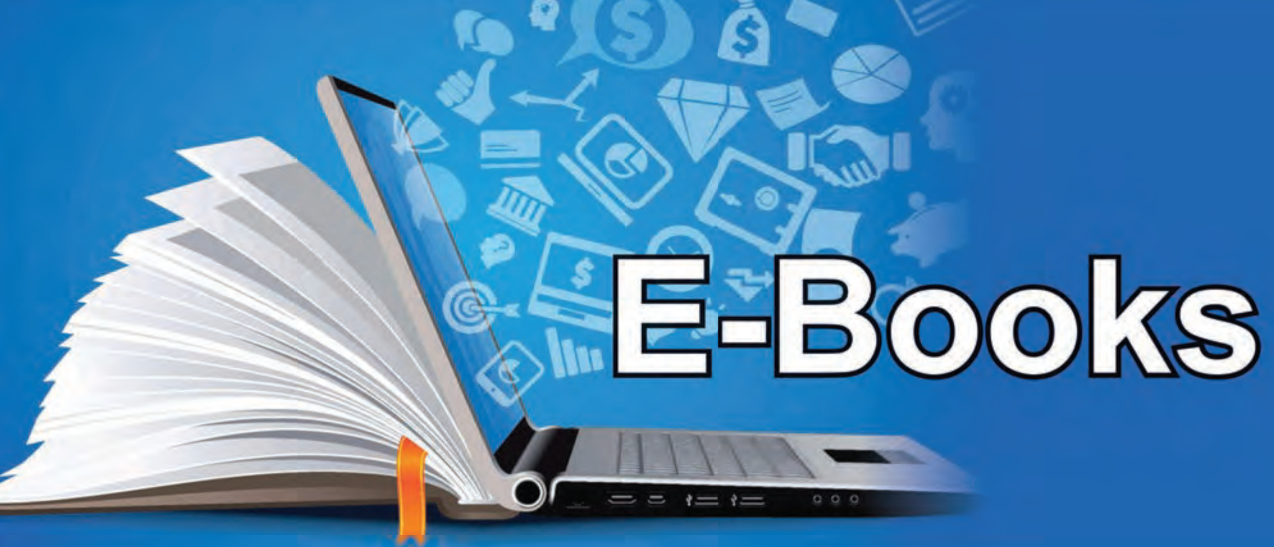
MAHENG/2013/50733

THE JOURNAL OF INSURANCE INSTITUTE OF INDIA

For Free Distribution
ISSN No. 2278-6759

VOLUME NO. X ■ ISSUE NO. II MUMBAI OCTOBER-DECEMBER - 2022

AWARD WINNING ARTICLES 2022



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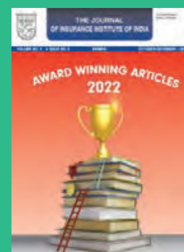

The Journal of Insurance Institute of India

Since 1974 Volume

OCTOBER-DECEMBER - 2022

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Printed and Published by

SNEHA VIKAS PEDNEKAR on behalf of INSURANCE INSTITUTE OF INDIA,
Printed at

ACME Packs & Prints (I) Pvt. Ltd.,
Gala No. 16, Gr. Floor, Samkit Building,
Sagar Signature Industrial Estate,
Waliv Phata, Waliv, Vasai (East),
District Palghar - 401 208.
and Published from
INSURANCE INSTITUTE OF INDIA,
Plot No. C-46, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai 400 051.
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Editorial Support, Design and Printing by
ACME Packs & Prints (India) Pvt. Ltd.

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EDITORIAL

The October – December 2022 issue of the journal is devoted to prize winning essays of our various competitions (S.K. Desai Memorial Essay Writing Competition, D. Subrahmaniam Award Essay Writing Competition, Technical Paper Essay Competition and G V Rao Memorial Essay Competition). They deal with varied and interesting themes. The details of winner's essays in each category is given below:

S.K. Desai Memorial Essay Writing Competition –

The essay 'Listing of Insurance Companies and the effect on functioning and regulatory reporting' by Shashi Kant Dahuja talks about the process of listing of insurance companies.

D. Subrahmaniam Award Essay Writing Competition –

Shashi Kant Dahuja in his article titled 'Will Regulation of Health Service Providers (Hospitals) Help Insurance Companies to Improve the Results?' ~~by~~ talks about how health regulations will improve the result of insurance companies.

Technical Paper Writing Competition (Life) –

Nirjhar Majumdar discusses importance of technology and its effectiveness to insurance agents in his essay titled 'Technology will not eliminate Insurance Agents but will enhance their effectiveness'.

Technical Paper Writing Competition (General) –

The essay titled 'Changes in Operating Model by Non-Life Insurance Companies in View of Covid-19 Pandemic' by Nandita Banerjee attempts to assess the operating models as well as the changes in the operating models of non-life insurers.

Technical Paper Writing Competition (Health) –

Harshita Katyal talks about features, coverages and benefits, the factors behind the success of Ayushman Bharat PMJAY scheme, its challenges and about the future of the scheme in the Essay titled 'The Enabling Factors behind Success of Ayushman Bharat – PMJAY'.

