent last year. In Q2FY25, its margins stood at 24 percent. Max Life's margin is expected to decline to 22.8 percent in Q2FY25 from 25.2 percent. In Q1, it was 17.5 percent. On the other hand, the state-owned Life Insurance Corporation of India's (LIC's) VNB margin is expected to remain flat at around 15.3 percent. This is due to gradual increase in the share of non-participating (non-par) products. "Investors will keenly watch out for guidance on sales and margins for non-linked savings products where surrender values are slated to increase in H2FY25," said Nuvama in its report.

Meanwhile, the non-life insurers are likely to see muted growth in their profitability during the July-September quarter of FY25, owing to higher claims ratio, which will be partially offset by better operational efficiency, according to analysts. The claims ratio of the general insurers is expected to have increased in the quarter under review due to natural catastrophes events and seasonal diseases affecting their profitability. However, their improved operational efficiency is likely to offset the impact of the claims ratio, said analysts at Motilal Oswal.

According to Emkay estimates, in Q2FY25, the combined ratio of ICICI Lombard is likely to be at 103.2 percent compared to 103.9 percent last year. Its combined ratio in Q1FY25 stood at 102.3 percent. Star Allied & Health Insurance is expected to report a flat combined ratio at 99.2 percent in Q2FY25. Further, the recently listed GO Digit is expected to see its combined ratio at 108.6 percent from 108.9 percent last year. Its combined ratio was 105.4 percent in Q1FY25.

(The writer is Aathira Varier.)

TOP

Insurance Surrender value: What it means for policyholders? – The New Indian Express – 7th October 2024

After many a dilly-dallying and revision spanning close to three years, the new surrender value norms by regulator Irdai, which is effective from October 1, will significantly alter the life insurance landscape.

The new norms mandate life insurers to pay back higher amount to a policyholder who chooses to switch or surrender her policy. This goes a long way to protect customer interest and make insurers become more professional and also contain misselling, one of the biggest pains plaguing the insurance sector. For the uninitiated to the life insurance lexicon, the surrender value is the money a policyholder receives if she terminates her policy before maturity. It's usually the cash value of the policy minus any surrender fees/penalties.

The new norms will also help a life policyholder in many more ways including higher early-exit payouts with higher surrender value, easier portability, lesser deductions and penalties, and fewer chances of misselling as the agent may lose money if the policyholder stops paying premium early, and the customer, if not made the king yet, is assured of getting a fair treatment.

New regulations
The Insurance Regulatory and Development Authority of India (IRDAI) released new regulations on the surrender value of life policies in June 2024 with effective implementation from October 1. The initial draft was out in December 2022 which proposed a higher surrender value but underwent many revisions.

The regulator says every policy offered by a life insurer under a non-linked platform and has acquired a surrender value should not lapse for non-payment of further premium. It should be kept in force to the extent of the paid-up sum assured, calculated by means of a formula it has approved and the reversionary bonuses or the guaranteed additions, if any, already attached to the policy.

This means policyholders will get a higher refund on discontinuation under the new calculation method even after paying just a one-year premium. Before this, no surrender value was applicable to policies in the first two years of surrender/cancellation. And even from the third year, the payback was very nominal and was arbitrarily given. Now on, for the discontinued/lapsed for non-payment of premium or ported out policy after one year, you will get as much as 80-85% of the premium paid. For instance, if you paid a monthly premium of Rs 10,000 (Rs 1,20,000 for a year), you will get slightly over R1 lakh as the surrender value. Till now, there was zero refund for one year. The new norms have set some specific valuation methodologies for surrender. The following are the key benefits for a policyholder now:

Higher refund
A policyholder is legally eligible to receive a higher portion of her premium back if she surrenders the policy after the first year. For example, if your policy monthly premium is Rs 20,000, you can receive 80-85% of the premium paid after one year. Earlier you weren't eligible for a single penny.

The Irdai master circular states: "the special surrender value (SSV) calculated shall become payable after completion of the first policy year provided one full year premium has been received." The new norms also say the insurer must ensure that the SSV is at least equal to the expected present value of the paid-up sum assured on all contingencies, paid-up future benefits, and accrued/vested benefits, accounting for any survival benefits already paid. Not just that there is also a specified rate of interest to be charged as part of the calculations, which states that the interest rate cannot exceed the prevailing yield on 10-year G-Secs plus a 50 bps spread. Earlier, after two years, the policyholder was only entitled to an unspecified guaranteed surrender value.

Fewer chances of misselling
One of the biggest benefits for customers apart from getting higher value back, is the fear of becoming a victim of misselling. The new regulations leave both insurers as well as agents fewer chances of misselling or rather no incentive to wrap an average returning policy as a high return one, as they may lose money if the policyholder stops paying premium early.

Easier portability
The new norms not only allow you to surrender, it also give you the option to port out to a new insurer—exactly like you do with your mobile connection for decades and with your health cover since this April. Now you can switch your insurer without losing much money.

Impact on Industry
Industry wide, the new norms will lead to significant changes in product and commission structures, leading to volatile premium movement in the second half of the current fiscal. However, as these changes are anticipated to be favourable for customers, the growth is likely to rise over the medium term, according to Care Ratings.

New IRDAI rules
IRDAI released new regulations on the surrender value of life policies in June 2024 with implementation from October 1

Every policy offered by life insurer under a non-linked platform and has acquired a surrender value should not lapse for non-payment of further premium.
For the discontinued/lapsed for non-payment of premium or ported out policy after 1 year, you will get 80-85% of the premium paid

A policyholder is legally eligible to receive a higher portion of her premium back if she surrenders the policy after the first year

The new norms not only allow you to surrender it also give you the option to port out to a new insurer

(The writer is Benn Kochuveedan.)

TOP

Why buying a term plan makes sense for most investors, policyholders – Business Today – 5th October 2024

Term insurance is a crucial component of an individual's financial strategy in India, however, it the route most avoided. Term insurance plans are specialised life insurance policies that provide a benefit only in the event of the insured's death during the term of the policy. These plans typically do not offer any maturity benefits, as they are designed for pure protection. This type of insurance is often referred to as a pure protection plan. While term insurance falls under the category of life insurance, it differs from other life insurance plans. Despite the considerable growth in health insurance and life insurance plans, term insurance currently makes up only about 5 percent of the total policies sold in today's market.

"One should consider a term plan as part of their long-term financial planning as it is the simplest and most affordable option present in the market. A term plan would provide financial security to your loved ones in case of your untimely demise. It is vital to opt for an adequate sum assured to cater to your family's needs, future goals and other miscellaneous expenses," said Ashok Manwani, Vice President – Products, Go Digit Life Insurance.

Who opts for term plans?
Although the penetration of term plans by salaried taxpayers is relatively low, High-net-worth individuals (HNIs) in India are increasingly turning towards high-value term insurance policies. The trend of opting for policies exceeding Rs 20 crore reflects a shift in financial planning and risk management practices among the affluent. In recent years, there has been a noticeable surge in HNIs selecting term insurance policies valued at Rs 20 Crore and above. A recent report from Policybazaar highlights this change, challenging the traditional notion that online platforms are not suitable for high-value transactions. The report also suggests that policies valued at Rs 5 crore, which were once considered significant, are now becoming more commonplace.

Term plans
Recently, the Life Insurance Corporation of India (LIC) launched new term life insurance plans for providing term insurance and safety net against loan repayments – LIC's Yuva Term, LIC's Digi Term, LIC's Yuva Credit Life, and LIC’s Digi Credit Life.

How to determine the coverage of term insurance plan
To calculate the appropriate sum assured for your term insurance plan, one approach is to utilize the Income Replacement Method. A general guideline suggests aiming for a sum assured that is 10-15 times your annual income. Another method to determine the suitable coverage amount is the Need-Based Analysis. By conducting a comprehensive need-based analysis, which includes listing current and future financial obligations such as debt repayment, living expenses, and educational costs, you can determine the necessary level of sum assured. This method involves evaluating various factors that can safeguard your family's financial well-being in your absence.

One can start by reflecting on these six key questions:
> What is the total amount my family would require in order to take care of the household expenses in my absence?
> What is the amount my family would need to maintain their current lifestyle in my absence?
> How much amount under various loans and other financial liabilities needs to be paid off to ensure my family does not have to bear the brunt of paying back the loans?
> Considering inflation, rising costs of education, and potential future changes in family’s financial needs, how much money would be required to adequately fund my children's education, wedding expenses and future life milestones?
> How much amount in retirement savings would my spouse need for a comfortable retirement?
> How much money do I have in savings, investments and assets and are they sufficient enough to take care of these needs?

