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QUOTE OF THE WEEK

"The best way to get started is to quit talking and begin doing."

Walt Disney

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Salary Savings Insurance

Salary savings insurance is a type of life insurance in which an employer takes part of an employee's salary and uses it to pay for that employee's life insurance premiums. In other words, salary savings insurance involves an employer helping an employee get life insurance by using a cut of their pay to fund the policy.

Salary savings insurance is more convenient for employees. They do not have to go through the process of paying premiums themselves; instead, their employer handles it for them. Yes, the money still comes out of the employee's earnings, but it is still a simpler way to get life insurance than many other options. Employers can offer this type of life insurance as a benefit to entice prospective employees to join the company.

INSURANCE INDUSTRY

Insurers look to IRDAI to hike premium - The Hindu Business Line – 17th August 2021

Amid mounting losses facing general insurers, the insurance regulator is understood to be examining the proposal to increase the premium for Covid-specific cover, but a decision is yet to be taken. According to sources close to the development, the Insurance Regulatory and Development Authority of India (IRDAI) is set to call a meeting of the actuaries to further discuss the issue of re-pricing of Corona Rakshak and Corona Kavach policies.

Non-life insurers, which had earlier also made a representation to increase the premium for these policies, have now pointed to their Q1, saying it is difficult to survive without a hike in the rates of these policies. "Non-life insurers are bleeding on the back of huge claims on health covers due to Covid. The combined ratios of many private sector general insurers are as high as 125 per cent.

"A review of the rates of these policies is much needed, especially since their premium is so low," noted the head of a general insurance company. Another insurance executive said companies are awaiting further word from the IRDAI to come out with revised rates. "There has been some discussion, but we are still waiting for further directions," he said. The Corona Kavach and Corona Rakshak policies were launched last year by all insurers to provide Covid-specific cover to customers.

Corona Kavach is a family health insurance policy for Covid-19, while Corona Rakshak is a defined benefit policy. Premiums for these policies are as low as ₹150 in some cases.

The third wave

The second wave of the pandemic led to a rise in claims by at least two to three times for health insurance compared to the first wave last year, and insurers are now preparing for a third wave as well. Some companies have also indicated that they may increase premiums for health cover across the board this year. Insurance companies have paid Covid-related health claims of over ₹15,000 crore since the start of the pandemic.

(The writer is Surabhi.)

TOP

INSURANCE REGULATION

Govt notifies general insurance and DICGC bills - The Economic Times – 14th August 2021

The government has notified the General Insurance Business (Nationalisation) Amendment Bill and the Deposit Insurance and Credit Guarantee Corporation (DICGC) (Amendment) Bill, after President Ram Nath Kovind gave his assent to both the laws. The Bills were passed by the Lok Sabha and Rajya Sabha earlier this month through a voice vote. The General Insurance Business (Nationalisation) Amendment Act will allow the government to cut its stake in state-owned general insurers to below 51%.

The Deposit Insurance and Credit Guarantee Corporation (Amendment) Act ensures that bank account holders are paid up to ₹5 lakh within 90 days of the Reserve Bank of India placing any bank under moratorium. Finance minister Nirmala Sitharaman has said that depositors of 23 cooperative banks – including Guru Raghavendra Sahakara Bank, Bengaluru, and People's Cooperative Bank, Kanpur -- which were declared under stress, would benefit from this legislation. In her budget speech in February, Sitharaman had announced the government's intent to take up two public sector banks and one general insurance company for privatisation.

TOP

LIFE INSURANCE

Key term insurance policies that can benefit you during COVID-19 pandemic – CNBC - 18th August 2021

India has rolled out the largest and amongst the most efficient Covid vaccination programs in the world. More than 40 crore Indians have been vaccinated with at least one dose and more than 10 crore with both doses. World over, we are witnessing the onset of the third wave of Covid and chances of it impacting India are high because of our vast population. It will take us a minimum of 6-8 more months to reach 70 percent vaccination which is required for herd immunity.

All of this puts India at a risk for the upcoming third wave. Even experts and doctors are divided in their opinions on the efficacy of vaccination at this point. It is thus important that we learn about the gravity of the situation from the last two waves, take necessary. Consumers who do not have a life and health insurance plan should apply for it and people who have not renewed their actions, and prepare on both personal and financial fronts, well in advance plans should not keep waiting. What can give better financial protection than a term insurance health cover during these trying times? In fact, by paying a very small premium of Rs 500 per month, one can get a life cover of an amount as high as Rs 1 crore.

Below are some suggested term insurance policies that can benefit consumers during the third wave and can be claimed by their legal heir or nominee:

EPF related EDLI claim: Employees' Deposit Linked Insurance Scheme (EDLI) is a type of insurance cover offered by the Employees' Provident Fund Organization (EPFO), which provides financial security to employees of any organization. In the event of the death of an active EPFO member during his/her service period, the nominee or legal heir receives a lump sum payment of up to Rs. 7 lakh.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY): Time-old Pradhan Mantri Jeevan Jyoti Bima Yojana, was launched by the Central Government, to protect the lower-income sections of the society. The policy is highly suggested, as it offers insurance protection as a premium, as low as Rs 330, per annum.

This insurance plan is available to all bank account holders between the ages of 18 and 50. From death benefit, maturity benefit, tax benefit, risk coverage, the PMJJBY offers multiple benefits to consumers. It should be noted that claims can be made 45 days after enrolling in the policy. If a death occurs within 45 days of enrolling in the scheme, the nominee will not be able to file a claim.

Saral Jeevan Bima term policy: Saral Jeevan Bima has also made it easier for people with comparatively less educational background and those falling under low-income profile to get coverage. It is a non-linked, non-participating individual pure risk premium life insurance policy that pays the nominee a lump sum death benefit (amount assured) if the insured passes away within the policy period. This insurance has a minimum sum assured of Rs 5 lakh and a maximum sum assured of Rs 25 lakh. Insurers, on the other hand, can offer a sum assured greater than Rs 25 lakh while keeping all other terms and conditions the same. Along with the insurance plans mentioned above, consumers should understand that term insurance is divided into various types, which help them choose the right format of the plan as per their requirements and financial capabilities.

A regular term insurance plan is that where the premium payment is equal to the policy term. Such plans have monthly (under ECS/ NACH), semi-annual or annual premium as modes of payment. A single premium term plan provides the option of paying the premium for the entire policy term as a lumpsum amount. This term plan can be opted with a limited premium paying term where the premium is paid for limited-term, whereas cover is for a longer time period. The premiums in the Saral Jeevan Bima plan are usually higher than regular term plans.

Consumers can also opt for Increasing Term plan, where the death benefit increases gradually during the policy term. Premiums in an increasing term policy may change or remain constant throughout the policy tenure. There is also a decreasing term plan, under which, premiums remain constant but the sum assured payable decreases on pre-defined basis. Premiums of decreasing term insurance plans are, usually, lower than premiums of a normal term insurance plan where the sum assured remains the same. While the government is trying its best to protect people from the third wave of Covid, insurance is a must at this point of time. Term insurance is required to keep oneself and the family financially secured from any kind of unprecedented crisis.

TOP

Our life insurance market has faced its moment of truth - Live Mint – 18th August 2021

The private life insurance industry is celebrating 20 years in India this year. There have been major milestones in this journey of growth, backed by a rise in per capita income, demographics and favourable policy interventions, but the biggest catalyst of transformation so far has been the covid pandemic. This has put the spotlight on changes in consumer behaviour that alter people's approach to life insurance, the mode of selling policies by insurers and the product's imperative overall.

From push to nudge: The life insurance sector has shown more resilience than many other industries and started witnessing month-on-month growth after the initial pandemic-induced shock. It is now clear that covid is a big inflexion point for the industry. Buying life insurance is not just about getting a tax incentive anymore, as uncertainty has heightened consumer awareness and driven them to proactively include it in their financial plan. It is therefore a small wonder that on the 20th anniversary of our existence, we have seen life insurance make a transition from being a 'push' to a 'nudge' proposition.

Pivot to purpose: Most of India's young working population, who are employed in the unorganized sector, will need life insurance to ensure a financial safety net for their family as well as to build long-term savings. Life insurance companies, on their part, would need to rise to the occasion and customize products for this section. In crises, what people need is support, stability and reliability. Since life

insurance claims are really the moment of truth in this business, many insurers pivoted to their purpose of serving customers and standing behind them and their families in their hour of need. Companies made sure that claims were settled quickly and in a hassle-free manner. Physical to virtual handshake: While covid catalysed greater technology adoption, some leading players had already moved down the digital transformation path, which helped them move with agility to respond to customer needs during the lockdown. Insurers with digital prowess had an advantage as transactions at both ends—customer and company—became more prevalent and preferred through digital channels and apps.

Robust technology solutions and training helped employees and distribution partners transition to working remotely, as also to serve customers in meeting their policy-buying and claim settlement needs from the safety and comfort of their homes. The life insurance industry is largely relationship-oriented and depends heavily on personal meetings to sell products, but travel restrictions and social distancing norms changed that format. And, for the first time in 20 years, the industry's selling activity moved from a system of physical handshakes to a virtual one. The journey: Over the last two decades, the industry's total assets under management have increased 25 times from ₹1.5 trillion in 2000-01 to ₹37.75 trillion in 2019-20. India's gross domestic product (GDP) in the same period grew 10 times from about ₹19.8 trillion in 2000-01 to ₹203.4 trillion in 2019-20. Similarly, the sum assured as a proportion of GDP has grown from 50.1% in 2002 to 85% now, reflecting the market's maturity. With this maturity, the product mix too has changed from being dependent on traditional savings products to a scenario where 18% of the market comprises linked products, with the balance being others.

The distribution mix of the industry, which has seen three initial public offers, has also evolved with over 50% of its business now coming from bancassurance, corporate agency and broking, which was entirely agent-driven when we began. According to a Swiss Re sigma study, India is poised to be among the top 10 largest insurance markets of the world. Future outlook: Though industry data shows a promising future, the pandemic also revealed India's protection gap. The number of covid-related death claims is a fraction of the number of overall lives lost, highlighting the vulnerability of Indian families. Swiss Re puts the protection gap for India at $16.5 trillion.

While the industry's new-business premium collection has grown at a compound annual growth rate (CAGR) of 10.4% from 2001-02 to 2020-21, insurance density at $58 in 2020 is just about a sixth of China's. In addition, our internal analysis of government data shows that India's retail-protection sum assured as a proportion of GDP is only 19%. As against this, the sum assured as a percentage of GDP in other Asian economies such as Thailand, South Korea and Malaysia is 113%, 131% and 142% respectively, pointing to India's vast growth potential.

Assuming two different CAGRs of 20% and 25%, our analysis indicates that over the next 15 years, India's retail-protection sum assured as a proportion of GDP should reach 75% and 145% respectively. In 2019-20, the total number of policies sold by the industry stood at about 6 million. The total number of new policies will reach around 70 million assuming a CAGR of 15% and 115 million at a CAGR of 20% over the next 15 years, which would result in a market-penetration figure of 45.6%. I see this data pointing to significant headroom for growth. Covid improved the awareness levels of consumers and sharpened the need felt for health and life insurance. It also accelerated the adoption of digital tools, which over time could help us deepen penetration. As awareness levels of life insurance increase, I see it making a fuller transition from 'push' to 'nudge' and eventually to a 'pull' product (actively in demand) over the next decade.

(The writer is Satyan Jambunathan.)

TOP

Buying term insurance in your 50s? Better late than never – Live Mint – 17th August 2021

It is easy to feel a little past your prime by the age of 50, especially in today's youth-centric world. However, turning 50 is a watershed moment in one's life. This age will not only provide you with chances, but also present you with obstacles. The good news is that you will most likely make more money in your 50s than you did early in your career, affording you financial freedom. At the same time, you may be

faced with additional large expenses, such as your children's higher education or marriage, or even the prospect of purchasing a new house.

In such a situation, if, for instance, your existing life insurance policy term gets over, or you haven't even purchased a policy yet, then should you renew or buy a term life insurance when you turn 50? Let us take a look at the pros and cons.