G.V. Rao Memorial Essay Competition –

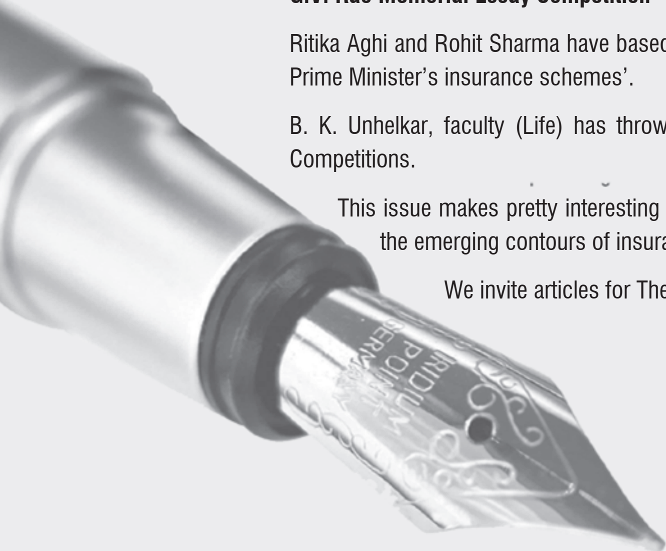
Ritika Aghi and Rohit Sharma have based their essay on the topic 'Deepening the market riding on the Prime Minister's insurance schemes'.

B. K. Unhelkar, faculty (Life) has thrown light on the content of winning essays of Essay Writing Competitions.

This issue makes pretty interesting reading and would offer a host of refreshing perspectives on the emerging contours of insurance.

We invite articles for The Journal on the announced themes for the year 2023.

Editorial Team



S. K. Desai Memorial Essay Writing Competition

Listing of Insurance Companies and the Effect on Functioning and Regulatory Reporting

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Abstract

Insurance sector of India has been growing very firmly particularly in the recent years, but the share of Indian insurance sector is still low on the map of global market. The Insurance penetration of India is very low as compared to other countries and the same proves that a very big pie of Indian population is still uninsured. While the insurance premiums in India are growing, but this growth is coming at the cost of profitability. Insurance industry as a whole is experiencing underwriting losses. Most of the Insurers are into underwriting losses. The solvency ratio and financial health of most of the Public Sector Insurers (PSUs) are in bad shape. Government has already infused capital in these PSUs to maintain their solvency margin but still these insures are continuously showing losses in their books of accounts.

Apart from underwriting losses, product pricing is also one of the challenge for insurers operating in India. For getting the top line, most of the Insurers are using undercutting of pricing as one of the tool for gaining market share, Profitability is mostly dependent on Investment income for most of the insurers. It seems that

insurance industry has compromised on pricing discipline under almost all lines of business.

India insurance sector has seen many reforms over the last few years like opening up of the insurance sector for both private and foreign players and increase in the FDI (Foreign Direct Investment) from 26% to 74%. The Indian Insurance regulator IRDAI has brought out various regulations for dealing with various kind of challenges which India insurance industry is facing, one of the important regulation which will definitely strengthen corporate governance of insurers and will bring market discipline amongst different insurers and will increase transparency is listing of the insurance companies.

A successful listing of an insurance company can help the company to create opportunities to expand their business as per their need. The same can also help the insurer to accelerate their growth and also help in achieving the dominant position in the market.

Insurance is a very capital intensive business. Insurance company sells huge number of policies and similarly gets huge premium from policyholders and for meeting future claims on these policies, Insurance company always needs more capital The Indian insurance regulator, Insurance Regulatory and Development Authority of India (IRDAI), also mandates in their guidelines that all the insurers should maintain a solvency ratio of at least 150 per cent. (solvency ratio means an excess of assets over liabilities).

Moreover, insurance is a long duration business and It takes at least 6 to 8 Years for Insurers to touch breakeven or start becoming profitable. Listing of Insurance Companies or IPOs can be one of the best tool for getting required capital.

Keywords

Initial Public Offering, Foreign Direct Investment, Embedded Value, Draft Red Herring prospectus, Market Value.

Listing of an Insurance Company?

All those insurance companies who are seeking additional capital and want to provide a platform of exit for their shareholder normally go for listing. The shares of the listed company are allowed to trade on trading platform of the exchange on which that company got listed.

It depends on the circumstances or situation of the insurance company on which insurer decides which option to choose from like for example fresh capital requirement may be one of the reason for going public or maintaining required solvency margin can be one of the reason for going public.

"Listing is always considered as very important because the listing improve the standard of disclosure and periodicity of these disclosures. Listing actually makes owners more answerable towards investors, and even society in general "

Around 10 to 15 years ago, there was hardly any transparency in terms of consumer complaints, policy terms and conditions, details, outstanding and unpaid claims and surrender rates but the insurance regulator IRDAI changed this by bringing more disclosures for insurers.