Based on these questions, you can draw up the below formula to arrive at the right life insurance coverage:

Term Insurance Coverage amount required = Liabilities – Assets

Liabilities
Outstanding loan, debts: This includes all your current financial obligations, such as home loans, car loans, personal loans, credit card balances, and any other outstanding debts.
Corpus for Financial Goals: This encompasses all the big and important financial goals your family needs to achieve in future. These may include savings for your children's education, their wedding expenses, building a retirement fund for your spouse, and other significant financial milestones.
Monthly Household Expenses: This includes all recurring costs associated with managing your household on a monthly basis. These may range from groceries, utility bills, mortgage payments, school fees, medical expenses, dining out, and other miscellaneous expenses.
Assets: This includes your investments and assets, such as fixed deposits, stocks, existing life insurance coverage, mutual funds, other liquid investments, and physical properties (excluding your current residence).
Let's understand this with the help of an example:
Y, is a person living in a city and has a spouse and one child. Let's break his finances down:
Liability
Outstanding Loan, debts = Car loan (Rs 13 lakh) + Rs 25 lakh (Personal loan) + Rs 2 lakh (outstanding credit card bills) = Rs 40 lakh
Corpus for Financial goals = Child's higher education (Rs 60 lakh) + Spouse Retirement Corpus (Rs 1 crore) = Rs 1.60 crore
Household expenses = Rs 50,000 per month
Corpus required to manage monthly Household expenses = Monthly expenses (Rs 50thousand) * (Multiply by 200) = Rs 1 crore
Total Liabilities = Rs 40 lakh + Rs 1.60 crore + Rs 1 crore = Rs 3 crore

Assets = Fixed Deposits (Rs 40 lakh) + Stocks and MFs (Rs 30 lakh) + Life Insurance Cover (10 lakh) + Physical assets (Rs 1 crore) = Rs 1.80 crore
Term Insurance Coverage Amount Required =Liabilities - Assets
Term Insurance Coverage = Rs 3 crore - Rs 1.80 crore
Term Insurance Coverage = Rs 1.2 crore
(Calculations: Go Digit Life Insurance)

Periodically reviewing your term plan is also essential as your life needs and income change over time. This will help in identifying the gap between the current sum assured and the coverage amount required basis any change in life stages or evolving needs. Moreover, when calculating the right sum assured, be sure to consider inflation as well. Inflation can diminish the value of money over time; so, it's crucial to ensure that your coverage keeps pace. Another important aspect when buying a term plan is the potential addition of riders, such as critical illness coverage or accidental death benefit, to enhance your financial protection.

TOP

Hyper-Personalization Meets Automation: The Future of Life Insurance in India – The Economic Times – 5th October 2024

Life insurance in India is evolving with hyper-personalization and automation, driven by regulatory support. Insurers leverage data analytics and AI to tailor policies, streamline processes, and offer diverse products, catering to a wide demographic range while ensuring robust cybersecurity measures.

In a world where convenience and customization reign supreme, life insurance is no longer an exception. The industry, long perceived as complex and inflexible, is undergoing a seismic shift, with hyper-personalization and automation taking centre stage. India, home to a growing middle class and an increasingly tech-savvy population is witnessing these trends converge to reshape life insurance. The era of one-size-fits-all policies is over. Today's insurers are harnessing the power of technology to offer products tailored to the finest detail.

A key driver of this transformation has been the regulator. By encouraging technological adoption and simplifying regulatory processes, the regulator has empowered insurers to innovate while ensuring consumer protection. The regulator has been instrumental in making compliance easier and supporting the growth of Insurtech, enabling companies to deliver highly personalized insurance products quickly and efficiently. These advancements make life insurance not only more accessible but also tailored to the specific needs of a diverse customer base.

Customer satisfaction is central to any business, but in life insurance—where trust and long-term commitments are key—it is even more crucial. Personalization involves crafting policies that align with individual preferences, from lifestyle-based coverage to premiums tailored to specific financial circumstances. Taking this a step further, hyper-personalization is powered by advancements in data analytics and artificial intelligence (AI). Insurers can now sift through mountains of personal data— age, income, medical history, even behavioural patterns—creating policies that feel like they have been made to measure. This makes customers feel valued and empowers them with choices that were previously unheard of.

This growing demand for tailored services is reflected in consumer behaviour. A 2023 global insurance study reported that 58% of insurance consumers are willing to share significant amounts of personal data in exchange for more relevant advice. About 60% are open to providing data if it leads to faster, more streamlined services, like simplified claims processing without cumbersome paperwork. This willingness to share data highlights changing consumer expectations, making hyper-personalization not just desirable but essential.

This evolution aligns with India's rapidly growing insurance market. According to a report by the Swiss Re Institute, India is set to have the fastest-growing insurance sector among G20 nations. The integration of Insurtech—where technology meets insurance—further accelerates this expansion, revolutionizing how services are delivered and experienced.

Redefining the insurance process

Historically, buying life insurance involved tedious paperwork, medical tests, and long approval times. Automation is changing that. Streamlined processes reduce the time required to issue policies, turning a once-cumbersome experience into a nearly instant transaction. AI-powered underwriting and chatbots managing customer queries eliminate bottlenecks, cutting costs and passing those savings on to consumers. The availability of 24x7 online customer portals and WhatsApp-based services adds another layer of convenience, allowing customers to track policies, resolve issues, and file claims anytime, anywhere.

Insurers are also evolving their product offerings to meet changing expectations. Life insurance plans now provide flexible premium payments, riders for critical illnesses or accidental death, and options for partial withdrawals during emergencies. These features appeal to customers looking for both protection and financial liquidity. Some plans include maturity benefits, offering a lump sum at the end of the policy term. By combining these features with loyalty benefits and bonuses for consistent premium payments, insurers are moving beyond basic protection to provide personalized financial solutions.

Reaching diverse demographics

Beyond operational efficiency, this digital revolution is helping insurers cater to India's diverse demographic landscape with a wider range of products. Micro insurance plans with premiums as low as a few hundred rupees per year are making life insurance accessible to millions of rural Indians. At the same time, high-net-worth individuals (HNIs) are being offered comprehensive policies that integrate life, health, and wealth management, often backed by AI-driven financial planning tools. As India's affluent class is expected to reach 100 million by 2027, these sophisticated products will play a crucial role in meeting the needs of this growing demographic.

Paving the way for 'Insurance for All' by 2047

The transformation of life insurance in India plays a key role in realizing the nation's vision of 'Insurance for All by 2047.' Spearheading this initiative, the regulator is focused on raising public awareness about the importance of insurance, simplifying policy documents, and encouraging innovation through technology-driven solutions. This ambitious vision seeks to provide comprehensive insurance coverage to all citizens, with a particular emphasis on reaching rural and underserved populations.

To achieve this, insurers must continue leveraging hyper-personalization and automation while maintaining the essential human connection. India's population is diverse, spanning different economic and educational backgrounds, age groups, and aspirations. A young professional in a city has different insurance needs than a middle-aged parent in a small town. Automation and data-driven insights enable insurers to cater to this diversity effectively. Though technology enhances accessibility and efficiency, the emotional nature of life insurance demands a balance between innovation and empathy.

As processes become more digital, the risk of cybersecurity threats rises. In an industry as sensitive as life insurance, where personal and financial data are at stake, any breach could have severe consequences. This makes robust cybersecurity measures crucial. While automation improves efficiency, it also exposes systems to cyberattacks. Insurance companies must balance speed and security, implementing strong encryption, biometric logins, and blockchain-based data storage to safeguard data, ensuring peace of mind for both insurers and policyholders.

(The writer is Parag Raja.)

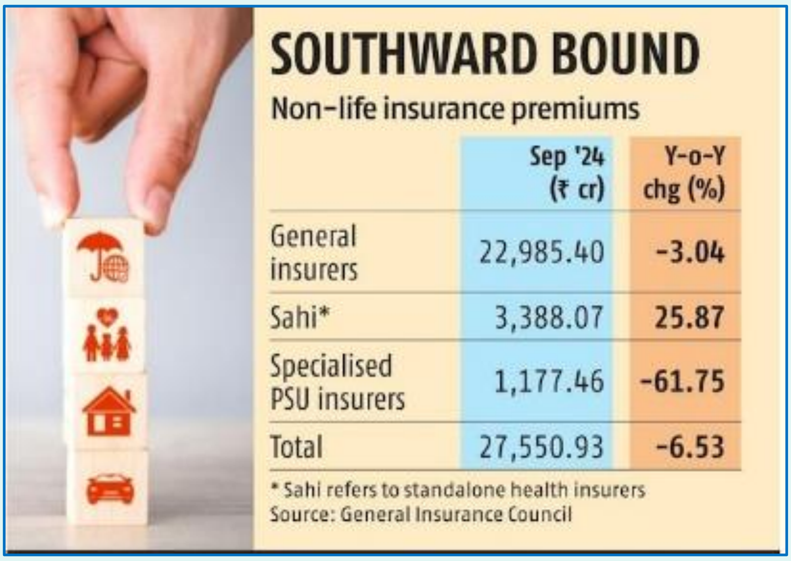
TOP

GENERAL INSURANCE

Non-life premiums fall 6.5% in September as crop, auto segments drag - Business Standard – 8th October 2024

Non-life insurers have reported a 6.53 per cent year-on-year (YoY) drop in premiums in September, owing to underperformance of state-owned general insurers, slowdown in auto sales impacting motor insurance segment, and weak performance in the crop insurance segment. Data released by the General Insurance Council said that in September, non-life insurers, which include general insurers, standalone health insurers, specialised PSU insurers, got Rs 27,551 crore as premiums, down 6.53 per cent YoY.

General insurers collected Rs 22,985.40 crore in premiums in September, marking a 3 per cent decline. While New India Assurance reported a 9 per cent YoY increase in premiums, state-owned United India Insurance experienced an 18 per cent drop, National Insurance saw a 32 per cent decline, and Oriental Insurance's premiums remained flat.



SOUTHWARD BOUND

Non-life insurance premiums

	Sep '24 (₹ cr)	Y-o-Y chg (%)
General insurers	22,985.40	-3.04
Sahi*	3,388.07	25.87
Specialised PSU insurers	1,177.46	-61.75
Total	27,550.93	-6.53

* Sahi refers to standalone health insurers
Source: General Insurance Council

Among major private general insurers, ICICI Lombard experienced modest premium growth of 3.6 per cent YoY, Bajaj Allianz General reported a nearly 8 per cent YoY decline, and HDFC Ergo saw a dip of 5.41 per cent.