Pros: One advantage of buying a term insurance policy at 50 is that it can provide financial support to your children or family members who are financially dependent on you in case something unfortunate happens to you. Your spouse can avail death benefits of this policy in case you die, which could make her self-reliant and financially equipped. It might also help compensate for legal costs or property taxes that you might have incurred. Rakesh Goyal, director, Probus Insurance, said having a term insurance policy can help your family members or dependents (post your demise) repay the hefty loans you owe. "The term policy can offer benefits during retirement years as it can be a good alternative for a regular income for the family during these years. The policy also comes with several tax benefits," said Goyal.

Cons: A disadvantage of buying a term insurance policy at 50 could be the age factor. It can be challenging to find the right plan to suit your requirements at this age, and the policy premium rates would always be higher compared with plans bought earlier. Also, a retiree with insufficient savings can find it difficult to pay these high premium rates. Health factors could be another issue. Naval Goel, founder and chief executive officer, PolicyX.com, said there are higher chances of such persons contracting diseases, which can affect the premium on account of loading charges. "Another disadvantage for those purchasing term insurance at the age of 50 is the lower sum assured. While a person of 30 years of age can get a sum assured 10-20 times their current income, a person at 50 years of age will get only 5-10 times of the income sum insured," Goel added.

Now, let us examine the life situations that are likely to trigger the purchase of term life insurance even if you are in your 50s.

Outstanding debts: Sajja Praveen Chowdary, head - term life insurance, Policybazaar.com, said there are people who have not saved enough or who are in debt. "It is possible that you may die before paying off your mortgage. This is when term insurance comes in handy. To cover the specific loan amount, a term insurance policy can be purchased. If the individual is no longer alive, the sum assured can be used to pay off loans while causing no inconvenience to family members," said Chowdary.

Financially dependent children: Life insurance decisions can also depend on your responsibilities, and not just age. "People no longer marry at 23 and have children between 25 and 28 years of age. Nowadays, one of the most common demographic shifts is that more and more people postpone marriage, and starting a family. As a result, by the time one is 50, one's children are most likely still in school and may require your financial assistance; thus, purchasing term insurance at the age of 50, even at a higher premium, can be a wise decision," said Chowdary.

Deciding factors: "The premium rates of the term insurance policies would be on the higher side for people who purchase a policy at or above the age of 50. But there is no right age to buy a term insurance. Sooner the better, of course, but better late than never," said Nayan Goswami, head of sales and service, SANA. Insure.

Adding to it, Col. Sanjeev Govila (retd), chief executive officer, Hum Fauji Initiatives, said, "Buying a term insurance is never to be linked to age but to the future liabilities—their quantum and duration." The liabilities could pertain to anything from children's requirements (education, higher education, marriage, even medical requirements etc.) to own house, retirement living, travel, medical necessities and even

lifestyle requirements such as family vacations in case the primary breadwinner dies. Besides, how much and for how long to take the term insurance will depend on carefully calculating the assets and liabilities at various points of time in life for the whole family, with inflation and taxation also factored in practically.

Govila further said that the basic tenet of this calculation is that the family's standard of living, including critical and lifestyle goals, should not suffer if a person dies. Of course, it should be remembered that life insurance is neither a wealth creation tool nor a succession planning tool for the family. It is a sustenance tool for the interim so that the family can get back on its own after the family head's death.

(The writer is Navneet Dubey.)

TOP

Life Insurance: Lock in annuity rate with Saral Pension - Financial Express – 16th August 2021

After the insurance regulator's guidelines, life insurance companies are launching Saral Pension, a standard immediate annuity plan which offers the same terms and conditions across all the life insurers. The single premium, non-linked, non-participating, individual immediate annuity plan offers lifelong guaranteed rates, right at the time of purchase which make it easier for customers to make an informed choice. The simple features and standard terms and conditions will also reduce mis-selling of life insurance products. Annuity plans ensure that one continues to live a comfortable life even after retirement. On payment of a lump sum amount, a policyholder can choose one type of annuity from two available options—life annuity with return of 100 percent of purchase price or joint life last survivor annuity with return of 100 percent of purchase price on death of last survivor.

The joint life option works well for those who want to extend the benefit to their spouse. The lifetime guarantee on the annuity receivable irrespective of interest rate changes in future makes the product really attractive. The minimum entry age for the policy is 40 years and the maximum is 80 years.

Safeguard against volatility

The policy offers flexibility to policyholders to receive guaranteed income on yearly, half-yearly, quarterly, or monthly frequency. It offers a loan facility to the policyholder after six months of the purchase in case of a financial difficulty. The policy can be surrendered any time after six months if the annuitant or the spouse or any of the children of the annuitant is diagnosed as suffering from any of the specified critical illnesses. On surrender, 95% of the purchase price will be paid to the annuitant after deduction of outstanding loan amount and loan interest, if any. On payment of surrender value, the policy will be terminated.

Srinivasan Parthasarathy, chief actuary, HDFC Life, says annuity plans are suitable for individuals closer to retirement age or already retired. "These plans can act as a safeguard against market volatilities and falling interest rates. One starts receiving regular payments right after purchasing the product which ensures steady and regular income with locked-in annuity rates for the rest of their life," he says. Bikash Chaudhary, appointed actuary and chief risk officer, Future Generali India Life Insurance, says the product will help customers achieve financial independence during their retirement years without any worry of change in interest rates in the future. "Such a simple product will make it easier for the customers to make an informed choice," he says.

Product pricing

The pricing of the product is left to the insurers. The annuity rates will have to be derived based on actuarial principles. The minimum annuity amount will be Rs 1,000 per month, Rs 3,000 per quarter, Rs

6,000 per half year and Rs 12,000 per annum. There is no maximum limit for the annuity and insurers can pay higher annuity rates for large purchase prices. Insurers also pay a higher rate if the policy is purchased online. The policyholder will have to pay tax at his marginal rate on the annuity amount received. Insurers will have to derive band-wise annuity rates – Band 1: less than Rs 2 lakh; Band 2: Rs 2-5 lakh; Band 3: Rs 5-10 lakh; Band 4: Rs 10-25 lakh; and Band 5: above Rs 25 lakh. In case of joint life annuity, life insurance companies will calculate annuity rates based on actual age difference between the principal annuitant and his or her spouse.

A policyholder can take a loan against the policy, subject to the condition that the maximum amount of loan will be such that the effective annual interest amount payable on loan does not exceed 50% of the annual annuity amount payable under the policy. Insurers will recover the loan interest from the annuity amount payable under the policy and will accrue as per the frequency of annuity payment under the policy. The loan outstanding shall be recovered from the claim proceeds under the policy. However, the annuitant has the flexibility to repay the loan principal at any time during the period of the annuity payments.

(The writer is Saikat Neogi.)

TOP

ULIP woes: How a senior citizen lost 90% of his premiums after staying invested for 14 years – Money control - 16th August 2021

In May, Mumbai-based S Rajasekhar (name changed), 63, got a text message from Max Life Insurance. The message said the company had terminated his unit-linked insurance policy (ULIP) – Life Invest Unit-linked Investment 10-pay plan. It paid him Rs 50,006. The problem was, he had invested Rs 5 lakh in the policy.

What really happened?

In the year 2007, Rajasekhar bought two unit-linked insurance policy (Ulip), both from Max Life Insurance, by paying a monthly premium of close to Rs 4,000 each in both these policies. The policies, which came with sum assured of Rs 12.5 lakh**,** were to mature in 2032 and 2033. They were limited premium–paying policies, so the premium paying period ended in 2017. Under the terminated policy, for which he received just Rs 50,000, he had paid total premiums of Rs 5 lakh.

At first, Max Life customer care executives told him the cancellation was a result of his surrender request. "I had never made one," says Rajasekhar, who also complained to the Insurance Regulatory and Development Authority of India (IRDAI). And predictability, his insurance agent who had (mis)sold him the policy, didn't help.

Melvin Joseph of Finvin Financial Planners explains that there was a clause in some of the older ULIPs – issued before the 2010 reforms – that allowed insurance companies to terminate the policies if the fund value fell below a particular threshold. Whatever remained, was returned to policyholders. This is the route Max Life took, according to Rajasekhar's complaint to the IRDAI. The policy was terminated as the fund value had dipped below the annual premium.

The real culprit: Mortality charges in ULIPs

The mortality charges in Rajasekhar's policy added up to Rs 4.95 lakh when it was cancelled. His death benefit – Rs 12.5 lakh – was 25 times his annual premium. Rajasekhar says he was not aware of this charge and how it could hit his policy at a later date. He only mentioned the amount he wanted to invest and the agent took the rest of the calls.

A mortality charge is the cost of the risk cover, that is, protection cover that will pay out the claim to your dependents. It is linked to your age, age-group's life expectancy, death benefit and fund value, among other things. The older you are, higher the charges. Max Life may have terminated the policy

prematurely, but the high mortality charges took a large bite out of his residual corpus. Present-day ULIPs usually offer a cover of ten times the annual premium. For instance, a 49-year-old buying Max Life's Online Savings Plan ULIP (balanced fund option) with a death benefit of Rs 5 lakh will be charged Rs 8,471 as mortality charge, assuming 8 percent gross yield. In Rajasekhar's case, higher sum assured also contributed to higher mortality charges.

Rajasekhar feels that he could salvage his investment as he complained to the IRDAI. Max Life Insurance agreed to refund the premiums collected on both the policies, along with 6 percent interest for the entire period. He has recently received Rs 7.62 lakh each for both his Ulip policies against cumulative premiums of Rs 5.04 lakh that he had paid per plan.

While arriving at this arrangement, however, Max Life made it clear that Rajasekhar had access to all the information about the policy and yet chose to buy the policy. "As you are aware, under unit-linked policies, mortality charges get deducted in accordance with the terms of the policy contract. Due to your prevailing health condition at the time, extra loading charges were imposed as a percentage over the mortality/morbidity charges that were to be deducted from the premium itself. It will not be out of place to state that the said extra loading charges were duly accepted by way of signed counter offer by you and only upon your acceptance of the counter offer, the above policies were issued," notes Max Life's email, of which Money control has seen a copy, to Rajasekhar. He had diabetes and hypertension at the time of buying the policy, which pushed up his mortality charges. Yet, the refund was being processed as a "goodwill gesture", considering his "age and health conditions," the company wrote in its communication. When Money control contacted Max Life Insurance for their response, they reiterated that the matter had received an amicable closure. "We have settled this particular claim in an amicable manner with the customer. At Max Life Insurance, we take customer grievances at the highest priority and remain committed to resolving any issues in a timely and efficient manner," the company said in an emailed response to Money control's queries.

Fewer tangles in new-age ULIPs

Others might not be as fortunate as Rajasekhar. Mis-selling has been a menace in life insurance and one that persists despite multiple regulations to curb such malpractices by the IRDAI. Unfair business practices, which include mis-selling, made up 26 percent of complaints received in 2019-20. To rein in cases of mis-selling, the regulator imposed caps on Ulip charges in 2010, which brought down premium allocation charges and, therefore, commissions paid to distributors, among other things. The reforms have indeed made Ulips relatively more policyholder-friendly. Also, 2015 onwards, life insurers have introduced low-cost online Ulips that have done away with premium allocation charges.

Understand ULIP workings before taking the plunge

But even reformed Ulips lack the flexibility to redeem units if the fund's performance is lacklustre and switch to another company's Ulip, unlike mutual funds. The five-year lock-in period means that you can withdraw your money only after it ends. Those who are likely to need the funds in 5-10 should tread carefully. Moreover, while new-age online ULIPs have trimmed most of their charges, the ceiling on charges does not apply to mortality charges.

What should policyholders do?

People in the older age-groups, who are unlikely to have dependents, need to be especially careful while buying any policy that promises attractive returns, tax benefits and 'free' insurance. "Ask yourself about the purpose of making the purchase. If you are looking for an insurance cover, term insurance is your best bet. If the objective is wealth creation, then you can look at mutual funds," says Raghavendra Nath, Managing Director, Ladder Up Wealth Management.

Read the policy documents yourself, even if they are voluminous. Many make the mistake of leaving the crucial task of filling up forms to the insurance agent. Likewise, do not treat post-purchase verification calls from life insurance companies – made to ensure that the product has not been mis-sold – as mere bureaucratic processes. If you realise that the policy is not suitable, you can surrender it within the 15-30-day free-look period. "Don't listen to the sales pitch of the agent or bank and purchase such policies.

Understand the premium commitment, minimum number of years for premium payment, exit route in case of non-performance etc," advises Joseph.