Difference between Listed and Non Listed Company

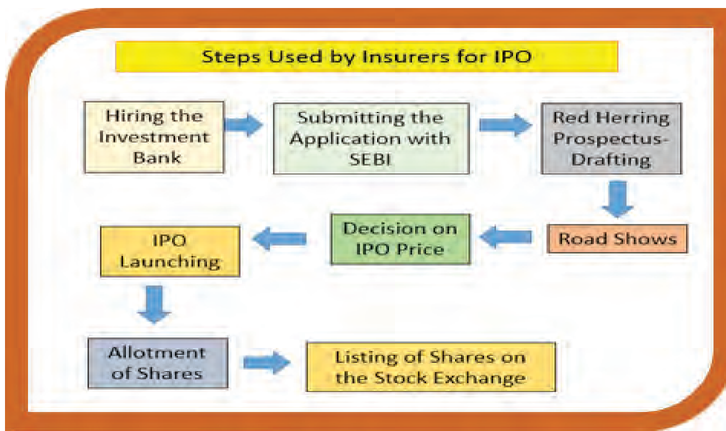
Factors	Listed Insurer	Unlisted Insurer
Meaning	A listed Insurer is an Insurer whose shares are listed with stock exchange and shares of this insurer are openly tradable in the exchange.	An unlisted Insurer is an Insurer whose shares are not tradable on any stock exchange.
Ownership	Shares of listed Insurer can be acquired by several shareholders.	Shares of Unlisted Insurer are acquired mostly by private investors like founders, foreign investor etc.
Liquidity of Shares	Shares of listed insurer are very liquid and can be encashed anytime.	Shares of unlisted Insurer are not available In the market hence the same are illiquid in nature
Valuation	Business valuation can be calculated easily on the basis of the current prevailing price of the share.	Business valuation is uncertain because the share price of the Insurer is not available in the open market.
Regulatory Requirements	Listed Insurer need to comply with strict regulatory standards	Unlisted Insurer have very less complicated and tough regulatory requirements compared to listed Insurer

What is an IPO (Initial Public Offer) and It's Process?

Initial Public offering (IPO): Whenever an unlisted company makes a fresh issue of shares for sale or offers its existing shares for sale or both for the first time to the general public, the same is called an IPO.

Principally, an IPO means "a company's ownership is transitioning from private ownership to public ownership—i.e., "going public "

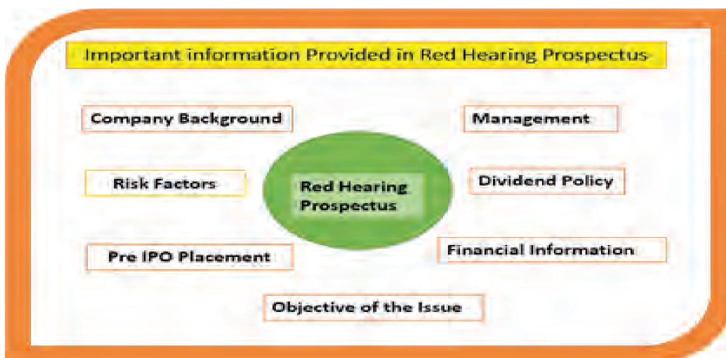
Once an Insurance company decides to "go public," it select a lead underwriter who can help the insurer in shares' registration and distribution process. This is the responsibility of the lead underwriter to arrange a group of investment banks and broker who will be responsible for selling shares of the IPO to different categories of investors like institutional and individual investors.



How to be "IPO Ready"

One of the most important factor which is being considered by the Indian regulator (IRDAI) for granting approval to Insurer for IPO is the history of that Insurer with regard to compliance with regulatory requirement.

As per the IRDAI Guidelines, any gaps if any is there in regulatory compliance will also need to be disclosed at the time of preparation of the Draft Red Herring Prospects (DRHP) in accordance with the ICDR Regulations (SEBI) which will in turn form part of the "Risk Factors" set out in the DRHP.



Indian insurance sector is highly regulated in nature and compliance requirements are not only very much wide spread in nature, but are also very stringent.

A few examples of compliance requirements which are applicable to Indian insurance companies are as follows.

- Maintaining the requisite solvency margin.
- Compliance with social and rural sector obligations.
- Undertaking investments only as per the specified regulations.
- Compliance with various regulations regarding manner of solicitation and procurement of insurance business.
- Limitations on payment which may be made to insurance intermediaries.
- Requirement to obtain prior approvals from the IRDAI upon occurrence of specific events such as appointment of Key Management Personnel (KMPs) and directors on their board, change in place of business and change in shareholding pattern.
- Requirement to file periodic returns and notifications with the IRDAI on various aspects.

In addition to the above, other compliance and norms which are applicable to all companies such as the requirements set out under the Companies Act 2013 also needs to be followed.

Given the vast nature of regulatory compliance requirements, Indian insurance companies may find it very challenging to prepare for an IPO because of vast nature of different regulatory requirements. Insurance company can have addressed these challenges with prior review of certain activities like ensuring an audit of the various types of compliance requirements and then identify the gaps and identify those issues which are non-compliant in nature. Ideally Insurer may start this activity 1 to 2 year prior to launching IPO The same will provide an adequate time period to the insurer's legal and compliance teams to fix up those issues.