However, standalone health insurers (SAHI) reported a robust growth of 26 per cent YoY in premiums in September, with Star Health and Allied Insurance reporting an 18 per cent YoY growth.

"The decline in premiums in September is mainly driven by the under-performance of the state-owned insurers (ex. New India Assurance) and select private players, impact of auto sales slowdown on motor insurance, and weak performance of insurers in the crop insurance segment," said Saurabh Bhalerao, Head of BFSI Research at CareEdge Ratings.

According to a Nuvama report, state-owned multi-line insurers reported a premium decline of 8.7 per cent YoY in September while private multi-line insurers reported flat growth in premiums.
Additionally, state-owned multi-line insurers continued to lose market share, dropping 126 basis points YoY to 30.8 per cent, to private multi line insurers (+96bp YoY to 54.5 per cent) and SAHIs (+169bp YoY to 11.8 per cent).

Meanwhile, in H1FY25 (April – September), non-life insurers reported a 7 per cent YoY growth in premiums, mainly driven by the performance of SAHI players, who reported premium growth of 24.72 per cent. General insurers or multi line insurers reported a 6 per cent YoY growth in premiums during this period while specialised PSU insurer's premiums declined 28 per cent YoY during this time.

"Strong growth in health premiums and a revival in retail motor sales in the upcoming festive season are likely to drive premium growth in the near term," said Nuvama in its report.

(The writer is Subrata Panda.)

TOP

You don't need to buy compulsory personal accident insurance cover more than once – Live Mint – 10th October 2024

It is mandatory to take third-party and personal accident covers as part of your motor insurance for any plying vehicle. Owing to the mandatory nature of a personal accident cover, it came bundled with motor insurance. For you, this meant bringing home the bundled personal accident cover even when you bought a second car. Buying the same cover more than once just adds to the cost, and the regulator too realised this. Last week, the Insurance Regulatory and Development Authority of India (Irdai) announced the unbundling of compulsory personal accident cover from motor insurance from 1 January 2019. But this doesn't mean that you don't need personal accident cover. It simply means that you don't have to compulsorily buy personal accident cover every time you take motor insurance for any new car that you buy in addition to an existing vehicle. If you already have a personal accident policy and the minimum mandated cover as part of the motor insurance of your first vehicle, you don't have to buy it again when buying motor insurance for your second vehicle.

The third-party liability cover part of your motor insurance covers loss of life or damage to a third party and is to be taken mandatorily. The own damage cover covers damage to the insured vehicle and theft and is optional. The premium for third-party insurance is decided by Irdai each year, while that for own-damage cover is decided by individual insurance companies. According to the India Motor Tariff, 2002, a compulsory personal accident cover has to be part of the motor insurance policy. This cover is applicable in both cases: if a person buys only a third-party policy or a comprehensive policy which has both third-party and own-damage covers. Your policy will list this as "PA cover for owner driver". An "owner-driver" is the owner of the insured vehicle having a valid driving licence, according to the India Motor Tariff.

In September, following an order from the Madras high court, Irdai increased personal accident cover to ₹ 15 lakh for all categories of vehicles, for which a premium of ₹ 750 (plus taxes) is payable. (Read more about it here: bit.ly/2US5ONL) This personal accident cover provides compensation in case of death or permanent disabilities due to an accident involving the insured vehicle.

At present, Irdai has fixed ₹ 750 as the premium for the ₹ 15 lakh personal accident cover that is bundled with motor insurance policies. However, for the unbundled and standalone cover that will be available from 1 January, insurers will be allowed to price the standalone personal accident cover based on risk. This means that the premium of the standalone cover might be higher than ₹ 750 that has been fixed by Irdai for the same product in a bundled form.

Irdai has also said that a policyholder can continue to opt for the compulsory personal accident cover as part of the insurance policy. Also, having this cover is mandatory by law. So if you do not have a personal accident cover of your own at present, or own only one vehicle, then going for the bundled compulsory accident cover would be beneficial.

The new rule would be helpful for those having more than one vehicle or those having their own personal accident insurance with a sum assured of ₹ 15 lakh or above, with a cover against death and total or partial permanent disability.

(The writer is Shaikh Zoaib Saleem.)

TOP

Mental health insurance in India: Costs, coverage, and key providers – Business Standard – 10th October 2024

Bollywood stars like Deepika Padukone, Shah Rukh Khan, and Manisha Koirala have shown courage by openly sharing their battles with mental health issues and their journey to seek help. Hollywood celebrities such as Justin Bieber and Selena Gomez have also joined the conversation, breaking the stigma by publicly acknowledging their need for therapy and support. Their willingness to speak up has sparked discussions on the importance of mental well-being. Yet, for many, accessing professional help from therapists, counsellors, or psychiatrists remains a costly affair.

"While the average cost for a therapy session ranges between Rs 1,000 and Rs 4,000, it can go much higher depending on the therapist's expertise and experience," said Garima Nagpal, a Mumbai-based Emotional Wellness Consultant. "Some therapists in Mumbai charge as much as Rs 7,000 for a 50-minute session. The rates vary widely based on the professional's experience and the investment of time and energy that goes into each session."

Mental health insurance: A financial lifeline

Mental health insurance can play a vital role in alleviating these expenses. "The Insurance Regulatory and Development Authority of India (IRDAI) guidelines from 2019 mandate mental health coverage," said Jasmine Damkewala, Senior Partner at Circle of Counsels and Advocate-on-Record, Supreme Court of India. According to Siddharth Singhal, Head of Health Insurance at Policybazaar.com, "Around 60-70 million Indians suffer from mental illnesses. Fortunately, awareness for mental health is rising, as is the importance of ensuring comprehensive medical coverage to support it. This can be achieved by having a comprehensive health insurance plan because all standard health policies in India offer coverage for conditions like anxiety, depression, and Post-traumatic stress disorder (PTSD)."

How does mental health insurance work?

Standard health insurance plans in India cover inpatient treatments for mental health conditions, while some offer outpatient department (OPD) coverage for therapy sessions, consultations, and prescribed medications. Plans with an in-built OPD feature extend financial support for diagnostics and doctor consultations, either physical or through telehealth services. Leading insurers like ICICI, Magma HDI, Future Generali India Insurance, Niva Bupa, Aditya Birla, and Star Health provide outpatient mental health services as part of their coverage.

"Our insurance plans are designed to provide comprehensive coverage for a range of mental health conditions. Hospitalisation due to conditions like anxiety, stress, depression, and PTSD is covered under the policy, provided the said hospitalisation is medically necessary and prescribed by the treating medical practitioner," Dr Santosh Puri, Senior Vice President of Health Product & Process at TATA AIG General Insurance said.

How flexible is the coverage for therapy sessions?

Mental health treatments often require ongoing therapy sessions, which can add up over time. TATA AIG MediCare Premier, for instance, offers coverage for post-hospitalisation expenses, allowing for therapy sessions if prescribed as part of the post-hospitalisation care. "We understand that mental healthcare treatments are often long-term and repetitive," said Dr Puri, "so we try to provide flexible coverages in our products to meet these needs." Star Health Insurance has also addressed this need by providing unlimited teleconsultations with specialists as part of its wellness services benefit. Amitabh Jain, COO of Star Health Insurance, explained, "We offer a wide range of coverage for mental health conditions. There is no cap on the number of admissions covered for mental health treatments, provided each admission is medically necessary and requires in-hospital care."

Beyond traditional therapy and treatment, insurers are introducing wellness programmes to support mental health. Star Health's Mind & Body Wellness Program includes resources like psychology programming, mindful movement, breath work, and meditation, all available online to ensure easy access. "Our wellness programmes aim to enhance mental health by providing tools that can be accessed at no additional cost," said Jain. "We believe that addressing mental health issues through such holistic measures can have a lasting impact."

Access to cashless treatment and tele-counselling
Magma HDI and Future Generali India Insurance offer specific mental health coverage for conditions like Severe Depression, Schizophrenia, Psychosis, and more. "Our claims process for mental illness works just like it does for any other illness," said Amit Bhandari, Chief Technical Officer at Magma HDI. "Customers can opt for cashless treatment at any hospital of their choice, with just 48 hours' notice. We also provide free tele-counselling services to offer support remotely." Future Generali India Insurance further covers mental health in multiple ways: through curative therapy (hospitalisation), outpatient treatment, and preventive therapy (counselling). Ramit Goyal, Chief Distribution Officer at Future Generali, said, "Our policies include coverage for therapy sessions and medications prescribed by a psychiatrist, ensuring a comprehensive approach to mental health treatment."