(The writer is Preeti Kulkarni.)

TOP

Wellness and Insurance: Insurers go for virtual health coaches, wellness apps - Financial Express – 16th August 2021

As wellness infused health cover is gaining traction, the role of health insurers is changing. Health insurance plans have wellness programmes that are offered as a value-added benefit and there is no additional cost associated with opting or enrolling for these benefits.

Many of these programmes motivate the customers by providing them with a specified goal/ target under the wellness programmes and on the attainment of the same, the insured is rewarded with various benefits or points. These rewards can range from discounts/ concessions on various diagnostic centres, network hospitals, to avail of health care services, discounts on pharmacy bills, OPD bills, etc.

Health and mental well-being

Insurers are expanding their digital platforms to usher the consumer towards a healthy life. They are implementing digital and technology-led ways to engage with consumers to ensure their wellbeing. These include introducing regular engagement regimes to monitor physical and mental health, offering technology-powered apps and bringing wellness coaches in virtual or physical forms to guide customers.
The pandemic has given birth to a new cohort of health-conscious and wellness focused individuals. This segment, largely driven by the millennials and Gen-Z, looks beyond physical health and chases holistic wellness, with a special focus on mental well-being.

As insurers see the new consumer base grow, they are adapting to the needs, wants and requirements of the same. Keeping this in mind, insurers will bring in innovative products and new features to better suit the technologically-aided journey of wellbeing.

(The writer is Sanjeev Mantri.)

TOP

GENERAL INSURANCE

Revisit your necessary insurance covers this monsoon season – Here's why - Financial Express - 19th August 2021

Though Monsoon occupies a special place in everyone's heart, there is no denying the fact that monsoons can get troublesome at times. From waterlogging to heavy rainfall to landslides, people can encounter a host of problems during the monsoon season. Indraneel Chatterjee, Co-Founder, Renew Buy, says, "Health, home and motor insurance are the most important – the three insurance categories hold a substantial value during the monsoon season."

Experts say there are times when people tend to forget that some of the problems they face are covered under their insurance policy. To start with, vehicles can be subjected to water damage, and sometimes even a total loss. Northern India faces a lot of landslides; the recent landslide in Himachal Pradesh due to incessant rain is evidence of how monsoon can cause unforeseen damage to life and property. Health insurance too is equally important as monsoons can lead to seasonal health risks, vector-borne diseases, viral infections, sometimes leading to hospitalization.

Here are some tips for health, motor and home insurance, specific to monsoon;

Health Insurance: Considering, we are at the onset of the third wave of Covid, Chatterjee says, "it is always advisable to have comprehensive health insurance for family security. Vector-borne diseases, which are the most common during monsoons, are usually covered in all comprehensive health insurance plans. One can also buy standalone plans for vector-borne diseases which are available at prices lower than comprehensive health insurance plans and specifically cater to vector-borne illnesses.

Note that, disease-specific plans protect a person from vector-borne diseases like dengue, malaria (infection cover), and some non-communicable diseases. It provides policyholders with diagnostic investigation coverage, outpatient doctor visit or post-hospitalization follow-up coverage, and ambulance coverage. Some plans also provide additional benefits, in case of serious deterioration in health that necessitates ICU admission. There are also benefits such as 'No Claim Bonus' and 'Global coverage'. It also excludes the lengthy waiting period required by traditional insurance to pay for the specified health conditions under a comprehensive health insurance plan.

Chatterjee adds, "Recently, disease-specific plans have been developed to provide the most customized health insurance services for the monsoon season, which has tailored benefits related to the vector-borne disease. It also gives affordability to customers in terms of buying the insurance policy."

Motor Insurance: A comprehensive motor insurance policy helps one protect their vehicles during any kind of natural calamity, the chances of which are highest during monsoons.

Chatterjee says, "Even though motor insurance is mandatory and vehicle owners are expected to have a 'Third-party liability' motor cover, the major issue with this cover is that it does not offer protection against damages caused by natural calamities. Whether a person is moving on the road, or the vehicle is at a parking area, the vehicle is always at risk." He further adds, "A comprehensive policy is always suggested which can protect one's vehicles, not only when the vehicle is at the parking area, but also from natural disasters like fire, falling objects, theft, civil disturbances, and vandalism."

In comprehensive motor insurance cover, the amount insurers pay, depends on the age of the car, and the car's insurance declared value. All companies except a few cover add on till 5 years, some insurance companies also cover till 10 years.

Home Insurance: Home insurance covers all the contents of a house as well as properties. Despite the best security measures, experts say only an insurance policy can help a person from the risk of thefts and damages due to fire and other monsoon based natural disasters.

Chatterjee adds, "There are lots of factors that should be considered while determining the sum insured for home. It depends on the plan one chooses whether he or she is opting for only the house or if he/she wants to ensure the contents of the house as well. If one considers the value of belongings like special high-value painting or artefact, that can also be considered with the property insurance."

Additionally, see that the insurance protects the house from natural calamities, loss, or damage due to fire, riots etc. Nowadays, losses due to terrorist attacks can be also covered on a very nominal premium.
While one can choose to buy motor, health, and home insurance policies from the same insurer, experts always advise to choose the rights plans and offer depending on his or her requirements, product features and insurance covers. Chatterjee adds, "It is fine to choose different insurance covers from different insurers, but important to go for insurance products which give the best of benefits to the insured."

(The writer is Priyadarshini Maji.)

TOP

DICGC can now fix risk-based deposit insurance premium - The Hindu Business Line - 19th August 2021

The Deposit Insurance and Credit Guarantee Corporation (DICGC) can usher in a differential premium system (DPS) for banks, based on their risk profile, following an amendment to the DICGC Act. A sub-section inserted in the Act allows the corporation to increase the deposit insurance premium for a bank. Currently it charges a flat rate premium of 12 paise per ₹100 deposit. According to the amendment, "the Corporation may, having regard to its financial position and to the interests of the banking system of the country as a whole, and with previous approval of the Reserve Bank of India (RBI), from time to time, raise the aforesaid limit of fifteen paisa per annum for every hundred rupees of the total amount of the deposits in that bank." Prior to the amendment, Section 15(l) of the Act had said: "...Provided that the premium payable by any insured bank for any period shall not exceed fifteen paise per annum for every hundred rupees of the total amount of the deposits in that bank at the end of that period..."

The amended DICGC Act replaces the "shall not exceed fifteen paise per annum for every hundred rupees" clause with "raise the aforesaid limit of fifteen paisa per annum for every hundred rupees". Though the corporation currently has a one-size-fits-all approach to collecting deposit insurance premium, the amendment empowers it to create a differential premium system based on the risk profile of banks. The flat rate premium had been upped from 10 paise to 12 paise per ₹100 of assessable deposits since April 1, 2020, to mitigate the impact of the hike in insurance cover on the corporation's Deposit Insurance Fund (DIF). DICGC, a wholly-owned subsidiary of RBI, had upped the limit of insurance cover for bank deposits fivefold to ₹5 lakh per depositor with effect from February 4, 2020. D Krishna, former advisor and chief executive of the National Federation of Urban Co-operative Banks and Credit Societies, said the amended DICGC Act empowers the corporation and RBI to prescribe higher rates of premium for co-operative banks vis-a-vis commercial banks. To address the moral hazard inherent in flat rate premiums irrespective of risk profile, DICGC is examining the recommendations of an internal committee on risk-based premium.

Of the total claims settled by DICGC since inception, around 94.3 percent pertained to co-operative banks that were liquidated, amalgamated, or restructured, according to RBI. As per the report of the RBI committee on DPS, the categories for assigning premium rates should be limited to four or five. Further, the ratings system, as far as possible, should be ownership-neutral. Krishna observed that public sector banks, which have implicit government guarantee and/or backing, get recapitalisation support and private sector banks are not allowed to fail when they get into trouble as they are either revived or merged with another bank. In contrast, a number of urban co-operative banks have been liquidated as there was no support from any quarter. "Therefore, it would be unfair for RBI to think of differential premium without having a level playing field or to allow DICGC to hike the premium just because the Act now permits them to do both," Krishna said.

(The writer is K Ram Kumar.)

TOP

General Insurers to Recover as Covid Cases Fall, Jabs Rise - The Economic Times – 19th August 2021

India's general insurance sector is set to gradually recover from high loss ratios, which hit the solvency margins of top players in the first half of 2021, on the back of reducing Covid-19 cases and increased vaccinations, ICICI Securities has said. "The heightened loss ratios and in turn lower solvency for India's health insurers in Q4FY21/Q1FY22 are expected to normalise gradually with a reduction in Covid cases

and increased vaccinations (assuming no recurring Covid waves)," the brokerage said in a report on Wednesday. Only select firms such as Star Health and Niva Bupa (formerly Max Bupa) posted loss ratio — which measures total incurred losses in relation to the total premium collected — below 100 in the June quarter, which coincided with a devastating second wave of the pandemic in India.

Others such as Bajaj Allianz GI, ICICI Lombard, HDFC Ergo and Care Health all posted a loss ratio in excess of 100. A loss ratio above 100 percent indicates that for the given time period the insurer is unprofitable because it is paying out more in claims than it is receiving in premium. "Select players outperformed in Q1FY22 in terms of loss ratios, but depending upon reserving, the complete picture is best seen on an annual basis," the brokerage said. The industry — which includes 25 general insurers and six standalone health insurers — has so far received 1.3 million claims in FY22 on account of the coronavirus, of which 1.04 million have been settled as of July 18, the report said.

In terms of value, the insurance companies have received total claims worth Rs 14,660 crore in FY22 to date against Rs 14,680 crore in the entire of FY21. Out of these claims, Rs 9,900 crore have been settled so far this fiscal as against Rs 7,900 crore in the whole FY21, it said. "However, news reports indicate higher rejection rates due to hiding of pre-existing conditions, raising a claim before the waiting period after purchasing a policy, not supported by valid documents, or producing fake documents including Covid certificates," the report said. Solvency margins, too took a slight hit. Both HDFC Ergo and Star Health have seen the solvency ratio decline to 170 percent in Q1FY22 against 200 percent in Q1FY21. IPO-bound Care Health's ratio dropped to 180 percent in Q1FY22 from 260 percent in the corresponding period of last year.

TOP

Insuring the insurers - The Hindu Business Line – 18th August 2021

The passage of the General Insurance Bill has drawn criticism for the absence of discussion and debate in Parliament. However, it cannot be denied that the amendments to the General Insurance Business (Nationalisation) Act, 1972, made in the Bill, were, in fact, necessary to keep the three unlisted public sector general insurers afloat and prevent a crisis in the sector. The amendment allows the central government to hold less than 51 per cent in General Insurance Corporation, National Insurance Company, Oriental Insurance Company, United India Insurance and New India Assurance Company, paving the way for a strategic sale in these insurers to a private entity. The buyer would have the freedom to bring about changes in the operations of the company. While the Centre has stated that the objective of the Bill is to increase public participation in these companies, it may not be easy to make a public offer of the three unlisted public sector general insurance companies — National Insurance, Oriental Insurance and United India Insurance. This is because these companies are poorly run and have weak financial metrics. Their actuarial skills are not in sync with the competition. Strategic stake sale therefore appears to be the best option. The interests of policyholders and the employees will also be better served.

The woeful performance of Oriental Insurance, United India and National Insurance has taken them to the brink of insolvency, with the Centre bailing them out in the recent past. The change in regulations regarding motor insurance and the large health insurance claims due to Covid-19 have further weakened their finances. The Centre's earlier plan to merge the three insurers and then offer the share of the merged entity to the public had to be shelved due to sinking profitability. The solvency ratio, that

measures the extent to which the assets of an insurer covers its liabilities or future payments has declined to 0.02, 0.92 and 0.30 for National, Oriental and United India insurance respectively, towards the end of last March. This is far lower than the prescribed ratio of 1.5 times. The combined ratio, that measures the claims as well as expenses against premium received is also extremely high for these players, between 120 and 160 per cent. The Centre had to infuse Rs 12,450 crore in these companies last July to keep them solvent. They could need more funds this year as well.