In this connection, the Indian regulator IRDAI has already issued the *Guidelines on Corporate Governance for insurers operating in India".* The guidelines say that Insurers even if they are unlisted, should initiate to take required and necessary steps to fix up the gap which is being identified by them so that Insurers can ensure the smooth listing on the stock exchange.

How to Fix the Price of a Share during IPO?

There is no role of SEBI or IRDAI in arriving on a price of share of IPO. The Insurance company consult with their merchant banker for pricing of an IPO. Merchant banker consider and review the offer document which Contains full disclosures of the parameters like EPS, PE multiple, return on net worth and comparison of these parameters with peer group companies for arriving on a price.

When the Insurance company that is launching an IPO at the outset decides the issue price and similarly mention the same price in the Offer Document, it is called as **"Fixed price issue".**

Red herring prospectus is needed when company wants to discover the price at which shares are to be issued to the investors and the process is called **Book building process.**

Book built Issue: When the share price of an issue during an IPO is discovered on the basis of demand received from the prospective shareholders / investors at various price levels, it is called "Book Built issue".

Different Categories of Investors Who Can Participate in IPO

Investors are broadly classified under following categories:

Retail individual Investor (RIIs):

All those investors whose application value is less than ₹ 2 lakhs are treated as retail investors. Under RIIs, a minimum of 35% of the IPO is reserved and retail investor can bid at the cut-off price.

As per SEBI's regulations, in case of oversubscription, all retail investors should be allotted at least one lot of share. If one lot per investor is not possible, then a lottery system should be allotted by Insurer to distribute shares to retail investors.

High net-worth individuals (HNIs) / Non-institutional investors (NIIs)

All those investors whose application value is more than ₹ 2 lakhs are treated as HNIs.

All those Institutions whose subscription value is more than ₹ 2 lakhs are called non-institutional investors (NIIs).

Offer Reserved: 15% of the offer is reserved for non-institutional investors.

Non-institutional investors include the following:

- Resident Indian individuals.
- Eligible Non Resident Indians (NRIs).
- HUFs (Hindu Undivided Family).
- Companies.
- Trusts and Societies

Qualified Institutional Investors (QIIs)

QIIs includes the followings:

- Commercial banks
- Public financial institutions (PFIs)
- Houses of mutual fund
- Investors of foreign portfolio

QIIs are always considered very important for an insurer who is planning to launch an IPO and Underwriters of Insurers always try to sell major chunks of their shares to the QII's at a very attractive price before the start of the IPO.

This is very important point to note here that If the QIIs buy more shares, in that case, lesser number of shares will be available for the general public. This would lead towards increase of higher share prices. As per the guidelines of SEBI companies cannot allocate more than 50% shares to the QIIs.

Note: The difference between a NII and an QII is that there is no need for NIIs to register themselves with SEBI.

Effect of Listing on the Functioning of Insurer

- **Access to more capital for expansion and growth**

Landscape of Indian insurance industry is very dynamic and the extent of under-penetration under most line of business gives a huge opportunity to Indian insurers for getting more growth but additional capital is always required to achieve this dream and IPO provide a very big platform for getting easy access to required capital. Recently the newly appointed chairman of IRDAI has also asked insurance companies to choose this method for getting easy access to required capital. As per IRDAI's newly appointed chairman, this capital will definitely help the insurer to grow their business and will also help in deepening the insurance penetration of the country.

- **Increased brand awareness of the company**

Listing is also one of the important tool in increasing brand awareness of the company because through listing it draws the attention of different categories of investors and the financial media.

A successful listing can be a great branding opportunity for an insurance company. Going for a public listing always creates a lot of media coverage. The insurance company can always leverage this coverage in different ways to help and grow their insurance business. Moreover, listed company required to disclose its financials to the general public and If the financials are good, it increase further credibility and visibility.

- **Listing Provide a platform of exit for their existing shareholder / Owners**

Listing increases liquidity and also gives the existing shareholders the opportunity to realize the true value of their investments. Listing also allows shareholders to transact in the shares of the company, sharing risks as well as benefitting from any increase in the organizational value

- **Improved transparency and visibility**

The listing on the stock exchange provides for timely disclosure of information relating to profits, dividend, bonus and expenses etc. Thus providing more transparency to shareholders and build investor confidence.

Going public also improves Insurer's visibility and goodwill among customers and investors due to properly complying with various SEBI and IRDAI's regulatory norms and also ensuring transparency while conducting all kind of operations.

- **Improved liquidity**

Shares which are listed on the stock exchange are allowed to trade and investor can realize their real value of investment at any point of time.

- **Helping Merger & Acquisition**

A well-established insurance company is regularly on the radar of other insurance firms for mergers or acquisitions. Insurers also use the money raised from IPO for funding mergers and acquisition. A successful listing on stock exchange always brings value to the company and the raised funds serve as the icing on the cake for a successful merger.

- **Help in getting organic growth**

For getting organic growth, Insurance company need to hire surveyors, risk engineers and also there is a need to open more offices all over India. For ramping up the infrastructure, Insurance companies required capital for which IPO is the best option.

- **Listing helps in increasing employees' morale**

Listing of insurance company increases the morale of the employees when all those employees who are working for the organization from so long realize the true value of their shares which they got from their employer through ESOPs etc.