Here is a breakdown of comprehensive health insurance plans for a 25-year-old adult located in Delhi, according to Policybazaar:

1. Care (Care Supreme + OPD Care)
Base Premium: Rs 11,546
OPD Premium: Rs 681
Total Premium: Rs 12,227
OPD Coverage: 4 general and 4 specialist consultations
What's included:
Physical doctor consultations
Tele consultations
Consultations with specialist doctors
What's not included:
Diagnostic tests
Pharmacy costs

2. Niva Bupa (Reassure 2.0 Bronze + Acute Best Care)
Base Premium: Rs 11,090
OPD Premium: Rs 5,161
Total Premium: Rs 16,251
OPD Coverage: Rs 10,000 (per member) with an option to increase up to Rs 20,000
What's included:
Tele consultations
Consultations with specialist doctors
Diagnostic tests
Pharmacy costs
What's not included:
Physical doctor consultations

3. Star Health (Super Star + OPD Care Silver)
Base Premium: Rs 8,928
OPD Premium: Rs 4,802
Total Premium: Rs 13,730
OPD Coverage: Rs 25,000 with an option to increase up to Rs 1 lakh
What's included:

Physical doctor consultations
Tele consultations
Consultations with specialist doctors
Diagnostic tests
Pharmacy costs

4. Aditya Birla (Active Fit Plus + OPD Expenses)
Base Premium: Rs 8,869
OPD Premium: Rs 1,064
Total Premium: Rs 9,933
OPD Coverage: Unlimited consultations, routine diagnostics, pharmacy cover, physiotherapy, e-counselling, diet consultations
What's included:
Physical doctor consultations
Tele consultations
Consultations with specialist doctors

5. ICICI (Elevate + Befit C)
Base Premium: Rs 8,641
OPD Premium: Rs 1,384
Total Premium: Rs 10,025
OPD Coverage: 4 OPD consultations, diagnostics, pharmacy cover of Rs 1,000, 6 physiotherapy sessions, e-counselling
What's included:
Physical doctor consultations
Tele consultations
Consultations with specialist doctors
Diagnostic tests
Pharmacy costs

Demand for mental health insurance is rising
The demand for mental health insurance has surged in recent years, driven by increasing awareness and reduced stigma around seeking help. "The growing awareness around mental health has significantly reduced the stigma associated with seeking help from psychiatric counsellors," Bhandari said. "Today, younger individuals are more proactive in seeking mental health services and looking for insurance policies that include mental wellness coverage." Amitabh Jain of Star Health Insurance echoed this sentiment: "Understanding the often long-term nature of mental health treatments, we have designed our policies to accommodate the ongoing needs of our customers, making mental health treatment more accessible and affordable."

Common exclusions and limitations
Mental health coverage often comes with certain limitations, which policyholders should be aware of:
* A waiting period of 1-2 years before claims for mental health treatments are eligible.

* Caps on the number of therapy or counselling sessions, typically covering 10-15 sessions per year.

* Pre-existing mental health conditions might be subject to waiting periods of up to 36 months.

"Health insurance policies generally cover a portion of therapy or counselling sessions, though most have an annual limit on the number of sessions. This can provide substantial financial relief for short-term treatment, even if it doesn’t fully offset long-term therapy costs," Siddharth Singhal from Policybazaar said.

(The writer is Surbhi Gloria Singh.)

TOP

5 health insurance policies that offer advanced benefits to customers – Live Mint – 9th October 2024

Among Financial Solution oriented products, health insurance has witnessed one of the most encouraging growth in awareness and penetration. The pandemic in no small measure has triggered this penetration. Yet there is a huge vacuum given that among those covered under health insurance, a significant portion is covered only through group health insurance and amajor portion through government health insurance schemes, which is still not efficient enough in addressing the health insurance needs.

24 general insurance companies and 7 standalone health insurance products are on hunt to get a share of the health insurance business. To move the needle in their favour, companies are employing innovation to offer more than the usual features. Health insurance policies have broken away from many of the restrictions which used to prevail. Today these policies cover outpatient treatment expenses, expenses of ayurvedic treatment, health check-up expenses, offer discounts for fit customers, reduced waiting period for pre-existing diseases etc.

Here are five such trending health insurance policies that offer advanced benefits to customers

HDFC Ergo Optima Secure

The HDFC Ergo Optima Secure provides 4X Benefits, at no additional cost.

Secure benefit is a first-of-its-kind benefit of optima secure that doubles the insurance cover you buy, instantly and automatically. This means that you get a 2X coverage from day 1, without having the need to activate or claim it, at no additional cost. In addition to this the policy offers aplus benefit by which the base cover you choose for yourself automatically increases by 50% after 1 year, and 100% after 2 years, irrespective of any claims made.

With therestore benefit of optima secure, if any claim, partial or total, is made any time during the year, then 100% of the base cover gets restored in the policy cover automatically, at no additional cost! With this benefit, you do not have to worry about earning a full no claim bonus or a reduced bonus in case of a claim.

In case of an unfortunate hospitalisation,protect benefit of optima secure guarantees payment of consumables, which include listed non-medical expenses like gloves, masks, nebulizer kits and so on. It's built-in, and automatically available at no extra charge.

This comprehensive policy has no room rent restrictions, no co-pay clause, covers Ayush treatments (Ayurveda, Unani, Siddha or Homeopathy), and has reasonable waiting periods for pre-existing diseases

Care Supreme

• Cumulative sum insured (SI): Up to 100% of SI per year, max up to 500% of sum insured. SI shall not reduce in case of claim

• Free health check-up: Once for all Insured every policy year

• Wellness benefit: Renewal discount on premium of upto 30% for recording 10,000 steps or more per day for 270 days in the year.

• AYUSH treatment coverage up to 100% of sum insured

• Air ambulance claim: Upto 5 lacs in a year

• Reduced waiting period for Preexisting diseases: Can be modified to 1, 2 or 3 years as opted.

• Coverage for treatment expenses at home up to 100% of sum insured under - Domiciliary hospitalisation.

• Advance technology methods covered up to 100% of sum insured

• No reduction in cumulative bonus even if you claim

Aditya Birla Activ Fit
This policy is designed for people aged 18-45, offers significant discounts for healthy individuals, no outrageous restrictions, a good restoration benefit, and a supercharged bonus feature. Here are some ofthe key features of this policy:

Upto 50% of premium is paid back on staying active for 275 days in a year
Up to 10% additional early bird discount on premium for age upto 35-year
Consistent rewards/discounts motivate you to stay healthy. Discount up to 10% for up to 3 years
Maternity expenses covered over and above base sum insured with newborn expenses, vaccination expenses and stem cell preservation. Get 10% bonus on sum insured per annum up to 100% of the sum insured if no claim is made during the policy year. Super no claim bonus of 50% of sum insured per annum, max up to 100%, under optional cover. 3 EMIs towards an existing loan amount will be paid on hospitalisation due to any illness/injury for 6 consecutive days in the policy year. EMIs will be paid as a lump sum amount post discharge from the hospital.

Bajaj Allianz Health Guard
Health guard policy provides a comprehensive range of benefits, ensuring you are covered for the larger expenses related to illness/surgery. Following are the features of this policy:

Coverage of expenses towards organ donor's treatment for harvesting of the donated organ.
Road ambulance upto a maximum of Rs. 20,000 is paid
Daily cash benefit of Rs. 500 per day up to 10 days during each policy year for reasonable accommodation expenses in respect of one parent/legal guardian, to stay with any minor insured.
If sum insured and cumulative bonus or super cumulative bonus (if any) is exhausted due to claims registered and paid during the policy year, 100% of the base sum insured specified under inpatient hospitalisation treatment would be reinstated for the particular policy year.
Cost of preventive health checkup reimbursed once a year.

Digit Health Care Plus
This policy of Go Digit offers coverage for alternative treatments and customizable plans. This policy provides the below benefits:

Cost for second opinion from the panel of medical practitioners to be covered when there has been a major accidental injury. Cost of bariatric surgery (weight reduction) which is medically necessary, on the advice of a Medical Practitioner to be covered subject to certain conditions. Coverage of medical expenses related to psychiatric illness, provided the first diagnosis and hospitalisation, as an inpatient, was during the policy period.

Complimentary health check-up.
Infertility/ subfertility treatment expenses are covered
Ayush treatments are covered

Coverage of maternity expenses incurred towards the delivery of a baby or treatment related to any complication of pregnancy or medically necessary termination. It makes great financial sense for customers to avail such health insurance policies by paying a nominal premium to protect their wallet from huge unexpected medical expenses.

(The writer is V. Krishna Dassan.)

TOP

Indian hospitals push back on cashless insurance - Insurance Business – 9th October 2024

Insured patients in Pune, India, are encountering obstacles when trying to use the "cashless everywhere" insurance facility, introduced by the General Insurance Council (GIC). According to Hindustan Times' report, local hospitals have been claiming that they are reluctant to offer the service, citing low reimbursement rates and discrepancies between approved amounts and actual payouts from insurance providers.

GIC cashless everywhere initiative
The GIC's cashless everywhere initiative was launched in January 2023, with further guidance issued by the Insurance Regulatory and Development Authority of India (IRDAI) in June. This guidance required insurers to expand their coverage offerings to include individuals with pre-existing conditions and chronic diseases.

Despite these regulatory efforts, both the Indian Medical Association (IMA) and the Hospital Board of India (HBI) Pune chapter have raised concerns about the current insurance framework.

Monetary issues in GIC cashless everywhere initiative
Dr Sanjay Patil, chairman of the HBI Pune chapter, said the rates offered need adjustment, and the deductions being made are causing issues for patients and healthcare providers. "Due to such type of deductions and low payments, the hospitals cannot compromise on the quality and safety of patients," he said, as reported by Hindustan Times. He added that hospitals cannot compromise on patient care due to financial limitations, yet insurance contracts prevent them from asking patients for any additional payment.

A patient's relative, who requested anonymity, shared a case where insurance reimbursement fell significantly short. The relative claimed that their father underwent surgery with an estimated cost of ₹1.25 lakh, of which ₹1 lakh was approved by the insurer. However, in the end, the hospital received only ₹40,000 from the insurance company, leaving the family to cover the difference.