While government sponsored socially oriented insurance schemes such as Fasal Bima Yojana may be impacted by such privatisation, insurance on other counts (motor, accident, fire and marine) is paid for by those who can afford to do so. The Centre must devise a way to deal with apprehensions regarding such sponsored schemes, even as these entities are purchased by a strategic buyer. The three unlisted insurers hold around 25 per cent share in the Indian general insurance market. Private general insurers may be keen on these entities for their large client base and branch network. The roadmap must be carefully drawn by the Centre so that all stakeholders' interests are considered.

TOP

All you wanted to know about the new changes in deposit insurance - The Hindu Business Line - 14th August 2021

Last week the Deposit Insurance and Credit Guarantee Corporation (Amendment) Bill 2021 was passed by both the houses of the Parliament. In the wake of the PMC Bank and YES Bank debacles, these amendments are a move in the right direction. In light of the proposed changes, we help you understand how deposit insurance works. The bill, which is pending until it gets the President's assent, proposes to change the time at which the DICGC becomes liable to pay the bank depositors. Earlier the liability kicked in only when the order of liquidation was passed against a bank. Now the DICGC is liable to pay depositors when any direction, order or scheme is passed such that it prohibits the depositors of the insured bank from accessing their deposits. The DICGC is required to pay the depositors the insured amount (of up to ₹5 lakh – inclusive of principal and interest) within 90 days from which such order/direction/ prohibition takes effect. Once, the bill is enacted into law, depositors of the crisis hit PMC Bank will also be automatically covered.

Earlier, the DICGC was required to settle dues to the liquidator, who in turn would ensure the distribution to each depositor. Now, per the amendment, DICGC is required to pay the depositors either directly, or get the amount credited in the account of the depositors through the insured bank. Depositors are not required to pay anything. Banks pay DICGC a premium of up to 15 paise per ₹100 of deposits with them, every year. An amendment has also been proposed to permit DICGC to hike the maximum limit of the premium to be collected from time to time with the prior approval of the RBI. No primary co-operative societies are not. However, all commercial banks (including branches of foreign banks functioning in India, local area banks and regional rural banks) all state, central and primary cooperative banks (which are known as urban cooperative banks) are insured by the DICGC.

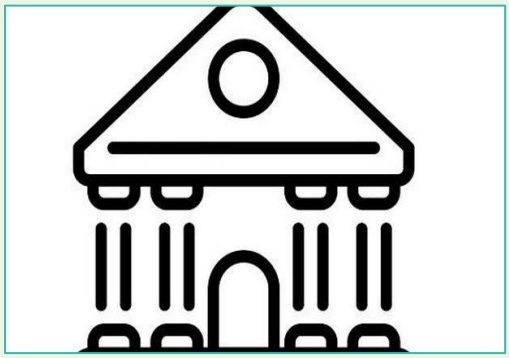
Each depositor in a bank is insured for up to a maximum of ₹5 lakh (hiked from the earlier ₹1 lakh in the 2020 Budget) for both principal and interest amount held by him/her in the same right and same capacity. This means that all accounts (savings, current, fixed and/or recurring deposit accounts) held by the depositor in all branches of the bank in her individual capacity will be aggregated. The insurance cover is available for up to a maximum of ₹5 lakh. However, if the depositor opens other deposit accounts in her capacity as a partner of a firm, or guardian of a minor, or director of a company, or trustee of a trust, or a joint account, in one or more branches of the bank, then such accounts are considered as held in a different capacity and different right. Such deposits will hence enjoy the insurance cover of up to ₹5 lakh each.

If multiple accounts are jointly held by individuals in a bank in which their names appear in the exact same order, then these are considered to be held in the same capacity and in the same right. Hence these shall be aggregated for the purposes of the ₹5 lakh insurance limit. Depositors are hence better off in changing their order of names, while holding multiple joint accounts in the same bank. These will be treated as held in different capacity and different right. Accordingly, insurance cover will be available separately up to ₹5 lakh for every such joint account where the names appear in different order or where the names are different. Say, you wish to open multiple joint accounts with your spouse in the same bank, it would be wise to name her / him as the first holder in at least one of the accounts. You can also consider adding another family member as the third joint account holder to maximise your safety net under the deposit insurance.

(The writer is Keerthi Sanagasetti.)

TOP

DICGC Act amendment may encourage merger of weak UCBs with stronger banks - The Hindu Business Line - 14th August 2021



To facilitate the reconstruction of a weak bank or its amalgamation with another bank, the Deposit Insurance and Credit Guarantee Corporation (DICGC) can henceforth defer or vary the time limit for receipt of repayments due to it from the insured bank or the transferee bank. The aforementioned clause has probably been incorporated in the DICGC (Amendment) Act, 2021, so the monies the Corporation pays (up to the deposit insurance limit of ₹5 lakh per depositor) to the depositors of sick banks under "direction, prohibition, order or scheme (of amalgamation)" can be recovered at a later date. This may encourage the takeover of weak banks, especially in the urban co-operative banking sector, by stronger banks.

Since April 1, 2015, 52 weak urban co-operative banks (UCBs), including the Punjab and Maharashtra Co-operative Bank (Mumbai), Kapol Co-operative Bank (Mumbai), Sri Guru Raghavendra Sahakara Bank (Bengaluru), and Rupee Co-operative Bank (Pune), have been placed under All Inclusive Directions (AID), according to the Reserve Bank of India's latest annual report. "The Corporation may defer or vary the time limit for receipt of repayments due to it from the insured bank or the transferee bank (into which transferor bank is amalgamated), as the case may be, for such period and upon such terms, as may be decided by the Board in accordance with the regulations made in this behalf," per the amendment.

Before deciding on the aforementioned course of action, DICGC's Board will "assess the capability of the bank to make repayment to the Corporation and for prohibition of specified other classes of liabilities from being discharged by the insured bank or the transferee bank till such time as repayment is made to the Corporation". This important amendment to the DICGC Act coupled with the amendment to Section 45 of the Banking Regulation (BR) Act (enabling RBI to reconstruct — including via mergers, acquisitions and takeovers or demergers — or amalgamate a bank, with or without implementing a moratorium, with the approval of the Central Government) should augur well for the UCB sector, aiding reconstruction/amalgamation of weak banks.

As per the 'Amalgamation of Urban Cooperative Banks, Directions, 2020', issued in March 2021 by RBI, it may consider proposals for merger and amalgamation among UCBs under three circumstances, including when the net worth of the amalgamated bank is positive, and the amalgamating bank assures to protect entire deposits of all depositors of the amalgamated bank. The second circumstance for considering proposals are when the net worth of amalgamated bank is negative, and the amalgamating bank, on its own, assures to protect deposits of the depositors of the amalgamated bank. The third circumstance is when the net worth of the amalgamated bank is negative and the amalgamating bank assures to protect the deposits of all depositors of the amalgamated bank, with the financial support from the State

government extended upfront as part of the merger. RBI's annual report has emphasised that speeding up the resolution of weak UCBs which are under AID is an ongoing process and the possibilities of using amended provisions of the BR Act are under examination. If the restrictions on payment to depositors are removed by the RBI at any time before payment to depositors by the Corporation, and the insured bank or the transferee bank is in a position to make payments to its depositors on demand without any restrictions, the Corporation shall not be liable to make payment to the depositors of such insured bank, per the amendment.

(The writer is K Ram Kumar.)

TOP

New general insurance law will allow the government to privatise some state-owned insurers - Business Insider – 14th August 2021

The General Insurance Business (Nationalisation) Amendment Bill, 2021 was passed by the Rajya Sabha on August 11. The bill seeks to remove the requirement that the union government should hold 51% stake in a specified general insurer. With this bill, the government will progress its divestment plans and privatise one of the general insurance companies.

The government hopes that this will lead to more people getting insurance in the country. Right now, less than four in every 100 Indians have any kind of insurance. With the move, foreign investors will be able to hold up to 74% in the divested general insurance company.

A report by Times of India suggests that the government will privatise one of the general insurance companies from United India Insurance, National Insurance and Oriental Insurance. The Finance Minister had said in the budget it would privatise one of the public general insurance companies. This is in relation to India's Finance Minister Nirmala Sitharaman's budget 2021-22 speech where she had announced a big ticket privatisation agenda, which included two public sector banks and one general insurance company. There are four general insurance companies in the public sector -- National Insurance Company, New India Assurance Company, Oriental Insurance Company and the United India Insurance Company.

So what difference will this bill bring?

Firstly, this bill will aid the government to sell stakes in some general insurance companies to private sector companies. To put it into perspective, although public sector insurance firms have a bigger market share in the insurance industry, they have a bad financial health which restricts them from offering low cost affordable insurance products. This eventually hinders the growth of insurance penetration in the country. With the private sector getting some control over such companies, they would be able to infuse capital and get things working. United India Insurance posted a net loss of ₹1,485 crore in 2019-20 while National Insurance Company posted a loss of ₹4,100 crore. Lack of capital made it difficult for insurers to expand their reach to unpenetrated regions.

India's insurance penetration stood at 3.76% in FY20, which is much lower against the global average of 7%, as per Insurance Regulatory and Development Authority (IRDAI) data. The low insurance penetration data tells that a large section of the country is still uninsured. While the pandemic has already boosted awareness and the importance of having health coverage, the move to privatise general insurance space might improve insurance coverage in the country.

(The writer is Bhakti Makwana.)

TOP

How insurance can help you gain freedom from financial risks - Financial Express – 14th August 2021

The past year and a half have made the importance of being future-ready more important than ever before. It has made us pay heed to the fact that Illnesses, accidents, natural calamities, and other unwanted situations can occur anytime without any warning. And in the situation that we are faced with these unforeseen circumstances, it not only takes a toll on our emotional well-being but may also drain us financially. With some foresight and planning, especially for insurance-related choices, we can be free from such financial worries.

This Independence Day let us understand the significance of being free from the stress of any exigency turning into a financial crisis.

Why you should buy insurance?

The pandemic has highlighted the significance of securing risks through insurance and increased insurance awareness. Despite that, insurance penetration, on the whole, is still very low in the country. Though adequate and relevant insurance is the foundation of good financial health, people sometimes avoid it considering the complexity of the subject, not understanding one's risks and so on. But it is time that you should understand that unexpected incidents and accidents can lead to major financial instability and put people or organisations in distress.

With this in mind, here are five tips on how insurance can help you:

Freedom from the stress of hospitalization expenses: In case of medical emergencies, we always scout for the best healthcare facilities for ourselves and our families. A comprehensive and adequate health cover will make quality healthcare accessible and during a health emergency, you can focus on your or your loved ones' health and will not have to worry about finances.

Freedom from worrying about costs associated with any critical illnesses: Nowadays, lifestyle-related diseases are becoming commonplace and can have a devastating effect on self and family in the unfortunate event of being stricken down by any such condition. Considering such vulnerabilities, look at additional security by purchasing a Critical Illness policy on top of regular health insurance. These policies are affordable and will guarantee a lumpsum payment in the event of the insured person contracting any of the named critical illnesses covered.

Freedom from your and your family's old-age worries: Providing a healthy and peaceful life to our parents is the aspiration of every child. You must not depend on an employer cover and not wait for a calamity or medical emergency to cover your parents adequately and in time.

Freedom from losses due to unforeseen events/calamities: While the pandemic and the increasing frequency of natural calamities are a constant reminder of the significance of having insurance cover for not just your health but home and businesses as well. Therefore, make it a point to consider insuring your home, its contents as well as your business assets.

Freedom from worrying about vehicle liabilities: While third-party motor insurance is mandatory in India, it will not cover you for loss or damage to your motor vehicle. Therefore, invest in a comprehensive motor insurance policy as well as important add-ons which will provide complete peace of mind.

This Independence Day, be well informed and choose to be free of financial worries by covering your risks with insurance.

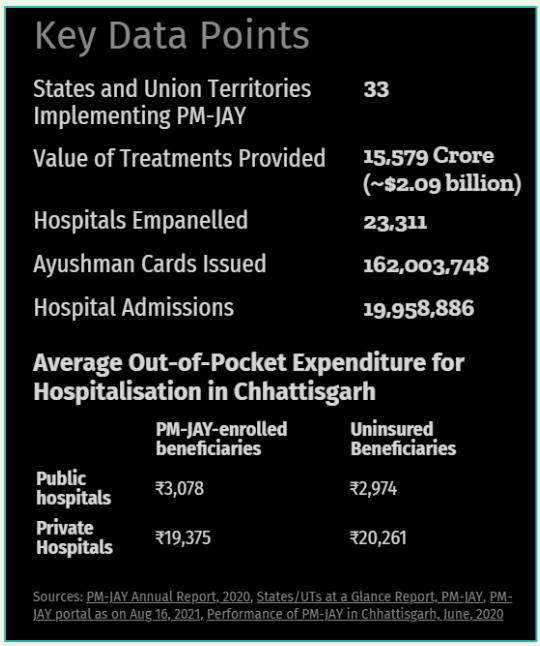
(The writer is Subramanyam Brahmajosyula.)