- **Underwriting profit Instead of Investment Income as major source of Profit**

Listing of Insurance companies will surely lead to more transparency and focus on underwriting profits from their core business rather than relying only on investment profit.

- **Pressure on the management for performance**

In unlisted company, the promotor or the owner can operate independently. But once the company is listed, the owner is accountable towards all their shareholders. Moreover, shareholders expect steady performance in all areas such as Underwriting profits, sales, good market share and even

on product innovation. Thus in a listed company management is always under extreme pressure to balance their short-term goals for growth with strategies that actually achieve long-term goals. In the very first year of listing, if the insurer is not able to meet shareholders' expectations then the same can result in losing investor confidence and the same can give a big dent on share price of the company.

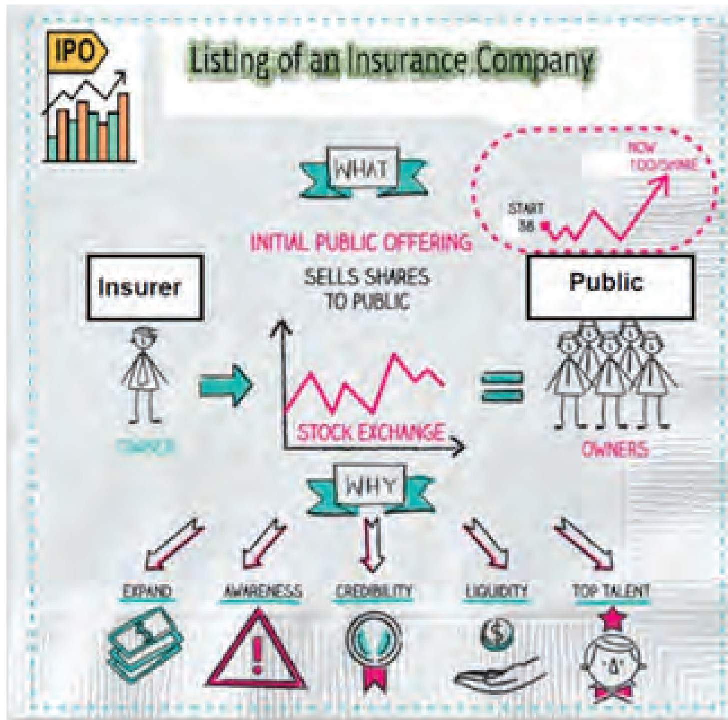


Figure-3

very important for an insurance company but once the company is listed, shareholders are more concerned about, how efficiently company is spending and managing its operational cost and whether return on equity is sufficient enough for the company to sustain.

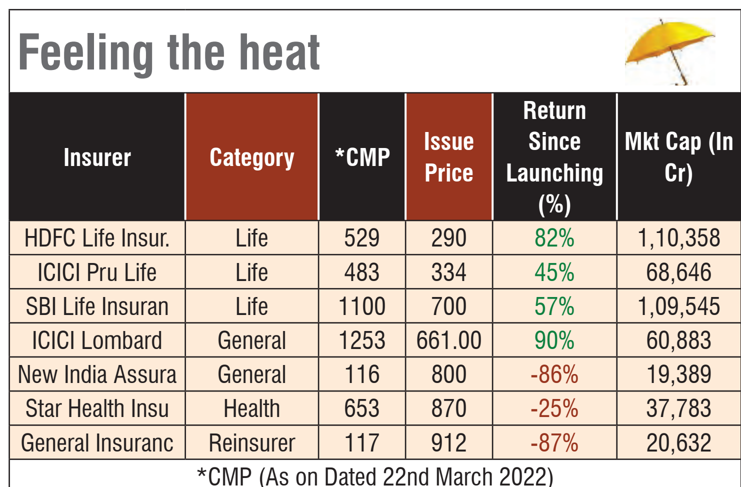
- **Expenses ratio**

Combined ratio is one of the most important profitability parameter for an insurance company. If the combined claim ratio is less than 100%, it means the company is making underwriting profit but unfortunately, most of the Insurers operating in India are working with more than 100% combined claim ratio and the same is mainly due to high business expenses, low premium and less investment income in the initial years listing would definitely will make these companies more accountable towards their shareholders and they will try to reduce these expenses ratio.

Currently around 57 insurance companies are operating in Indian market, out of which 24 insurance companies working for life insurance, and 31 for general insurance, and two are working under re-insurance domain. **But surprisingly, only the following few Insurance companies are listed as of now on the stock exchanges.**