Insurance-related issues in hospital empanelment
Dr Aniket Joshi of IMA Pune highlighted challenges in hospital empanelment, noting that despite holding a nursing home registration, hospitals must undergo additional approval processes with insurers.

"Even after having nursing home registration the hospitals have to apply separately to insurance companies for empanelment. The empanelment is done on the wimps and fancies of the insurance companies," he said.

He advised the government to ask insurance companies to give blanket approval to hospitals registered under the Nursing Home Act to make cashless everywhere successful. Also, the co-payment option should be made available.

Many hospitals are now requesting patients to pay upfront and later claim reimbursement from their insurance providers, which defeats the purpose of a cashless system. Another issue raised by the hospitals is the absence of grievance mechanisms available to them under the scheme, a protection that patients currently have.

Rising healthcare costs in India
Meanwhile, the recently released ACKO India Health Insurance Index 2024 has highlighted the broader issue of rising healthcare costs across the country.

The report showed an average increase of 11.35% in claim sizes, attributed to medical inflation, which surged to 14% in 2023. The financial impact is especially significant in a country where 62% of healthcare costs are paid out-of-pocket, and just 23% of urban households are covered by health insurance.

The report also emphasised varying health trends across regions. Kidney-related claims were highest in Delhi NCR, while heart disease claims were most prevalent in Mumbai, Kolkata, and Pune. Maternity claims showed that 69% were linked to C-sections, with differences between public and private hospitals.

In response to the rising cost of healthcare, ACKO advises individuals to consider supplementary personal health insurance policies in addition to any corporate plans they may have. The report stressed the importance of understanding policy details, such as waiting periods, room rent limits, and deductibles, as these factors can significantly affect coverage.

(The writer is Roxanne Libatique.)

TOP

Most Indian employees seek self-harm coverage in health insurance plans – Business Standard – 9th October 2024

The death of a 26-year-old Indian employee from consultancy firm EY has triggered significant discussions around attention to mental health at workplaces. The incident came to light last month after the victim's mother wrote a letter to EY India head Rajiv Memani which went viral on social media. Memani dismissed the parents' claim that the victim's death could be attributed to work-related stress. Since then, many employees of the Indian formal workforce have shared their own experiences related to work pressure and unhealthy environments at work. A recent report on the issue, published by Mercer Marsh Benefits, also pointed out a significant gap in mental health support at Indian workplaces, as reported by employees.

The report titled 'RiseUP for a better tomorrow', surveyed employees across 150 organisations operating in India. It showed that 83 per cent believe that "insurance companies should not exclude self-inflicted injury and suicide attempts as reasons to deny claims for mental health treatment." At present, self-harm, attempted suicide and suicide are listed as exclusions in almost all health insurance policies in India.

Highlights from the report:

1) About 43 per cent of organisations in India do not offer mental health benefits in their group medical insurance plans, and 63 per cent of employees are dissatisfied with the current mental health coverage available.

2) Key challenges in integrating mental health support into employee health insurance plans include stigma and fear of workplace discrimination. Lack of clarity about services and coverage costs also hinders implementation.

3) About 87 per cent of employees surveyed said that they worked while feeling mentally unwell. One in two Indian employees feel stressed in everyday life, the report added. When asked about their group medical insurance portfolio, 83 per cent reported that their overall claims utilisation for mental health-related issues is below 1 per cent.

4) About 78 per cent believe that insurance companies should not use substance use as a justification to deny claims for mental health treatment.

5) The report also said that India lacks adequate mental health infrastructure. For instance, the ratio of psychiatrists to people in India is 0.75 per 100,000, significantly lower than the global average of 3 per 100,000, it said.

On these findings, Sanjay Kedia, CEO, Marsh McLennan said that: "...Mental health awareness is no longer enough; we must equip organisations with robust insurance offerings that address mental health comprehensively from early intervention and prevention to rehabilitation and crisis management. A well-rounded insurance plan not only helps manage business risks but also enhances employee well-being, making it a key differentiator in today's competitive landscape."

(The writer is Nisha Anand.)

TOP

Consumers can port their health insurance midway: Here is what they must do - Business Standard – 8th October 2024

The health insurance industry sells a variety of products: From those assisting in basic hospitalisation covers to comprehensive plans that include dental care or yoga sessions. What do customers do when they find a policy no longer serves their needs? Is it possible to jump ship midway?

Switching your health insurance policy midway through a term is generally not allowed. Most insurers instead offer the option to switch or port benefits only at the time of renewal. During the renewal period, it's essential to evaluate your current coverage and assess your health needs, said Sharad Bajaj, chief operating officer of InsuranceDekho.

Here are rights consumers have if they want to port an insurance policy:
You can port your policy from and to any specialised health insurance company.
You can port any individual/ family policies.
Your new insurer has to give you the credit points relating to the waiting period for pre-existing conditions that you have gained with the old insurer.
Your new insurer has to insure you at least up to the sum insured under the old policy.
The two insurers should complete the porting as per the timelines prescribed in the Insurance Regulatory and Development Authority of India.
Once the new insurer receives the portability application, they are required to respond within 15 days.

What happens when you are porting a policy?
You must request a shift to your new insurance company at least 45 days before your current policy's renewal date. In your request, include the name of the company you wish to transfer to. Keep in mind, aside from the waiting period credit, all other terms, including the premium, are subject to the discretion of the new insurer. Ensure your policy is renewed without interruption, though you have a 30-day grace period if the porting process is still ongoing. When considering an alternative, It is always advisable to the policyholders to compare their current coverage against new offerings, focusing on aspects like waiting periods, exclusions, and network hospitals. Portability, a relatively new feature in health insurance, has made it easier to carry forward accrued benefits like waiting periods to a new insurer without starting over," Pankaj Nawani, CEO, Care Pal Secure.

Best alternatives while switching your plan
When considering a switch, several factors come into play. Here are some of the best alternatives and why they might be suitable:

Comprehensive health insurance plans
These plans offer extensive coverage for hospitalisation, pre and post-hospitalization expenses, and often include additional benefits like maternity coverage, OPD expenses, and preventive health check-ups.

Family floater policies
Family floater plans cover multiple family members under a single policy, often proving more cost-effective than individual policies.

Critical illness policies
These policies provide a lump sum payout upon diagnosis of specified critical illnesses, offering financial protection against severe health conditions.

Top-up plans
These plans offer additional coverage over and above your base policy at a relatively low cost, effectively increasing your overall sum insured.

Disease-specific plans
For individuals with specific health concerns or family history of certain diseases, these plans offer targeted coverage.

Factors to consider while switching your policy
Waiting periods: When you switch a policy, you may have to serve a new waiting period for pre-existing conditions or specific treatments. Some insurers may waive waiting periods if you're switching from a similar policy, but this isn't guaranteed.

Continuity benefits: If you switch to a new insurer, you might lose accumulated benefits like no-claim bonuses. Some insurers offer portability, allowing you to transfer certain benefits.

Premium changes: Your new premium could be higher or lower, depending on factors like your age, health condition, and the new policy's coverage.

Coverage differences: Ensure you understand any changes in coverage, network hospitals, or claim processes when switching policies.
Timing: It is often advisable to switch near your policy's renewal date to avoid complications with pro-rata premiums or gaps in coverage.

Disclosure: You must disclose all pre-existing conditions and your medical history to the new insure.

(The writer is Ayush Mishra.)

TOP

Ayushman may soon cover Alzheimer's, dementia and other old-age ailments – The Times of India – 8th October 2024

Treatment for Alzheimer's, dementia, heart failure and other illnesses, mostly affecting seniors, may soon get covered under Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY). At present, AB-PMJAY has around 25 health packages catering to needs of the elderly. Govt sources said the National Health Authority, which is the implementing agency for AB-PMJAY, is working towards adding more packages that exclusively tend to geriatric care or old-age related ailments as the number of such beneficiaries is likely to go up significantly, with the govt expanding the scheme to include senior citizens, aged 70 and above, irrespective of their income group.

"A committee headed by medical expert's reviews health packages under AB-PMJAY regularly. This is a special case though, as focus is one large sub-group that has been included in the scheme. The committee will work towards identifying health issues affecting the seniors, especially those requiring hospitalisation, and try to develop packages so that they can get timely treatment," a source in the health ministry said. The expansion of AB-PMJAY to include senior citizens will potentially benefit around six crore individuals across 4.5 crore families.

Stroke, heart failure, cancer, Alzheimer's and dementia are some of the common health ailments affecting the elderly. The health ministry official said treatment of these ailments and complications thereof are likely to be addressed in special packages being planned for the elderly. Dr Prasun Chatterjee, additional medical superintendent at the National Centre for Ageing, told TOI that conditions such as Alzheimer's and dementia are fairly common among the elderly and they are also linked to increase risk of infections necessitating hospitalisation. "Acute conditions affecting the elderly include heart failure, fractures, and cancer among others," he said.

Dr Vinay Aggarwal, chairman of the action committee of Indian Medical Association, said, "We often come across elderly people suffering from serious illness or comorbidities who have no support. There are cases in which even their children are reluctant or not available to support them financially for treatment. The govt scheme can certainly help them tide over the crisis, if any," he said. He added that private health insurance is expensive and often reluctant to onboard senior citizens. AB PM-JAY is the world's largest publicly funded health assurance scheme which was launched in 2018 to provide an annual health cover of Rs 5 lakh per family for secondary and tertiary care hospitalisation to 55 crore individuals of 12.3 crore poor and vulnerable families. The scheme is jointly funded by the Centre and the state in a 60:40 ratio.