TOP

HEALTH INSURANCE

Explained: why India's public health insurance doesn't work as well as it should - India Spend - 18th August 2021

Three years after the Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY or PM-JAY) was launched in September 2018, the scheme has been unable to meet one of its most important objectives--of providing 'cashless and paperless' access to healthcare for patients at the point of care.



The "world's largest government funded healthcare program" was a step towards Universal Health Coverage (UHC), the government said, and would provide quality health services to eligible patients and protect them from financial hardship.

However, as a study from Chhattisgarh has found, PM-JAY has failed to plug the shortcomings of previous publicly funded health insurance (PFHI) schemes--it has not decreased families' out-of-pocket expenditure on health or increased use of hospital care substantially. In addition, it does not offer outpatient consultation, and the programme is underfunded to support its beneficiaries, we found from studies and speaking to experts.

An explainer of what's wrong, and how it can be fixed.

What is PM-JAY?

Ayushman Bharat aims to provide 110 million "poor, deprived rural families" and specific occupational categories of urban workers' families, such as those of beggars, rag pickers, domestic workers and street vendors, with an annual family health insurance cover of up to Rs 5 lakh for the treatment of diseases that cannot be cured at a primary healthcare center. The beneficiaries were selected based on the 2011 Socio Economic and Caste Census.

PM-JAY subsumed two other centrally sponsored schemes--the Rashtriya Swasthya Bima Yojana (RSBY), which was launched in 2008 and insured families of informal sector workers below the poverty line (BPL) for up to Rs 30,000 per family, and the Senior Citizen Health Insurance Scheme (SCHIS), which was launched in 2016, and provides an additional Rs 30,000 for every senior citizen in families eligible for RSBY.

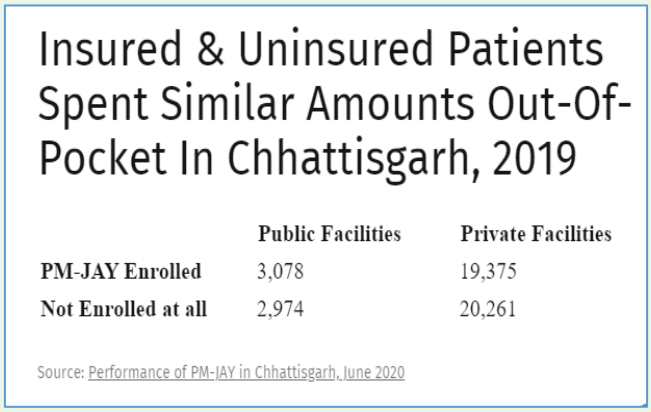
PM-JAY is India's largest public-private partnership, wrote Sulakshana Nandi, the national joint convenor of the People's Health Movement (PHM), a grassroots network of health activists and organisations. The government enters into a contractual agreement with private and public hospitals--called Empanelled Health Care Providers (EHCP)--which undertake to provide services and treatments at fixed rates. The government forbids these hospitals from charging any additional payment to cover any part of the medical expenses, called 'co-payment'.

The central scheme is implemented at the state level by State Health Agencies (SHA), as health is a state subject in India. As on May 18, 2021, 33 states and union territories have implemented this scheme. While Delhi and Odisha stayed out of the scheme, West Bengal had reportedly joined the scheme but withdrawn on January 10, 2019.

Excessive out-of-pocket expenditure (OOPE)

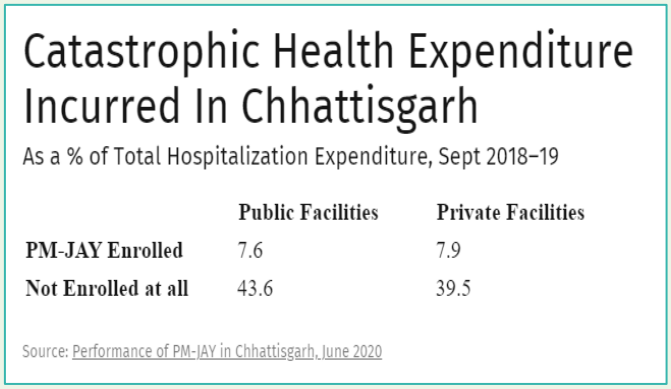
There is no national evaluation of the impact of PM-JAY on OOPE, but one year after the launch of the programme insured patients in Chhattisgarh spent similar amounts out-of-pocket as uninsured patients, found a study by authors from the Raipur-based State Health Resource Centre, which works with

Chhattisgarh's health ministry. Those insured spent more in public facilities than those not insured, the study found.



In India, nearly 63% of healthcare expenditure was out-of-pocket in 2018--the fifteenth highest in the world and fourth highest after Afghanistan, Myanmar and Bangladesh among neighbouring countries, show data from the World Bank. OOPE is one of the main causes of financial burden on poor families, as per a study on the impact of OOPE on patients at a public hospital in Kerala. About 18% of Indians spent more than 10%, and 4% of Indians more than a quarter of their income on healthcare, India Spend reported in December 2019.

Catastrophic health expenditure (CHE), when paid for out-of-pocket, often impoverishes already poor families. Health expenditure is considered catastrophic when CHE turns out to be more than 40% of a household's remaining income after meeting basic needs, according to a technical brief by the World Health Organization. CHE for PM-JAY beneficiaries in Chhattisgarh was also found to be larger, at 51.2%, compared to 47.4% for non-beneficiaries, the study found.



Beneficiaries enrolled in PM-JAY were charged for diagnostics, medicines and pre-hospitalisation costs, found a 2020 Economic and Political Weekly (EPW) study of the programme in Jharkhand between September 2018 and March 2019. As many as 93% of respondents in this study reported that they were charged for these services, and that they received no reimbursement for it.

"Continuing Out-of-Pocket Expenditure (OOPE) due to fraudulent practices by private hospitals is one of the reasons the scheme hasn't been able to provide financial protection for healthcare which is the main objective of the scheme," Nandi of People's Health Movement (PHM) told IndiaSpend, adding, "Health care is no longer viewed as a right, but a commodity."

To ensure the quality of healthcare services, the National Health Agency (NHA) has partnered with the Quality Council of India (QCI), as per the 2020 PM-JAY annual report. The NHA conducts monthly quality audits of services provided by empanelled hospitals but information on the results are not publicly available.

No outpatient consultation

Daily wagers, the targeted beneficiaries of PM-JAY or the precursor RSBY, avoid hospitalisation so as not to lose their daily income. So, it is important that insurance cover expenditure on OPD facilities, diagnostic tests and medicines for non-hospitalised care, according to a 2020 study on previously run pilot projects on the incorporation of OPD into RSBY in Odisha, Gujarat, Punjab, Andhra Pradesh, Mizoram, and Uttarakhand.

The National Statistical Office's (NSO) Health Survey does not collect data on people availing OPD facilities. However, people who do not need hospitalisation outnumber those who do by 135 times in rural areas and by 122 times in urban India, show data from the 75th NSO health survey. Unlike PM-JAY, the Central Government Health Scheme (CGHS) for employees of the central government provides OPD consultation at the rate of Rs 150.

Overall, the Chhattisgarh study found that public health insurance resulted in only a small increase in access to healthcare facilities: 6% of those enrolled in PM-JAY and the state's Mukhyamantri Swasthya Bima Yojana (MSBY) utilised healthcare facilities compared to 5.7% of those who were not enrolled in the programme.

Inadequate funding for PM-JAY

The budget for PM-JAY is split between the centre and state in the ratio of 60:40 for all states, other than the north eastern and hilly states where the break-up is 90:10. The central government had allocated Rs 6,400 crore (~$860 million) in 2021-22 to PM-JAY, but revised estimates of the budget reduced it to Rs 3200 crore (~$430 million). In 2020-21, 31 states and UTs were allocated a total of Rs 2,544.09 crore (~$342 million) lower than the Rs 2992.93 crore (~$402.5 million) in 2019-20, as per a Lok Sabha response in August 2021.

"Healthcare is chronically underfunded in India and in many states and rural areas there is a shortage of hospitals," Nachiket MOR, visiting scientist to the Banyan Academy of Leadership in Mental Health, told India Spend. "State government allocations towards health care are close to 1.25% of their Gross State Domestic Product (GSDP)--of which about 0.25% comes from the central government. 1.25% is a very limited amount of money as the required sums for comprehensive healthcare are close to 4 to 6% of GSDP for each state," Mor explained. Programmes like PM-JAY run the risk of further fragmenting the provision of healthcare; not only can they not address hospital supply gaps but by reducing the money available to the state health departments they may even delay the creation of such critical infrastructure, Mor added.

(The writer is Gokulananda Nandan.)

TOP

Rise in claims for non-Covid procedures may hit insurers - The Economic Times (Delhi edition) – 18th August 2021

India's health insurance industry, recovering from the devastating second wave of coronavirus infections in the June quarter, is now preparing for a new challenge — a surge in claims from planned hospitalisations deferred since early 2020. Insurers say optional procedures such as cataract surgeries, kneecap replacements, cardiovascular treatments among others are already showing a gradual pick up in August even as the industry is reeling from one of its worst quarters — financially — in recent history. "A lot of people were postponing their planned procedures during the pandemic and unless there was an emergency nobody was going to hospital. While Covid-related claims were high, the overall loss ratios were low, which allowed insurers to price their products aggressively," said Vivek Chaturvedi – head of marketing and direct sales – Digit Insurance. "What we anticipate is that November onward when the market opens, people are going to be okay doing their planned procedures which they had postponed. This could be a double whammy for the industry. The way our (Digit's) pricing model works is more on experience and less on claims," he added.

Moreover, even as cities are opening from local lockdowns, insurers are now also seeing increased claim outgo on account of road accidents and other freak mishaps. The proportion of covid-19 claims in the total health claims has fallen to less than 10 percent for the first time in FY22 for most insurers, industry insiders said. Other procedures reporting a spike in August compared to earlier months also include those for digestive, psychiatric, musculoskeletal, ophthalmic, ENT, injury, pulmonary and skin conditions, industry insiders said. This is in stark contrast with break-up of claims in the June quarter where nearly half of the total claims registered in the health category among insurers across the board were from covid-19 related hospitalisations. Between April and June, in India 48.43 percent of all health claims were

on account of covid-19 infection or related fallouts, as per data shared with ET by leading insurance broker PolicyBazaar.

For states such as Maharashtra (55.23 percent), Karnataka (53.54 percent) and Telangana (63.75 percent) more than half of all health claims made to insurers were on account of coronavirus. Policybazaar's composite claims data are based on the claims registered by its customers. The data represents about 10 percent of all retail health claims made in India, according to the company. According to Amit Chhabra - business head - health – Policybazaar, the data from June quarter is especially stark in favour of coronavirus related claims as hospitals across the country were overwhelmed by a sudden surge in covid-19 hospitalisations. "We are seeing that for most insurers the number of covid-19 claims have sharply declined from June from the peak of the second wave except for Kerala which is an anomaly. Already most insurers are seeing a pickup in optional treatments which were deferred from earlier this year," Chhabra added.

(The writer is Ashwin Manikandan.)

TOP

Claim and counter-claim: Health insurance key point of debate in pandemic - Business Standard – 17th August 2021

Anubhab Datta is grieving and waiting. Grieving for his father who died of Covid in May this year, when the second wave was peaking, and waiting for the insurance agency to reimburse the hospital bills and death claims. Closure after such a monumental personal tragedy is still a long way off. But Dutta said he is also still recovering from the shock that the medical insurance policy of his father, ironically a life-long insurance professional who planned ahead for the sake of the family, did not work as he thought it would.

The Kolkata-based software professional, the sole earner of the family after his father passed away during treatment, said he had been sure his father's medical insurance would make things smoother rather than more complicated. But that was not to be. In many cases, frustration spiralled because hospitals were not honouring cashless treatment as promised by the policy document during the second wave.