- **Bottom line approach instead of top line**

There is no doubt that both the top-line and bottom-line figures are

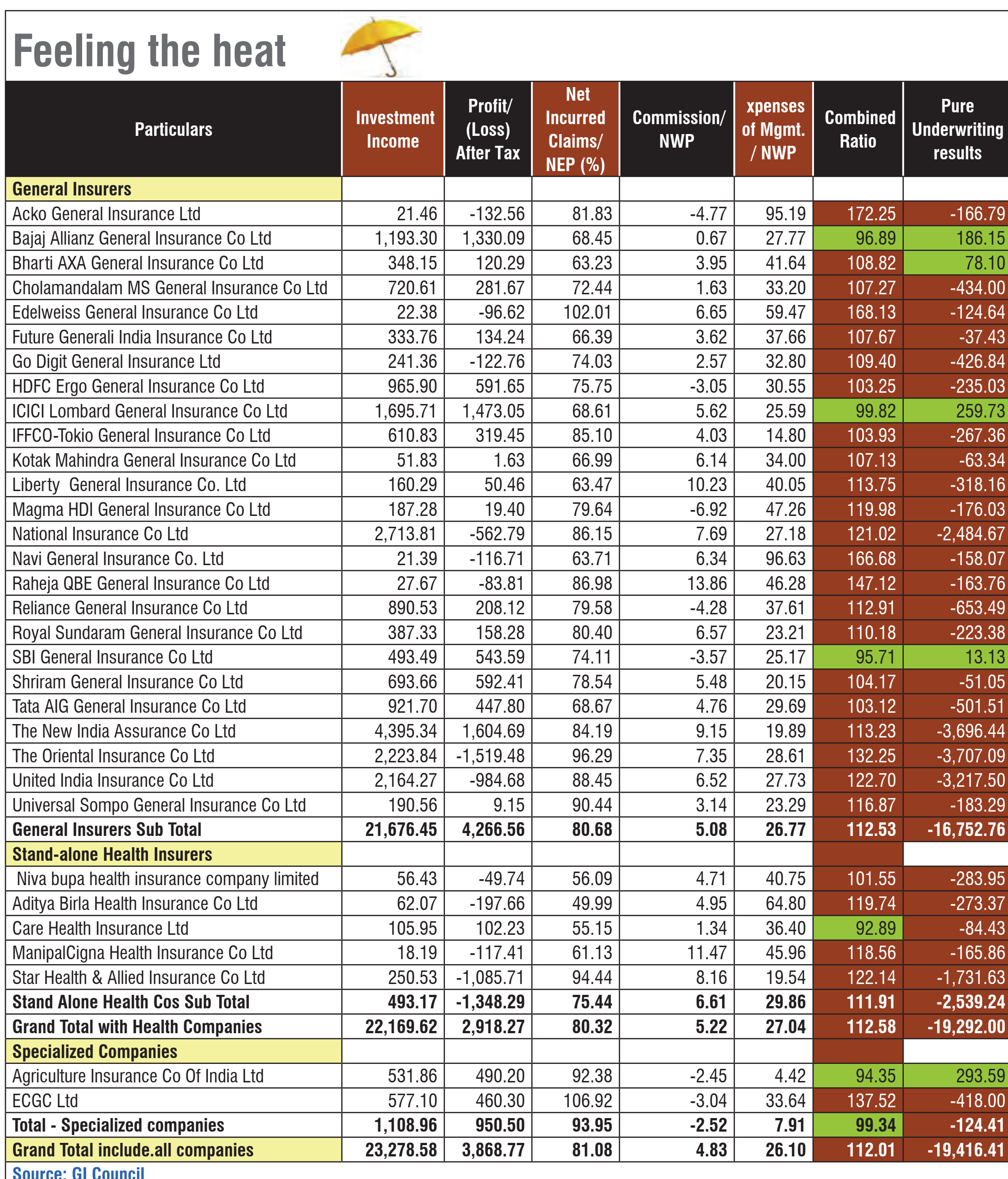


Feeling the heat

Insurer	Category	*CMP	Issue Price	Return Since Launching (%)	Mkt Cap (In Cr)
HDFC Life Insur.	Life	529	290	82%	1,10,358
ICICI Pru Life	Life	483	334	45%	68,646
SBI Life Insuran	Life	1100	700	57%	1,09,545
ICICI Lombard	General	1253	661.00	90%	60,883
New India Assura	General	116	800	-86%	19,389
Star Health Insu	Health	653	870	-25%	37,783
General Insuranc	Reinsurer	117	912	-87%	20,632

*CMP (As on Dated 22nd March 2022)