(The writer is Durgesh Nandan Jha.)

TOP

GST panel deliberates on lowering rate on health insurance, tractors – The Economic Times – 5th October 2024

As the government focuses on GST 2.0 which further eases tax laws, enhance tax simplification and adoption of technology, the ministerial panel tasked to rationalise rates is deliberating on lowering GST on essential items like health insurance and tractors up to 5 percent. As tractor segment volumes saw marginal growth (year-on-year) in September, a reduction in GST on tractors will offset the revenue loss, according to industry experts. Tractors currently attract 12-28 percent GST, depending on their classification. Similarly, a cut in GST on health and term insurance - a long-pending demand of the sector -- will further make them more affordable for the masses.

As per experts, health insurance is likely to see a decrease from 18 per cent to 12 per cent, while term insurance may attract a GST of 5 per cent. According to reports, the panel, chaired by Bihar Deputy Chief Minister Samrat Chaudhary, is focused on moving certain items from the 12 per cent slab to 5 per cent. The panel is expected to meet on October 19 over the insurance issue, followed by discussions on rate rationalisation on October 20. Last month, the GST Council, headed by Finance Minister Nirmala Sitharaman, set up a Group of Ministers (GoM) on slashing the tax rate on life and health insurance, as well as reducing the GST on cancer drugs.

The GoM on life and health insurance is headed by Choudhary, who is currently heading the panel on GST rate rationalisation. The 54th GST Council meeting, held on September 9, reached a "broad consensus" to bring relief to individuals and senior citizens with a decision on the GST applied to health insurance premiums. The current GST rate on health and life insurance policies stands at 18 per cent. However, the GST Council announced to reduce the rate on cancer drugs to 5 per cent from 12 per cent. The life and health insurance industry is hopeful that the reduction would alleviate the tax burden on both insurers and policyholders.

TOP

SURVEY AND REPORTS

Vehicle insurance, pension coverage up in India's rural households – Odisha TV – 10TH October 2024

As financial inclusion improves amid rising rural consumption, the percentage of rural households with at least one member covered by any form of insurance increased significantly from 25.5 percent in 2016-17 to 80.3 percent in 2021-22, a government survey revealed on Thursday. It means that four out of every five households had at least one insured member, according to NABARD's 'All India Rural Financial Inclusion Survey' (NAFIS) for 2021-22. Agricultural households outperformed their non-agricultural counterparts by a margin of roughly 13 percentage points. Among different types of insurance, vehicle insurance was the most prevalent, with 55 per cent of households covered. Life insurance coverage extended to 24 per cent of households, with agricultural households showing slightly higher penetration (26 per cent) compared to non-agricultural ones (20 per cent).

The survey further stated that the percentage of households with at least one member covered by any form of insurance increased significantly from 25.5 per cent in 2016-17 to 80.3 per cent in 2021-22. Moreover, the percentage of households with at least one member receiving any form of pension (such as old age, family, retirement, or disability) increased from 18.9 per cent in 2016-17 to 23.5 per cent in 2021-22. Overall, 54 per cent of households with at least one member over 60 years old reported receiving it, highlighting the importance of pensions in supporting elderly members of society, the survey noted. The percentage of respondents demonstrating good financial literacy increased by 17 percentage points, rising from 33.9 per cent in 2016-17 to 51.3 per cent in 2021-22.

As per the survey, "the proportion of individuals exhibiting sound financial behaviour - such as managing money effectively, making informed financial decisions, tracking expenses, and paying bills on time — also increased from 56.4 per cent to 72.8 per cent during the same period", the findings showed. The survey results highlight the remarkable strides made in rural financial inclusion since the last survey in 2016-17. Rural households have experienced notable improvements in income, savings, insurance coverage, and financial literacy. The government's welfare schemes like Pradhan Mantri Kisan Samman Nidhi, Pradhan Mantri Kisan MaanDhan Yojana, Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Pradhan Mantri Awas Yojana-Gramin (PMAY-G), Pradhan Mantri Gram Sadak Yojana (PMGSY), Deendayal Antyodaya Yojana- National Rural Livelihoods Mission (DAY NRLM), Deendayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) have significantly contributed to improving the lives of the rural population.

TOP

PENSION

Private sector fuels NPS surge with near 45% y-o-y jump in AUM as of Sept 28 - The Hindu Business Line - 8th October 2024

Private sector NPS assets' growth continue to be on a roll, clocking a near 45 per cent year-on-year growth as of September 28, 2024, at ₹2.70 lakh crore. The number of NPS subscribers in the non-government sector (private sector) also saw an impressive growth of 21 per cent y-o-y to 60 lakh, showed latest data from the Pension Fund Regulatory and Development Authority (PFRDA). The private sector's strong growth of 45 per cent has substantially outpaced the government sector's 29 per cent y-o-y growth, albeit on a much higher base. Government sector's (Centre and State government) NPS assets touched ₹10.24 lakh crore as of September 28, PFRDA data showed.

The surge in private sector NPS assets highlights the rising appeal of NPS as a preferred retirement savings vehicle, say pension industry observers. This steady increase in participation underscores the private sector's ongoing recognition of NPS as a flexible, cost-effective, and tax-efficient solution for long-term financial planning, they added.

While corporate sector-related NPS accounted for ₹2 lakh crore AUM, the 'All Citizen Model' (basically individuals) had assets to tune of ₹69,892 crore. The number of subscribers in the corporate sector (employees of companies who have signed up) stood at 21 lakh, while there are 38 lakh subscribers under the 'All Citizen Model'. The latest PFRDA numbers come on the heels of Finance and Corporate Affairs Minister Nirmala Sitharaman's recent observation that private sector NPS has grown much faster between March 2020 to March 2024, at 25 per cent, as opposed to 8 per cent growth seen in the government sector.

Flexibility
One of the key attractions for this remarkable uptake from the private sector in recent years is the "flexibility" that NPS offers in choice of investment pattern for such subscribers. PFRDA had recently further widened the choice for non-government sector with the launch of Balanced Life Cycle Fund. Unlike NPS for government sector, the scheme for non-government sector (all citizens and corporate NPS) allows contributors to choose their asset allocation between equity, government bonds, corporate bonds, and alternative investments, depending on their risk appetite.

This freedom appeals to a diverse range of private sector employees, from young professionals looking to maximise equity returns to risk-averse older employees preferring safer options. This flexibility also aligns with the changing financial mindset, as individuals increasingly seek personalised investment choices.

Easy on the pocket
Moreover, NPS stands out for its "cost-effectiveness". With a low fund management fee of around 0.09 per cent, it is one of the most economical long-term savings instruments in India. In comparison to other retirement schemes, such as mutual funds or Employee Provident Fund (EPF), the lower costs of NPS make it highly attractive to both employers and employees in the private sector. For employers, offering NPS as part of a retirement benefit package enhances the company's appeal to top talent, while employees gain access to a tax-efficient, low-cost retirement vehicle, corporate observers said.

Equity returns sizzle
NPS scheme has generated competitive returns since its inception. For the government sector, NPS has given an average return of 9.5 per cent since inception. For the non-government sector, the equity scheme has given return of 14.5 per cent, corporate debt 9.1 per cent and government securities 8.9 per cent. In the last one year, riding on buoyant equity markets, the NPS monies parked in pure equities has given near 40 per cent return. This was much higher than the 13.91 per cent in Central scheme and 14.06 per cent in State government scheme. Average return generated by Pension Funds for Atal Pension Yojana in the last one year stood at 14.09 per cent, while the return was 9.43 per cent since inception.

Overall AUM
Meanwhile, the overall NPS assets under management (both government and non-government together) as of September 28 grew 31.66 percent to ₹13.40 lakh crore, latest PFRDA data showed.
(The writer is KR Srivats.)

TOP

EPFO Pension: Members may get Rs 10,000 monthly pension under EPS despite Rs 15,000 current wage limit – Here's how! - Financial Express - 8th October 2024

Despite the current EPFO wage limit of Rs 15,000, members of the Employees' Provident Fund Organisation (EPFO) can still retire with a monthly pension of nearly Rs 10,000 under the Employees' Pension Scheme (EPS). In this story, we will explore how the current contribution under the EPFO and likely increase in the EPF wage ceiling as expected can lead to a decent pension of as much as Rs 10,000 per month post retirement at the age of 58. The EPFO manages both pension scheme (EPS 95) as well as the provident fund for employees. In case of companies with their own PF Trusts, they manage the provident funds themselves but have to follow the rules set by the EPFO.

Besides fixing various guidelines and interest rates on PF deposits, the EPFO periodically fixes the wage ceiling based on which the EPF and EPS contributions are decided. At present, the wage ceiling for EPF and EPS contributions is Rs 15,000, The same was Rs 6,500 in 2014. The EPFO wage ceiling suggests that even when the basic salary is more than the current limit of Rs 15,000, an employee's pension benefits will be calculated based on the Rs 15,000 limit.

Now, it is expected that the government may soon hike this wage ceiling limit to Rs 21,000, for which Union Labour Minister Mansukh L Mandaviya recently gave indication without mentioning the exact hike. A few months back, FE Online learnt from sources that the union labour ministry sent a proposal to the finance ministry to hike the wage ceiling for EPS contribution to Rs 21,000 from the current Rs 15,000.