What's the meaning of health insurance if we cannot rely on it at a time of need? asked Chirag Sethi, a Delhi-based gym owner. His father-in-law fortunately recovered from Covid after 10 days in hospital in May but is still waiting for the reimbursement of the Rs 2.5 lakh cash payment he had to make. According to a recent report by the General Insurance Council, a representative body of 34 general insurance companies, over 3.06 lakh Covid-related claims, amounting to Rs 10.7 crore, were pending with insurance companies as of August 6. Health insurance companies received a total of 23.06 lakh claims from April 2020 till August 6, 2021, of which 13.19 lakh claims worth Rs 14,783 crore were received since April 1 this year, it said.

But why are claims being rejected?

Giving the flip side of the picture, companies in the business said there are various reasons, including patients hiding pre-existing conditions or raising a claim before the waiting period of certain days after purchasing a policy. While Max Bupa pays the vast majority of claims, there are times when a few claims are denied. These are due to policy conditions, exclusions, waiting periods or fraud. Also, most health policies available in the market don't cover out-patient treatment. In some cases, hospitalisation for 24 hours is required to claim the benefits, a Max Bupa Health insurance company spokesperson told PTI.

The company, now rebranded Niva Bupa Health Insurance, received 13,100 Covid hospitalisation claims between January-May 2021 and settled claims worth Rs 154 crore during the second wave. According to the company, people spent approximately Rs 1.4 lakh on average for Covid treatment, and the

hospitalisation cost went as high as Rs 55 lakh for a single hospitalisation in some cases. The cost of buying a health insurance of Rs 5 lakh cover can cost anywhere between Rs 5,000 to Rs 10,000 depending on the company. For a Rs 50 lakh term insurance, the amount a person pays in annual premium falls in the same range. However, the premium amount increases with age in both the cases.

While Bajaj Allianz Life onboarded 3.5 lakh new clients in FY 2020-21 compared to 2.3 lakh previous year, Max Bupa Health Insurance registered a 128 per cent increase in sale of policies in the first five months this year. Bajaj Allianz Life Insurance company settled 1,400 death claims amounting to Rs 116 crore in FY 2020-21,

There was an increase in demand for term insurance and health plans during the first wave of the pandemic as the risk perception increased in the country. With the second wave, we witnessed a surge in the demand for term plans in April and May, with customers opting for higher sum assured as compared to last year, Tarun Chugh, managing director and CEO of Bajaj Allianz Life, told PTI.

With the increase in the number of Coronavirus cases in the country, especially during the second wave, there has been a growing awareness regarding the importance of health insurance plans. Other reasons motivating people to invest in health insurance is increasing medical inflation and tax benefits, the Max Bupa spokesperson said. He added that during the first five months of 2020, a total of 78,000 policies were sold which increased to 1.77 lakh in 2021 during the same period.

The COVID-19 pandemic has raised awareness, whether through paranoia or precaution, for the need for health and term plans. The benefits of having a health cover are immense as Delhi University student Suraj Kataria realised after his mother fell sick with COVID-19. Suraj and his sister managed to pay off Rs 4 lakh after receiving help from friends, breaking into their savings and running a fundraiser.

Once we got home we decided to buy health insurance. It was a major mistake to not have it earlier, else we would have been able to get better treatment for our mother, the 25-year-old said. The size of the life insurance industry, which includes 23 private companies, in terms of individual new business premiums as on FY21 is about Rs 1.14 lakh crore, according to Bajaj Allianz Life. The country has recorded 4.32 lakh deaths and over 3 .22 crore infections as of August 17. In May alone, at the peak of the second wave India saw 1.23 lakh fatalities -- a staggering portion of the total casualties.

TOP

ESIC notifies relief scheme for COVID-hit – The Hindu – 16th August 2021

The Employees' State Insurance Corporation has notified a relief scheme for the dependents of ESI insured persons in case of their death due to COVID-19 that would give a minimum of ₹1,800 a month. The ESIC had published the details of the scheme for inviting objections and suggestions from the public on June 18 for 30 days. On August 11, the ESIC notified the scheme, saying the suggestions had been considered and the scheme was being notified.

The scheme would cover the families of the insured who had been registered on the ESIC portal for at least three months before being diagnosed with COVID-19 and had been in employment on the date of diagnosis. In case of death due to COVID-19, the spouse, son up to 25 years of age, unmarried daughter and widowed mother of the insured would be eligible for the relief.

The scheme, which would be effective for two years from March 24, 2020, would provide for 90% of the average daily wages of the insured to be paid to dependents.

TOP

CROP INSURANCE

Crop Cover: Centre looks for new ways as states opt out of PMFBY – Financial Express – 17th August 2021

Since several states have opted out of the Centre's flagship crop insurance scheme Pradhan Mantri Fasal Bima Yojana (PMFBY), the Union agriculture ministry has asked National Rainfed Area Authority (NRAA) to suggest alternative risk mitigation measures for high-risk areas/crops. The idea is that low risk crops could still be covered under PMFBY with reduced burden of premium on the states.

Already, Gujarat, Andhra Pradesh, Telangana, Jharkhand, West Bengal and Bihar exited the PMFBY scheme, citing the cost of the premium subsidy to be bore by them. Madhya Pradesh joined late in the current kharif season while Tamil Nadu opted out.

"Each of the 15 agro-climatic zones in the country is spread over a vast geographical area where many crops are recommended by the Indian Council of Agriculture Research. However, there is a need to identify low-risk crops in a particular cluster, comprising one or more districts, within a climatic zone," a senior government official said.

Under PMFBY, premium to be paid by farmers is fixed at 1.5% of the sum insured for rabi crops and 2% for kharif crops, while it is 5% for cash crops. The balance premium is split equally between the Centre and states. Many states have demanded their share of the premium subsidy be capped at 30%.

Currently, there is no pan-India fixed actuarial premium rate under PMFBY and it varies from area to area and crop to crop. Actuarial premium rates charged by the insurance companies are determined through bidding conducted by the states. Most insurance companies adopt "experience method' in which base premium is calculated based on the loss cost/burning cost — premium required to meet the claims based on the experience of past premium and claims. States also provide yield data of past 10 years and indemnity level to insurance companies to help them arrive at premium calculation before submission of bids.

So farmers are tempted to select crops based on monetary returns without assessing the associated risk factors as there is no such information available. The task before NRAA is also to recommend alternate crops for water-guzzling crops like paddy and sugarcane in view of depleting ground water resources, the sources said. For instance, the premium for paddy and sugarcane can be much higher in a water-scarce cluster, compared to their alternatives.

The NRAA has hired some professional agencies to conduct the nationwide survey and may submit its report in six months, the sources added.

The country has been divided into 15 agro-climatic regions, identified on basis of soil type, temperature, rainfall and water resources availability.

According to a report of the parliamentary standing committee on agriculture, submitted this week, the agriculture ministry has said that most of these states have opted out of the PMFBY due to their financial constraints and not because the scheme is unpopular among the farming community. The committee has also asked the ministry to change the guidelines that stipulated to disallow states in implementing PMFBY in next season if they fail to release of subsidy premium within deadline. The parliamentary panel has expressed apprehension that this provision "may lead to withdrawal of states from the scheme."

"Withdrawal/non-implementation of PMFBY by more states in subsequent years will defeat the very purpose for which the scheme was launched. The Committee, therefore, recommend the Department to

properly look into the reasons/factors leading to withdrawal/non- implementation of the PMFBY by Punjab, Bihar, West Bengal, Andhra Pradesh, Gujarat, Telangana and Jharkhand and to initiate suitable steps so that States continue to implement the Scheme and farmers reap the benefit of the Scheme," the report said.

Last month, the Centre wrote to the state governments seeking their views on including the so-called 'Beed formula' as an option under PMFBY amid several states developing cold feet on the scheme. The Centre in February last year had changed the guidelines and allowed states option of three-year contract with insurers on the premium charged in crop insurance. States also can continue with the existing system of inviting bids for premium every year, as per the guidelines.

Under the 'Beed formula', also known as the 80-110 plan, the insurer's potential losses are circumscribed – the firm won't have to entertain claims above 110% of the gross premium. The insurer will refund the premium surplus (gross premium minus claims) exceeding 20% of gross premium to the state government. Of course, the state government has to bear the cost of any claims above 110% of the premium collected to insulate the insurer from losses, but such higher level of claims rarely occur, so the states reckon the formula in effect reduces their cost to run the scheme.

TOP

SURVEY & REPORTS

SBI Research: AB-PMJAY, MGNREGA can help increase insurance cover in unorganised sector – here's how – Financial Express – 18th August 2021

Government's flagship schemes like MGNREGA and Ayushman Bharat-PMJAY can be used to enhance insurance penetration in the unorganised sector in the country, according to SBI Research. The cumulative number of enrolments under insurance and pension schemes across all entities in India today stand at 68.98 crore, of which there are 10.34 crore persons enrolled in PMJJBY and 23.40 crore persons in PMSBY, with claim servicing ratio of 93.7 percent & 77.3 percent respectively. There has also been significant progress regarding pension coverage for unorganised sector workers. For example, under APY, 3.13 crore of persons have been enrolled till June 2021 with male to female subscription ratio of 56:44. In the latest 'Eco wrap' report, Dr Soumya Kanti Ghosh, Group Chief Economic Adviser, SBI, recommended that the ambit of providing social security succour to unorganised sector could be further enhanced through two simple measures.

1. Through MGNREGA

MGNREGA has provided livelihood security till now. However, SBI Research proposes that it can be used as a provider of social security as well.

"For every 100-day worked, the Government can make a defined contribution of say 10 days for creating a social security. Further, there should be compulsory enrolment of MGNREGA workers in PMJJBY and PMSBY for a payment of only Rs 342 (330+12). As only 10% of HHs/individuals complete 100 days of work, the cost of compulsory enrolment will be only Rs 400-500 crore that can be borne by the Government and this could immediately benefit at least 1 crore additional people," Dr Ghosh said.

2. Through Ayushman Bharat- PMJAY

Under Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY), a total of 16.14 crore Ayushman cards have been issued to the scheme beneficiaries.

However, Dr Ghosh said, “Government should launch an opt-in scheme for health insurance in line with Jan Suraksha schemes. The opt-in scheme may be implemented by auto debit amount from the interest from savings account and paying towards Mediclaim policy. The approximate size of the health insurance now is Rs 58,572 crore and savings bank interest is at least Rs 1.35 lakh crores. With the number of Jan Dhan accounts at 40 crores, the health insurance unveiled might potentially double the existing Ayushman coverage in one go!”

TOP

41 percent of Respondents Availed Life Insurance Post First Wave of Covid-19: Report – Live Min – 17th August 2021

HDFC Life has announced the latest findings of its Life Freedom Index (LFI) study. Established in 2011, LFI enables the measurement of ‘financial freedom’ of consumers across four key segments: Proud Parents, Wisdom Investors, Young Aspirants, and Smart Women. It includes four sub-indices: Financial Awareness Index, Financial Planning Index, Financial Sufficiency and Adequacy Index, and Financial Liberty Index.

According to the HDFC life press release issued on 16 August, "Life Freedom Index has been instrumental in providing deeper insights into the ever-changing financial needs of consumers across segments. The latest 2021 LFI study was conducted along with NielsenIQ across 14 cities (including Metros, tier-1 and tier-2) with 1,987 respondents. The methodology to take responses was done via face-to-face interview."

Vishal Subharwal, head-marketing, digital business and e-commerce, HDFC Life, said, “Life Freedom Index is our barometer for measuring the levels of financial awareness, the planning and the adequacy of the plan. Over the last few years we have seen changing trends. What makes the report different this time is the pandemic and its impact on consumer confidence."

As per the press release, some of the key findings are:
In 2021, the LFI has seen a drop of 4.8 points vis-a-vis that of 2019 indicating the impact of covid-19. Consumer confidence has been low post the two waves. Current financial plans seem inadequate. Hence the most significant drop is observed in the financial sufficiency and adequacy index. Subharwal said, "The 4.8 point drop in the index indicates that the health pandemic has turned into a financial concern with various challenges surfacing."

Second, the impact of covid-19 is more severe across metros in comparison with tier-1 and tier-2 cities. Third, nuclear families have been the most impacted amid pandemic while joint families have been stable, possibly due to a better support system in the time of crisis. Fourth, almost 90% of consumers have faced salary cuts or business losses to some extent, due to which the respondents are still concerned about covid-19.