Figure-4



Feeling the heat

Particulars	Investment Income	Profit/ (Loss) After Tax	Net Incurred Claims/ NEP (%)	Commission/ NWP	xpenses of Mgmt. / NWP	Combined Ratio	Pure Underwriting results
General Insurers							
Acko General Insurance Ltd	21.46	-132.56	81.83	-4.77	95.19	172.25	-166.79
Bajaj Allianz General Insurance Co Ltd	1,193.30	1,330.09	68.45	0.67	27.77	96.89	186.15
Bharti AXA General Insurance Co Ltd	348.15	120.29	63.23	3.95	41.64	108.82	78.10
Cholamandalam MS General Insurance Co Ltd	720.61	281.67	72.44	1.63	33.20	107.27	-434.00
Edelweiss General Insurance Co Ltd	22.38	-96.62	102.01	6.65	59.47	168.13	-124.64
Future Generali India Insurance Co Ltd	333.76	134.24	66.39	3.62	37.66	107.67	-37.43
Go Digit General Insurance Ltd	241.36	-122.76	74.03	2.57	32.80	109.40	-426.84
HDFC Ergo General Insurance Co Ltd	965.90	591.65	75.75	-3.05	30.55	103.25	-235.03
ICICI Lombard General Insurance Co Ltd	1,695.71	1,473.05	68.61	5.62	25.59	99.82	259.73
IFFCO-Tokio General Insurance Co Ltd	610.83	319.45	85.10	4.03	14.80	103.93	-267.36
Kotak Mahindra General Insurance Co Ltd	51.83	1.63	66.99	6.14	34.00	107.13	-63.34
Liberty General Insurance Co. Ltd	160.29	50.46	63.47	10.23	40.05	113.75	-318.16
Magma HDI General Insurance Co Ltd	187.28	19.40	79.64	-6.92	47.26	119.98	-176.03
National Insurance Co Ltd	2,713.81	-562.79	86.15	7.69	27.18	121.02	-2,484.67
Navi General Insurance Co. Ltd	21.39	-116.71	63.71	6.34	96.63	166.68	-158.07
Raheja QBE General Insurance Co Ltd	27.67	-83.81	86.98	13.86	46.28	147.12	-163.76
Reliance General Insurance Co Ltd	890.53	208.12	79.58	-4.28	37.61	112.91	-653.49
Royal Sundaram General Insurance Co Ltd	387.33	158.28	80.40	6.57	23.21	110.18	-223.38
SBI General Insurance Co Ltd	493.49	543.59	74.11	-3.57	25.17	95.71	13.13
Shriram General Insurance Co Ltd	693.66	592.41	78.54	5.48	20.15	104.17	-51.05
Tata AIG General Insurance Co Ltd	921.70	447.80	68.67	4.76	29.69	103.12	-501.51
The New India Assurance Co Ltd	4,395.34	1,604.69	84.19	9.15	19.89	113.23	-3,696.44
The Oriental Insurance Co Ltd	2,223.84	-1,519.48	96.29	7.35	28.61	132.25	-3,707.09
United India Insurance Co Ltd	2,164.27	-984.68	88.45	6.52	27.73	122.70	-3,217.50
Universal Sompo General Insurance Co Ltd	190.56	9.15	90.44	3.14	23.29	116.87	-183.29
General Insurers Sub Total	**21,676.45**	**4,266.56**	**80.68**	**5.08**	**26.77**	**112.53**	**-16,752.76**
Stand-alone Health Insurers							
Niva bupa health insurance company limited	56.43	-49.74	56.09	4.71	40.75	101.55	-283.95
Aditya Birla Health Insurance Co Ltd	62.07	-197.66	49.99	4.95	64.80	119.74	-273.37
Care Health Insurance Ltd	105.95	102.23	55.15	1.34	36.40	92.89	-84.43
ManipalCigna Health Insurance Co Ltd	18.19	-117.41	61.13	11.47	45.96	118.56	-165.86
Star Health & Allied Insurance Co Ltd	250.53	-1,085.71	94.44	8.16	19.54	122.14	-1,731.63
Stand Alone Health Cos Sub Total	**493.17**	**-1,348.29**	**75.44**	**6.61**	**29.86**	**111.91**	**-2,539.24**
Grand Total with Health Companies	**22,169.62**	**2,918.27**	**80.32**	**5.22**	**27.04**	**112.58**	**-19,292.00**
Specialized Companies							
Agriculture Insurance Co Of India Ltd	531.86	490.20	92.38	-2.45	4.42	94.35	293.59
ECGC Ltd	577.10	460.30	106.92	-3.04	33.64	137.52	-418.00
Total - Specialized companies	**1,108.96**	**950.50**	**93.95**	**-2.52**	**7.91**	**99.34**	**-124.41**
Grand Total include.all companies	**23,278.58**	**3,868.77**	**81.08**	**4.83**	**26.10**	**112.01**	**-19,416.41**

Source: GI Council

Figure-5

The Statistics is provided for FY 20-21 (As on 31.03-2021)

Combined Ratio: (Net Incurred Claims divided by Net Earned Premium plus expenses of management (including net commission) divided by Net written premium

Combined Ratio (IRDAI circular Ref: IRDA/F&I/CIR/F&A/231/10/2012)

Effect of Listing of Insurance Companies on Regulatory Reporting

The Indian insurance sector is highly regulated. The Indian Regulator (IRDAI) promote, regulate and ensure orderly growth through, Rules, regulations, and Notifications through Insurance Act, 1938, as amended (the "Insurance Act"). The Indian Government has recently liberalised its policy on foreign direct investment in the insurance sector and has permitted up to 74% of the paid-up capital of an Indian insurance company under the automatic route.

Section 6AA of the Insurance Act 1938 (Insurance Act) has originally provided for compulsory divestment of Equity share capital by the promoters of an insurance company after a period of 10 years from the date start of the insurance business or any other period which is being specified by the Central Government. Public Offer or listing is one of the manner in which such divestment could have been implemented.

However, after the 2015 Amendment (Under the Insurance Laws (Amendment) Act 2015), The IRDAI issued IRDAI (Issuance of Capital by Indian Insurance Companies **transacting Life Insurance Business**) Regulations 2015 (Life Insurance Listing Regulations) and The IRDAI issued IRDAI (Issuance of Capital by Indian Insurance Companies transacting **other than Life Insurance Business**) Regulations 2015 (Non-life Listing Regulations).