Key eligibility conditions for EPS pensions

To become eligible for pension under EPFO, one must complete at least 10 years contributing as an EPS member. The pension starts under the EPS at the age of 58. To calculate your EPS pension, key points are – maximum pensionable salary and maximum pensionable service.

Average pensionable salary: Pensionable salary is the average monthly salary that an employee earns under the EPS over a specific period. The maximum salary considered for EPS calculation is Rs 15,000. Maximum pensionable service: This is the total number of years an employee works and contributes to EPF and EPS. One can have a maximum of 35 years of service considered for pension calculation.

What is the formula to calculate EPS pension?

EPS = Average pensionable salary x pensionable service/70

In September 2014, EPFO changed the formula for calculating EPS pensions. Before that, the average basic salary from just the last year of service was used.

Here, we'll calculate the pension for an employee who joined a company in January 2015, after the wage ceiling was increased to Rs 15,000. We'll assume the next wage ceiling revision will occur in January 2025. The employee plans to retire in 2049 after completing the maximum pensionable service period of 35 years.

Here the calculation can be divided into two parts:

First part: From January 2015 to December 2024 (10 years) with the wage ceiling of Rs 15,000.
Second part: From January 2025 to December 2049 (25 years) with a new wage ceiling of Rs 21,000.
The formula for calculating the EPS pension is:
EPS = Average pensionable salary × pensionable service/ 70
Part 1: (Pension calculation for 10 years)
Average pensionable salary: Rs 15,000
Pensionable service: 10 years
Pension = Rs 15,000×10/70 = Rs 2,142.86 per month
Part 2: (Pension calculation for 25 years)
Average pensionable salary: Rs 21,000
Pensionable service: 25 years
Pension = Rs 21,000×25/70 = Rs 7,500 per month
Total pension after 35 years of service = Rs 2,142.86+ Rs 7,500 = Rs 9,642.86 per month.

Note: The above calculation of a likely pension is based on this assumption that the EPFO will revise upwards its wage ceiling limit to Rs 21,000 so effectively, a part of pensionable amount will be calculated on the basis of Rs 15,000 EPFO wage limit and the second part of calculation will be based on Rs 21,000.

(The writer is Mithilesh Jha.)

TOP

EPFO/ESIC cover may expand by 10 million – Financial Express – 8th October 2024

In yet another bid to push "formalisation" of India's workforce and expand the social security cover, the government is likely to raise the wage ceilings for mandatory inclusion of workers under Employees' Provident Funds (EPF) and the Employees' State Insurance Corporation (ESIC) schemes. "We are going to increase the wage ceilings for both EPFO and ESIC, and bring them at par," an official said. Currently, for EPFO, the threshold is Rs 15,000 per month, and for ESIC, it is Rs 21,000. The ceiling for both may be raised to Rs 25,000-Rs 30,000 per month, the source said, adding that a final decision is expected to be taken by early 2025.

The increase in the ceiling is expected to bring nearly 10 million additional employees under the ambit the EPF and ESI Acts, experts reckon. Wage ceiling under EPF and ESI refers to the salary threshold up to which EPF and ESI contribution is mandatory under law. The amount of 'employee's contribution' towards EPF and ESI is required to be deducted from the salary of employees by the employer and be deposited with the EPFO and ESIC. The employers are required to match the contribution. Of course, a large segment of people earning higher salaries and their employers make voluntary contributions to EPF.

According to Akshay Jain, partner at Saraf and Partners, expanding the scope of mandatory minimum coverage under EPF and ESI will result in increase in the number of contributors as well as the amount of contributions even in respect of the already covered employees. As per the present rules, employees earning more than Rs 15,000 have an option to opt out of EPF coverage. In case this threshold is raised by Rs 10,000-Rs 15,000, the number of contributors will increase. At present, the active subscribers under EPFO are around 70 million.

The current wage limit for EPFO is set at Rs 15,000 per month, revised from Rs 6,500 in 2014. Under the EPFO, both the employee and employer contribute 12% each to the EPF account for employees earning Rs 15,000 or less each month. At present, the contributions from employee and employer both are payable on the maximum wage ceiling of Rs 15,000. The employee's whole contribution goes into the provident fund account. But the employer's contribution is divided into two parts – 8.33% is allocated to the Employees' Pension Scheme (EPS) and remaining 3.67% goes into the provident fund account.

At present, the EPF contribution of an employee with a basic salary of Rs 15,000 comes to Rs 1,800 per month. But say, if this wage ceiling is revised to Rs 25,000, this contribution will rise to Rs 3,000 per month, on a mandatory basis. For employer's too, this number will rise proportionately on a monthly basis. As a result, the corpus of the employee will increase upon retirement, and subsequently the pension payout. Given the Consumer Price Index (CPI), costs of medical, insurance, and pension schemes, raising the wage ceiling will support a broader workforce in managing their income more effectively, said Suma R V, partner, King Stubb & Kasiva. "Furthermore, increasing the wage ceiling is essential, as the minimum wage in many instances has surpassed Rs 15,000, rendering the current EPF cap of Rs 15,000 obsolete," he said.

Meanwhile, under ESIC, experts say, more insurers (over 37 million at present) would be benefited in case the wage ceiling is raised by Rs 4,000- Rs 9,000. The ESI scheme is a self-financed comprehensive social security scheme devised to protect the employees covered under the scheme against financial distress arising out of events of sickness, disablement or death due to employment injuries. Ashok Varma, partner, Grant Thornton Bharat said the wage ceiling hike under ESIC would be beneficial specially for gig workers, once the Code on Social Security is implemented.

Under the Code on Social Security, 2020, the coverage of the ESI scheme is set to extend across India to all establishments employing 10 or more employees, as opposed to the currently notified districts/areas. A provision for voluntary coverage of establishments with fewer than 10 persons has also been incorporated. The government has offered many incentives to nudge employees and employers to subscribe to EPFO. For instance, it linked the implementation of the three Employment Linked Incentive Schemes (ELIs), announced in the July Budget, with the EPFO. And in 2020, to provide relief to businesses from Covid-19 impact, the government had paid part of the EPF contributions of both employers and employees for a period of six months.

(The writer are Priyansh VermaPrasanta Sahu.)

TOP

NPS unveils a major change to boost retirement savings for investors – Details inside – Financial Express – 4th October 2024

New Pension System: The Pension Fund Regulatory and Development Authority (PFRDA) has introduced a new investment option called the "Balanced Life Cycle Fund" (BLC) under the National Pension System (NPS) as of October 1, 2024. This fund aims to help subscribers automatically adjust their investment based on their age and risk tolerance.

What is the Balanced Life Cycle Fund (BLC)?
The BLC will allocate assets in a way that changes as subscribers age. For younger investors, the fund will have a higher percentage of equities (stocks), which can offer better returns but come with higher risk. As investors grow older, the fund will gradually shift to safer investments.

Asset class distribution by age
The Balanced Life Cycle Fund adjusts its asset allocation based on age to help manage risk. For subscribers up to 45 years old, the distribution is 50% in equity, 30% in corporate bonds and 20% in government bonds. As subscribers age, the equity percentage gradually decreases while the allocation to government bonds increases. For example, at age 50, the distribution is 40% equity, 20% corporate bonds and 40% government bonds. By age 55 and beyond, the allocation shifts to 35% equity, 10% corporate bonds and 55% government bonds, focusing on safer investments as retirement approaches.

NPS investment options for subscribers
Currently, NPS subscriber have two modes available for investment – Active and Auto.

NPS Active choice investment
As the name suggests, subscribers have control over the allocation of their funds under the Active choice. Under Active choice, an NPS investor is allowed to increase the maximum equity allocation to 75% till the age of 50 years. This allocation has to come down to 50% by the time the subscriber's age reaches 60 years. The balance is allowed to be invested in government securities, corporate bonds and alternative investment funds. Investors also note that allocation to alternative investment funds should not exceed 5% of the contribution amount.

Auto choice investment under NPS
Under the auto choice investment option, which is also known as the Lifecycle fund, investors have three options available, namely – 1) LC75 – Aggressive Life Cycle Fund, 2) LC50 – Moderate Life Cycle Fund and 3) LC25 – Conservative Life Cycle Fund.

Equity allocation under NPS Auto choice investment
All three investment options allow investors to have higher allocations towards equity until the age of 35. After 35, the equity allocation keeps decreasing gradually. For instance, LC75 allows a maximum equity allocation of 75% until age 35 and the equity contribution reduces with time as the NPS subscriber approaches 55. Similarly, LC-50 allows an investors to go for a maximum equity allocation of 50% until age 35. Under LC50, this equity exposure keeps decreasing every year until NPS subscriber reaches the age of 55. According to the PFRDA circular, "The maximum equity allocation under Balanced Life Cycle Fund shall be 50% which shall taper down after the age of 45 years as compared to 35 years under existing life cycle funds." The PFRDA, however, has clarified that there won't be any changes in existing choices like Active an Auto choices under NPS. The Balanced Lifecycle Fund will be an additional investment option. The existing Moderate Life Cycle Fund (LC50) will continue to be the default choice, the PFRDA said.

(The writer is Mithilesh Jha.)

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IRDAI CIRCULAR

Circular	*Reference*
First year premium of Life Insurers as at 30.09.2024	https://irdai.gov.in/web/guest/document-detail?documentId=5923202

TOP

GLOBAL NEWS

Pakistan: Regulator proposes hikes in required minimum paidup capital for insurers – Asia Insurance Review

The Securities and Exchange Commission of Pakistan (SECP) yesterday proposed to increase the minimum paid-up capital requirement for insurance companies as part of its "Insured Pakistan" initiative.