Fifth, the top three concerns for the future—economic slowdown, job insecurity and fear of debt due to lack of income—are driving low confidence in terms of financial preparedness. While disclosing facts about the increase in awareness on financial planning and life insurance, some of the key findings are:

First, financial awareness has increased during the last two waves. Consumers are looking to empower themselves with a better understanding of financial planning.

Second, maintaining one’s standard of living under unexpected adverse events has been an important factor driving the need for financial security.

Third, covid-19 has highlighted the importance of life insurance. 41% of respondents have availed a life insurance policy post the first wave that enabled them to plan better for the second wave.

Segment level trends

The impact of covid-19 on financial preparedness is more prominent among proud parents followed by the segment of smart women. This is largely driven by the feeling of insufficiency. Also, wisdom investors and young aspirants have seen the least impact. This is likely due to reasons such as maturity in investments and no dependents/lesser financial responsibilities, respectively.

Subharwal further said, "Better financial planning with life insurance has emerged as the need of the moment. We hope individuals with responsibilities will see value in securing themselves financially thereby protecting their families from unforeseen events."

TOP

Women progressively showing interest in buying financial products online: Survey – Live Mint – 15th August 2021

The uncertainty brought about by the current situation, has prompted consumers especially women to look for long-term financial tools like life and health insurance that offer much-needed protection of their financial future, along with that of their loved ones.

The ongoing Covid-19 pandemic has underlined the need for life insurance more emphatically than ever. With a premium-to-GDP ratio of less than 3%, there is a clear and urgent need to fast-track insurance penetration in the country.

Tata AIA Life commissioned the survey to leading market research agency Nielsen to get a comprehensive understanding of consumers' usage and attitude pre and post the covid-19 pandemic towards the financial instruments and type of life insurance policies. The study was administered to a total sample size of 1,369 respondents across nine centres. Salaried, business and self-employed male and female in the age group 25-55 were surveyed adopting computer-aided web interview methodology.

According to a Consumer Confidence Survey by Tata AIA, the impact of the pandemic has been found to be more significant as seen in lifestyle changes in women during lockdown. About 45% of women said they have started purchasing more financial products online than in the pre-covid-19 scenario. Around 62% of respondents informed that they are still very concerned about themselves and their families due to the pandemic. Of the respondents concerned about self/family, 50% are worried about mental health due to increased workload due to the pandemic. Among the female respondents, 55% said they are concerned about mental health due to the increased workload during the pandemic.

Among millennial women and first jobbers, we observe a rising interest in financial products and planning for future goals. With the progressive reduction in gender role gaps and an increase in independence for women, they are fast assuming financial responsibilities, both for themselves and their families. Even amongst homemakers, women are increasingly taking on significant roles as joint decision-makers in financial investments, especially towards family goals such as retirement and children's education, as per the survey.

Regarding types of life insurance policies purchased by customers, 74% of women consumers are aware of traditional plans, similar to men. This shows an increased awareness about insurance products as well as increased interest in including insurance as part of the financial portfolio.

As per the survey findings, given the role of women in family health, there is a need to prioritize their health and this translates to providing adequate health cover for women along with relevant riders. Recognising this, our health riders not only provide adequate protection, but also considerably value add to the underlying product while providing cover against hospitalization and escalating medical costs.

TOP

Private insurance companies benefitted the most from PM Fasal Bima Yojana: Report – Down to Earth – 14th August 2021

The Pradhan Mantri Fasal Bima Yojana (crop insurance scheme) may have benefitted some farmers but insurance companies surely made the most of it. In the five years since the scheme was launched, these companies received Rs 1,26,521 crore in premium payments and paid Rs 87,320 crore to farmers in loss claims — a cumulative savings of approximately 31 per cent.

The department of agriculture and farmers welfare furnished the figures in its report to the Parliamentary Standing Committee on Agriculture's report. Around 72.5 million farmers have benefitted from the scheme between April 2016 and December 14, 2020, according to the report. Farmers submitted 269.9 million crop insurance applications for 235.4 million hectares of crops, the department stated.

Farmers are only required to deposit 1.5 per cent of the entire premium (in the Kharif season) and 2 per cent in the Rabi season. The remainder of the premium is deposited jointly by the federal and state governments. During the course of five years, the farmers deposited Rs 19,913 crore of the total premium of Rs 1,26,521 crore. The farmers claimed Rs 92,954 crore for crop losses in the period but were paid only Rs 87,320 crores, the report stated. That is, farmers were not paid Rs 5,724 crore in claims till December 2020.

The question is, was it the government insurance firms or private companies that benefitted more?

Government agencies made losses

Two out of every five public sector insurers paid more claims than the premium charged in the period, according to the analysis. That is, they lost money. Only 10.86 per cent of the five government enterprises empanelled for the scheme made profits. The five government corporations control 50 per cent of the crop insurance market. Agriculture Insurance Company of India (AIC) Ltd has a majority of this share.

Other government-owned enterprises under the scheme are National Insurance Company Ltd, Oriental Insurance Company Ltd, United India Insurance Company Ltd and New India Assurance Company Ltd. Only AIC has a competitive advantage in this industry among the five. In four years, the company earned Rs 32,429.24 crore in premiums and paid Rs 26,874.6 crore in claim — a profit of 17.12 per cent.

New India Assurance Company got Rs 4,660.31 crore in premiums and paid Rs 5,145.22 crore; Oriental Insurance collected a premium of Rs 3,893.16 crore and paid claims worth Rs 4,305.66 crore; National Insurance paid a total of Rs 2,514.77 crore in premiums against a total of Rs 2,574.34 crore in premiums.

Private companies' profit

Private enterprises, on the other hand, have grown by more than 30 per cent in the last four years. Many businesses profited by 60 per cent to 70 per cent. In 2017-18, Bharti AXA joined the Pradhan Mantri Fasal Bima Yojna. In the next three years, it received Rs 1,575.42 crore in premiums and paid Rs 438.80 crore in claims. That means the corporation made a 72.14 per cent profit.

In four years, Reliance General Insurance Corporation Ltd earned Rs 6,150.22 crore in premiums and paid farmers Rs 2,580.56 crore. That is, the corporation made a 59 per cent profit from the scheme. Similarly, Future Generali India Insurance gained 60.91 per cent, IFFCO 52 per cent, HDFC Agro about 32 per cent. Private corporations that lost money or made small profits dropped out of the arrangement.

Shriram GIC Ltd gathered a premium of Rs 170.95 crore in 2016-19. The business, however, stopped selling crop insurance after paying a claim of Rs 256.95 crore.

ICICI Lombard, too, withdrew from the Pradhan Mantri Fasal Bima Yojana after a year. In 2016-17, the company paid claims worth Rs 1,927.65 crore against a premium of Rs 2,177.93 crore. Due to low profitability, Tata TIG and Chola Mandalam ceased to participate in the Pradhan Mantri Fasal Bima Yojana after 2018-19.

'Spend profits on CSR'

The Standing Committee has requested the Union Ministry of Agriculture and Farmers Welfare to ask companies that profit from the scheme to spend under corporate social responsibility (CSR) in the districts where they profit. The companies should spend a set amount of money on rural development, the committee suggested.

The agriculture department, on the other hand, said that the scheme has no provision for establishing a profit-sharing CSR fund. Many times, because of severe crop losses, claims much greater than the premium had to be paid, the department added. So, the profit estimate is incorrect.

States reject the programme

During the 2019 kharif season, around 4.4 crores farmers applied for the scheme. The number fell to 4.27 crores in 2020. Andhra Pradesh, Telangana, Jharkhand, and Gujarat refused to participate in the plan for the 2020 kharif season. The committee urged the Centre to find out their grievances.

The system stipulated that when a state chooses an insurance provider, it must sign a contract for at least three years. This implied a long-term partnership with the firm. There have been concerns that companies do not have offices and that farmers cannot access insurance providers, according to the Standing Committee. The authorities testifying before the committee agreed to ask insurance companies to not only open offices in rural areas but also to make the location and contact information public.

Insurance companies fined

If the farmers do not get their claim within the specified time, the insurance companies must pay a penalty of 12 per cent interest, the scheme mandates. When the Standing Committee asked if any insurance companies had been penalised, the department officials said Chola MS General Insurance Company, ICICI Lumbard General Insurance, New Indian Assurance Company and State Bank of India General Insurance were fined for the Rabi season of 2017-18. The cumulative fine was roughly Rs 22.17 crore.

(The writer is Raju Sajwan.)

TOP

INSURANCE CASES

Insurer must pay declared value for total loss - Business Standard – 16th August 2021

Ravish Singh purchased a second-hand sport utility vehicle (SUV) and got the registration and insurance documents transferred to his name. Iffco Tokio General Insurance charged a premium amounting to Rs 1,19,915 for the declared value of the vehicle of Rs 29,31,140, as recorded in the insurance policy, which was valid from March 30, 2017, to March 29, 2018. Also, add-on coverage was obtained for an additional premium of Rs 35,906.46 for depreciation waiver, and Rs 20,954 for new vehicle replacement coverage. The terms of the policy specifically provided that in the event of a total loss, the claim would be settled by paying the difference between the declared value and the ex-showroom price of a new vehicle of the same make, model, features, and specifications. If such a new vehicle was unavailable, then the claim would be settled on total loss basis instead of replacement basis.

The vehicle met with an accident on November 6, 2017. The surveyor appointed by the insurance company reported that the damage was so severe that it would not be possible to repair the vehicle. The insurer, however, refused to pay the replacement cost, despite being served with a legal notice. Singh filed a complaint before the Haryana State Commission in which he sought Rs 87,79,662 as the replacement value of a new BMWX5 vehicle. He also claimed interest compensation and costs. The insurer contested the case, contending that the same model was out of production and no longer available, but it had found the online price to be Rs 23 lakh. After deducting Rs 1 lakh towards salvage and Rs 2,000 under the excess clause, it offered to settle the claim by paying Rs 21,98,000.

The State Commission observed that both Singh and Iffco Tokio had failed to prove the market price stated by them. It held that the vehicle could not be replaced as it was no longer available, and there was no evidence to prove that its last market price was Rs 87,79,662, as contended by Singh, or Rs 23 lakh, as contended by Iffco Tokio. In the absence of the last available market price, the Commission held that the claim would have to be settled on the basis of the declared value of Rs 29,31,140 as stated in the policy, subject to a deduction of Rs 1 lakh for salvage, and Rs 2,000 for policy excess. Interest at 9 percent was awarded along with a compensation of Rs 50,000 for mental harassment and Rs 20,000 towards litigation expenses. If compliance of the order was delayed beyond 45 days, the interest rate would stand hiked to 15 percent for the period of delay.

Both Ravish Singh and Iffco Tokio challenged the order in appeal. The National Commission observed that the manufacturer had discontinued the production of BMW X5 SUV vehicles, so the claim would have to be settled as a total loss by considering the last available showroom price of the same model. The Commission agreed with the State Commission's observation that neither Singh nor Iffco Tokio had been able to prove that the price mentioned by them was the last market price. So, it concurred with the State Commission's decision that the claim would have to be settled on the basis of the declared value stated in the policy. Accordingly, by its order of August 9, 2021, delivered by Justice R.K. Agrawal for the bench along with S.M. Kantikar, the National Commission dismissed both the appeals and upheld the State Commission’s order.

(The writer is Jehangir B Gai.)

TOP

PENSION

PFRDA mulls better payout options to offset low annuity rates - The Hindu Business Line – 19th August 2021

You have worked hard to accumulate that sizeable corpus in the NPS in the hope of comfortable sunset years. Then, at the time of retirement, you realise that 40 percent of that National Pension System corpus will have to be statutorily parked in annuities, whose returns don’t even beat retail inflation. Don’t despair. Now, there is hope for retirees as pension regulator PFRDA is moving to offer NPS subscribers a wider menu of payout options to choose from on retirement and offset the low rates of annuities. For this and given that insurance regulator IRDAI is taking time to offer inflation-linked returns products, the pension regulator is now moving to seek statutory backing for offering products with different payout options and linked to market rates. Currently, the regulatory norm requires a person on retirement to invest at least 40 percent of the NPS funds in annuities. Given the low interest rates in the financial system, the annuity rates are quite low (lower than the official consumer price, or retail, inflation), which has left retirees high and dry.

"In the PFRDA Amendment Bill, which has now been approved by the legislative department, an explicit provision has been added to allow PFRDA regulated products. Our Pension Fund Managers will offer such products that will give regular pay-outs, but not in the nature of annuities. These products will try to address longevity risk and also offer returns closer to market rates," Supratim Bandyopadhyay, Chairman, PFRDA, said. Bandyopadhyay said the current PFRDA law stipulates that exit can be only through annuities. "No other route is legally permissible and so we need to amend this to offer other types of products," he said. The proposed Bill missed the recent Monsoon session, he said, and expressed confidence that the version approved by the legislative department will be soon taken up by the Cabinet for approval and then go to Parliament for enactment.

(The writer is K. R. Srivats.)

TOP

No plans to allow pension funds to invest in startups - Live Mint – 18th August 2021

Supratim Bandyopadhyay, chairman of the Pension Fund Regulatory and Development Authority (PFRDA), said that there were no immediate plans to allow pension funds, including the National Pension System, to invest in startups. The response comes amid news reports that the government may allow Life Insurance Corp. of India (LIC) and the Employees' Provident Fund Organisation (EPFO) to invest in startups.

Bandyopadhyay, however, said the proposal is not off the table but ascertaining the right valuation of a startup is difficult. "NPS pension funds declare a daily NAV (net asset value) unlike EPFO and LIC," he added.

Last month, the regulator gave a conditional approval to pension funds to invest in initial public offerings (IPOs). Pension funds can invest in IPOs with share sales of at least ₹500 crore. The post-IPO market value of the company should also be among the top 200 most valuable companies in India.

The number of private sector subscribers in the NPS has crossed 3 million, Bandyopadhyay revealed. Large fintech players have also started distributing to NPS, including Paytm Money, Bandyopadhyay said. Zerodha is also exploring empanelment with the PFRDA as an NPS intermediary, he added. The number of private sector subscribers has also rebounded by almost 50% in FY22 from a year earlier. A total of 241,000 private sector subscribers joined NPS in FY22 till 12 August compared to 160,000 last year.

NPS intermediaries called points of presence (PoPs) charge 0.25% per contribution to the NPS. The pension fund regulator recently allowed PoPs to empanel individual agents to distribute the NPS. However, no decision has been made on the remuneration, Bandyopadhyay said. NPS has delivered returns of 12.94% over the last 12 years for its equity schemes, 9.92% over its corporate bond schemes and 9.4% over its government bond schemes over the past 12 years, Bandyopadhyay added.

The PFRDA also broadened the investment universe from stocks in the F&O segment with a market cap of ₹5,000 crore to the top 200 companies on BSE and NSE in order to allow pension funds to derive returns from a wider range of stocks. Subscribers also get a tax deduction of ₹1.5 lakh for investment in NPS Tier 1 under Section 80 C and ₹50,000 for investment in NPS Tier 2 under Section 80 CCD (1B).

(The writers are Neil Borate and Navneet Dubey.)

TOP

Pension assets under NPS rise 30 percent Y-o-Y in July 2021: PFRDA – Live Mint – 14th August 2021

Combined assets under management (AUM) of the National Pension System (NPS) and Atal Pension Yojana increases to 29.88% year-on-year to touch ₹6.27 trillion as of 31 June 2021. On the same day in 2020, the combined AUM of both schemes stood at ₹4.83 trillion. The total NPS subscriber base was at 4.42 crore in July 2021 from 3.57 crore during last year, showing 23.79% year-on-year growth.

Number of subscribers in various schemes under NPS and APY

(No. in Lakh)

S.N.	Sector	July-20	March-21	July-21	Growth % YOY
1	Central Government	21.17	21.76	22.00	3.92
2	State Government	48.31	51.41	53.10	9.92
3	Corporate Sector	10.25	11.25	11.90	16.32
4	All Citizen Sector	13.30	16.47	17.81	34.72
5	NPS Lite*	43.22	43.02	42.93	-
6	Atal Pension Yojana	221.42	280.49	295.02	33.24
	Grand Total	**357.67**	**424.40**	**442.76**	**23.79**

*No fresh Registration permitted w.e.f. 01st April 2015

Also, Pension Fund Regulatory and Development Authority (PFRDA) press release issued on 14 August said, "As on 31st July 2021, total pension assets under management stood at ₹6,27,374 crore showing a y-o-y growth of 29.88%."

Total Assets under Management under NPS and APY

(Rs. In Crore)

S.N.	Sector	July-20	March-21	July-21	Growth % YOY
1	Central Government	1,57,582	1,81,788	1,93,867	23.03
2	State Government	2,44,204	2,91,381	3,16,812	29.73
3	Corporate Sector	49,164	62,609	69,817	42.01
4	All Citizen Sector	15,740	22,206	24,990	58.77
5	NPS Lite	4,074	4,354	4,479	9.94
6	Atal Pension Yojana	12,260	15,687	17,409	42.00
	Grand Total	**4,83,024**	**5,78,025**	**6,27,374**	**29.88**

NPS was first launched for central government employees on 1 January 2004 and was consequently accepted by all State governments for their employees. Afterwards, NPS was extended to all citizens of India (resident/non-resident/overseas) voluntarily and to private employers for its employees. NPS is necessary for government employees who joined service after 2004 and it was opened to the private sector in 2009.

The Pension Fund Regulatory and Development Authority (PFRDA) has also allowed annuity service providers, which are life insurers such as LIC, ICICI Prudential Life, etc., to handle surrender requests from annuitants (who were erstwhile NPS subscribers) and intermediaries including Nodal officers of the Government Sector without referring to PFRDA, Central Record Keeping Agency or National Pension System Trust.

You must know that NPS is one of the low-cost investment products. It permits exposure to equity for up to 75% of the corpus and is rationally tax efficient.

Besides, the Atal Pension Yojana is a periodic contribution-based pension product and provides a definite pension of ₹1,000-5,000 to subscribers.

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IRDAI CIRCULARS

Topic	*Reference*
Gross premium underwritten by non-life insurers within India (segment wise) : For the month / upto the Month Of July, 2021 (Provisional & Unaudited)	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4548&flag=1
List of Valid Insurance Brokers as on 15th Aug 2021	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo2120&flag=1

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GLOBAL NEWS

Malaysia: Underwriting gains of general insurers expected be resilient in 2H2021 – Asia Insurance Review

Underwriting profits for general insurance and takaful operators should remain resilient in the second half of the year despite the challenging environment as claims are expected to remain low, AmInvestment Bank Research says.

Notably, with travel restrictions still largely in place, claims for motor insurance are expected to stay low in the near term. Likewise, medical claims should also stay low for the time being as policyholders are unlikely to seek hospital treatments unless necessary.

Nonetheless, AmInvestment notes that the recovery of insurance and takaful operators' premium growth remains uneven in the second half, according to a report by The Star newspaper. AmInvestment says that recovery may be further delayed with the implementation of stricter measures in selected states, including those in the central region where COVID-19 cases have remained high.

"We see challenges in the premium growth of general insurance and takaful operators in the third quarter due to temporary impacts of the lockdown restrictions which will impact car sales. Also, the softer sentiment of potential home buyers in the near term is likely to affect property sales. "Motor and fire are the largest segments of general insurance and takaful operators' portfolio."

Meanwhile, for life insurance and takaful operators, the ongoing pandemic will also see challenges in sales of life insurance products in the near future. "The suspension of face-to-face meetings is expected to lead to slower sales from the bancassurance and agency distribution channels," the research house says in a report.

Given that the recovery of insurance and takaful industry's premium growth and profitability strongly correlates with economic growth, premium growth of insurance and takaful operators is expected to improve only when herd immunity against COVID-19 through vaccinations is achieved. As such, AmInvestment expects premiums of insurance and takaful operators to improve in the fourth quarter.

Developments

AmInvestment remains neutral on the insurance sector, given several developments ahead in the industry. One of these is the impending implementation of the second phase of the insurance detariffication, which will likely see further competitive pressure on the pricing of motor and fire products for general insurance and takaful operators. The second phase is anticipated to commence once the COVID-19 pandemic has been contained with most of the population fully vaccinated.

Additionally, there may be potentially higher interest rates moving into 2022, which may result in fair value losses on the securities portfolio though this may be partially mitigated by the release in contractual liabilities for life insurance and takaful operators.

AmInvestment also highlights the uncertainties surrounding the impact of IFRS 17, which is expected to be implemented on 1 January 2023. It expects the first-day adjustment of the new accounting standard to impact insurance companies' retained earnings. The insurers and takaful operators that are best able to withstand the various pressures are those with strong market shares or diversified revenue streams as well as those with potentially higher embedded value in the life insurance business focusing on better margin products.

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Australia: General insurers ask regulator for more guidance on anti-hawking - Asia Insurance Review

The Insurance Council of Australia (ICA), which represents general insurers, has asked the Australian Securities and Investments Commission (ASIC) for more guidance on proposed legislation concerning the anti-hawking of financial products.

In a letter to Mr Stephen Garofano, ASIC's strategic policy adviser, ICA executive director and CEO, Mr Andrew Hall, says that further guidance is required in relation to:

• the consent provided by consumers in a range of situations, particularly relating to calls to and by insurer's contact centres;
• the facts and circumstances that will break the "causal nexus" between an unsolicited contact with a consumer and a subsequent offer, request or invitation in relation to an insurance product;
• the offer of bundled or related insurance products which may be "reasonably within the scope of the consumer's consent"; and
• how the prohibition applies to the purchase of insurance products based on information in an advertising pamphlet.

Scenarios
In the submission to ASIC, the ICA sets out several practical scenarios to illustrate how these issues can arise in an insurance context, along with the points on which further guidance is needed.

The scenarios outlined by the ICA include situations where a consumer initiates a call to an insurer's contact centre to enquire about a particular type of insurance; a consumer consents to receive a call from an insurer's contact centre to discuss a particular type of insurance; a consumer visits an insurer's branch or other face-to-face setting to discuss product options; and a consumer calls an insurer's contact centre for roadside assistance.

The ICA also includes an additional issue that needs to be addressed, that is, identifying the consumer's consent.

The Insurance Council says that without further guidance, uncertainty regarding whether discussion on an insurance product can proceed could lead to considerable inconvenience and frustration by consumers, says Mr Hall.

ASIC will publish its final guidance in September 2021, ahead of the revised hawking prohibitions commencing on 5 October 2021.

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Australia: Private health insurance market shows higher profitability - Asia Insurance Review

The profitability of the private health insurance (PHI) sector improved in the year ended 30 June 2021 (FY2021), driven by stronger insurance profits and investment income for the year, according to data released by the Australian Prudential Regulation Authority (APRA).

Key performance statistics for the industry in the year ended:			
	June 2020	June 2021	Change (annual)
Premium revenue	A$24.9 bn	A$25.7 bn	3.2%
Fund benefits (claims)	A$21.9 bn	A$22.0 bn	0.3%
Gross margin	12.0%	14.5%	2.4pp
Net margin	2.8%	5.0%	2.3pp
Net investment income	A$146.2 m	A$603.9 m	313.2%
Net profit after tax	A$754.0 m	A$1.5 bn	93.7%
Source: APRA			

APRA's quarterly PHI publications for the June 2021 quarter show that premium growth increased in FY2021, following reductions in FY2020. Claims growth remained flat, and was partially impacted by movements in insurers' Deferred Claims Liabilities (DCL). Net margins increased to 5.0% in FY2021.

COVID-19

The ongoing uncertainty in relation to COVID-19 impacts on future claims, particularly given the current lockdowns in many areas, makes it more challenging for the industry to assess the near-term direction of the DCL.

The industry's commitment not to profit from COVID-19 has seen some PHIs announce their intention to return surplus funds to their policyholders while others are continuing to monitor experience and exploring options. APRA endorses the position that insurers should not profit from COVID-19 and notes that the method and timing of the return of any COVID-19 related profits is a matter for an insurer's board and senior management to determine.

During FY2021, hospital treatment membership increased by 245,189 persons. The longer-term ageing trend in hospital membership continued, with membership in the 50+ age group increasing by 122,786 persons compared with an increase of 70,389 in the number of insured persons aged 20 to 49.

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