The SECP proposes to increase the current required minimum capital as follows:

Type of insurer	Required Minimum Capital	
	Proposed (PKR)	Existing since 2017 (PKR)
Non-life insurer	2,000m ($7.2m)	500m
Life insurer	3,000m ($10.8m)	700m

For new insurers, the new required minimum capital takes effect immediately. For existing insurers, the proposed increase will be implemented in phases over four years i.e. from 2025 to 2028, as follows:

Year	Required Minimum Capital (PKR)	
	Life insurer*	Non-life insurer
2025	1,000m	800m
2026	1,500m	1,100m
2027	2,000m	1,400m
2028	3,000m	2,000m
* includes life digital-only insurers underwriting life insurance saving products The required minimum capital of insurers was last raised in 2017.		

The higher capital requirement aims to strengthen the insurance industry and as a result, provide better protection for policyholders. The key objectives behind this proposal are to ensure:
Availability of adequate equity to cover the current risk environment
Promotion of financial stability and soundness in the insurance sector
Protection of policyholder's interests
Enhancement of local risk absorption capacity

SECP says that implementation of proposed increase will strengthen the ability of local insurers to underwrite larger risks and retain sizeable local market share, thereby reducing the outflow of foreign exchange in the form of reinsurance premiums. It will also safeguard the stability and soundness of the insurance sector, and increase the overall net worth of the companies. The move will indirectly mandate the insurers to either raise their paidup capital or pursue mergers and acquisitions.

In a concept paper on minimum paidup capital requirements, SECP says that certain players dominate the market by having a large share in industry premiums. In the life sector, out of 12 players, six players command 98% of the total life industry premium. In the non-life sector, similar fragmentation is observed, where out of 30 players, 15 players command a 95% share in the total non-life industry premium. The proposed revisions will supplement existing initiatives towards enhancement of industry's risk absorption capacity including the Risk-Based Solvency Regime and IFRS 17 implementation.

Microinsurers

For a microinsurer and digital-only insurer, mainly involved in offering personal line products, the existing minimum capital requirements are to continue, as set out below:

Type of microinsurer	Minimum paidup capital requirement (PKR)
Life microinsurer	150m
Non-life microinsurer	80m
Life digital-only insurer	250m
Non-life digital-only insurer	100m

The concept paper and proposed revisions to insurance rules are in line with the "Insured Pakistan Vision" encapsulated in the SECP's five-year strategic plan.

TOP

Thailand: Insurers can manage impact of floods - Asia Insurance Review

The impact on Thailand's insurance industry of floods in parts of the country is manageable, says S&P Global Ratings (S&P). Flooding from heavy rainfall has hit several provinces, mostly in Thailand's north, including the tourist city of Chiang Mai. The Thai Chamber of Commerce estimated damages at THB30bn ($900m; approximately 0.17% of GDP) as of 28 September 2024. In the insurance sector, Thailand's Office of the Insurance Commission (OIC) has estimated floods in the north and northeast have caused more than THB420m ($13m) in losses for insurers to date. S&P says that it views this as manageable for the insurance sector. S&P will continue to monitor further losses in the insurance industry as they are assessed, along with whether flood risks will spread to central and southern regions of the country. Thailand is flood-prone and has experienced large floods in the past, such as in 2011 and 2017. Over the years, insurers have taken significant steps in risk management and modelling of flood-prone hotspots.

TOP

Indonesia: Outlook for non-life insurance market improves - Asia Insurance Review

AM Best has revised the outlook for Indonesia's non-life insurance segment to 'Stable' from 'Negative'. The factors behind the revision include robust growth prospects, the potential for compulsory third-party liability (TPL) insurance for motorists, and regulatory changes that are expected to enhance the sector's long-term financial stability. The Best's Market Segment Report, "Market Segment Outlook: Indonesia Non-Life Insurance", also notes two moderating factors, including pressure that remains on underwriting conditions in core business segments and elevated pricing risk due to the rapid growth of the electric vehicle market.

Indonesia's economy grew by 5% in 2023 and is likely to remain robust over the near term, supported by steady domestic demand, rising business investment, and fiscal spending, according to the report. The country's non-life insurance segment reported robust top-line results in the first quarter of 2024. This followed the growth momentum from 2023 with key drivers being the property, credit, health, and motor lines of business.

AM Best expects demand for commercial insurance to increase over time under the Indonesian government's "Golden Vision 2045." This strategy is designed to transform the economy through plans to modernise and develop the country's existing infrastructure and increase renewable energy production.

Additionally, a regulatory proposal requiring motorists to have TPL insurance is expected to further bolster insurance demand, given that motor TPL insurance is currently purchased on a voluntary basis.

"Given the regulatory push to implement the policy in 2025, motor insurance demand is expected to grow significantly over the medium term and help narrow the country's insurance protection gap," said Chris Lim, associate director at AM Best. "Nonetheless, successful implementation of the proposal will require effective product design, robust risk management, and adequate pricing strategies to mitigate potential underwriting challenges."

TOP

Thailand: Insurance regulator promotes open data policy - Asia Insurance Review

Giving everyone the opportunity to access their own data openly, transparently, and securely by linking the data with the banking sector, which is the centre of financial services, will lead to the development of financial products and services that better meet consumer needs, according to the Office of Insurance Commission (OIC). Mr Chuchatr Pramoolpol, OIC secretary-general, speaking on 3 October at the launch of the project "Your Data to Financial Services That Meet Your Needs", organised by the Bank of Thailand, said that the OIC has been continuously driving the open insurance data policy. In this, the OIC engages in four main dimensions as follows:

Dimension	Details
Use of data to develop insurance services and products	Such as linking medical treatment cost data between private hospitals and insurance companies, including setting standards for medical treatment fees
Connection of data between agencies	Linking data between government and private agencies to facilitate analysis and decision-making. For instance, the Compulsory Motor Insurance System (CMIS) of the OIC reports compulsory motor insurance via electronic media immediately after the insurance is acquired. The CMIS is linked with the e-Service system of the Department of Land Transport to facilitate the checking of Compulsory Motor Insurance by vehicle owners before renewing car taxes.
Disclosure of insurance statistics in an easy-to-understand and practical format	Consumers and the business sector can access important statistics of the insurance industry and information on insurance products, etc.
Promotion of open insurance	Provides support for InsurTech innovations to use data creatively to develop insurance services that better meet consumer needs, are safe and efficient, resulting in fair competition and reducing costs for consumers.

Mr Chuchatr said that open data is important in promoting a strong economic system because when consumers have confidence in the financial and insurance systems, they will choose tools to better cope with future risks. "However, the Open Data policy cannot happen without cooperation from all sectors," he said, as he thanked the Finance Ministry, the Bank of Thailand, and the Securities and Exchange Commission for their support and close collaboration.

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COI TRAINING PROGRAMS

Mumbai – October 2024

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
7	Marine Cargo Claims and Fraud Management	21-Oct-24	22-Oct-24	ClickHere	Register
8	Risk Inspection & Management for Risk Engineers	24-Oct-24	25-Oct-24	ClickHere	Register
9	Workshop on Team Dynamics and Interpersonal Relationships	07-Oct-24	08-Oct-24	ClickHere	Register
10	Relevance of Monetary policy and its implications	21-Oct-24	21-Oct-24	ClickHere	Register

	for Insurance sector				
11	Insurtech and Digital Marketing	24-Oct-24	25-Oct-24	ClickHere	Register
12	Boosting Productivity of Marketing Personnel of Banks, Corporate Agents, Brokers	16-Oct-24	16-Oct-24	ClickHere	Register
13	Understanding Consumer Behaviour in Insurance Sales Management	23-Oct-24	23-Oct-24	ClickHere	Register

Kolkata – October 2024

Sr. No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Handling Project & Engineering Insurance – Underwriting and Claims	22-Oct-24	23-Oct-24	ClickHere	Register

TOP

COURSES OFFERED BY COI

CC1 - Certificate Course in Life Insurance Marketing

Course Structure –

Particulars	Details
Date	11 January 2025
Duration of the course	4 months
Mode of Teaching	Self-study + 3 days Online Contact Classes
Total hours of Teaching	18 hours for Online Contact Classes (to solve queries)
Exam pattern	MCQ pattern + Assignments
Target Group	Graduate / Post Graduate, Freshers as well as employees working in Insurance Companies
Fees for the course	Rs. 5900/- (Rs. 5000/- + 18% GST)

CC2 - Advanced Certificate course in Health Insurance

Course Structure –

Particulars	Details
Date	11 January 2025
Duration of the course	4 months (3 hours on weekends)
Mode of Teaching	Virtual Training – COI, Mumbai
Total hours of Teaching	90 hours
Exam pattern	MCQ pattern
Target Group	Graduate / Post Graduate, Freshers as well as employees working in Insurance Companies
Fees for the course	Rs. 11,800/- (Rs. 10,000/- + 18% GST)

CC3 - Certificate Course in General Insurance

Course Structure -

Particulars	Details
Date	11 January 2025
Duration of the course	3 months (on weekends)
Mode of Teaching	Virtual Training - COI, Kolkata
Total hours of Teaching	100 hours
Exam pattern	MCQ pattern
Target Group	Fresh graduates/Post Graduates, Broking Companies, Insurance Companies, Freelancers
Fees for the course	Rs. 14,160 /- (Rs. 12,000/- + 18% GST)

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

Course Structure -

Particulars	Details
Date	10th – 12th December 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.