Important features of above mentioned regulations

- This provision of compulsory divestment of Equity share capital by the promoters of an insurance company was deleted and it was not compulsory for insurers to be listed.
- The above mentioned guidelines provided a clarity on the procedure to be adopted and followed for listing of both life and non-life insurance companies.
- Insurance company has to be in the insurance business for 10 years to be eligible to list on the equity market.
- Prior written approval of the IRDAI is to be obtained before any Indian life insurer or any non-life insurer approaches the SEBI for public issue of shares and for any subsequent issue as well. The IRDAI will consider the following factors for providing approval
    - Insurer's overall financial position
    - Period for which the insurer / applicant has been in business
    - History of compliance with the regulatory requirements by the Insurance company / applicant
    - Compliance with corporate governance guidelines issued by the IRDAI
    - Compliance with the prescribed regulatory solvency margin

TAT for getting approval: There is No time period prescribed for granting approval under the Issuance of capital regulations, however guidelines uses the word expeditiously.

Validity of IRDAI approval: Once IRDAI gives the approval, the same is valid for a period of one year, within which the insurer is required to file the DRHP with SEBI. IRDAI may grant further extension of six months if requested by insurance company.

It is very important to note that these regulations issued by the IRDAI have to be read by the insurers together with the SEBI (Issue of Capital and

Disclosure Requirements) 2009 (ICDR Regulations).

Indian Insurance companies need to take certain approval from IRDAI once they go for IPO

- Under Issuance of Capital Regulations of IRDAI, Indian Insurance companies are required to take a prior approval from IRDAI before submitting Draft Red Herring prospectus **("DRHP")** with the **("SEBI")**

While giving an approval on IPO, IRDAI can also prescribe some of the following conditions which will be met by the insurance company

- Restrictions on dilution of shareholding by promoters or investors
- IRDAI may prescribe certain limit for allotment of shares to any class of foreign investors
- IRDAI may prescribe minimum lock-in period for the promoters or investors
- IIRDAI may also put additional disclosure requirements like providing details on specific risk belong to insurer, information related to financials and operations and its peer comparison
- IRDAI also prescribes the objective for which proceeds from IPO will be used like It can be used for meeting solvency requirements or for getting organic growth etc.
- Insurance Companies also need to filed certain financial information related formats with both regulator (IRDAI) and SEBI under ICDR Regulations
- Prior approval from Indian regulator (IRDAI) is required if any acquisition of shares of an insurance company exceeding 5% of its paid-up share capital under the IRDAI (Transfer of Equity Shares of Insurance Companies) Regulations, 2015 **("IRDAI Transfer Regulations")**.

Moreover, prior approval of IRDAI is also required under the following

If any sale of shares where the value of the shares proposed to be transferred (, jointly or severally,) by person(s) under the same management exceeds 1% of the paid-up equity capital of the company.

Restrictions on insider trading: Once Insurer decide to go for an IPO, Insurer's existing shareholders are generally refrain from selling their shares during a specified time period following the listing which typically is 180 days. This is called as "lock-up" period.

Definition of Promotor: Under the SEBI ICDR Regulation, the definition of "Promoter" is differ from the definition of an "Indian promoter" which is prescribed under the IRDAI (Registration of Indian Insurance Companies) Regulations, 2000, as amended.

Under the IRDAI Issuance of Capital Regulations it is clearly mentioned that "for the purposes of naming persons as "Promoters" in an offer document to be filed with SEBI, the definition which is prescribed under the ICDR Regulations given by SEBI should be followed.

However, it is advisable that this issue need to be discussed with SEBI prior to filing of the DRHP.

IRDAI may also ask for certain specific disclosures of sector-specific financial ratios and operational information in the IPO related offer documents.

Additionally, a life insurer need to submit an embedded value report which is being prepared by an independent actuary.

What is Embedded Value?

Life Insurance is always considered as long-term business. In Life Insurance you buy a life insurance policy today but you need to pay premiums for several years. It is from this income which comes in future, insurers make profits. So the value of a life insurance company is judged through the future profits that the current business is able to generate. You can call this value as an embedded value (EV) which represents the sum of present value of all future profits from the existing business and shareholders' net worth. If the insurer generates more business, the larger will be the embedded value of that insurer assuming all other factors like persistency ratio and costs remain the same".

If anybody want to analyse the valuation of any life insurance company, he need to see the EV of that company. For example, Life Insurer X may have market capitalization of ₹ 2,000 crores whereas its EV could be ₹ 500 crores. It implies that investors are

ready to pay four times the Insurer's EV and the same indicates a bullish outlook about that insurer. And this has been the case for almost all listed life insurance companies in India so far. All the below mentioned three listed life insurers have been valued at multiple of more than 2 times the EV.

But when we compare the valuation of Indian Life Insurers with Asian markets, we are far ahead because Life Insurance companies in Indian markets are valued at a multiple in the range of 2 to 4 times the embedded value as compared to global insurers wherein the same ranges between 0.5 to 2 only. (Refer Figure-7)

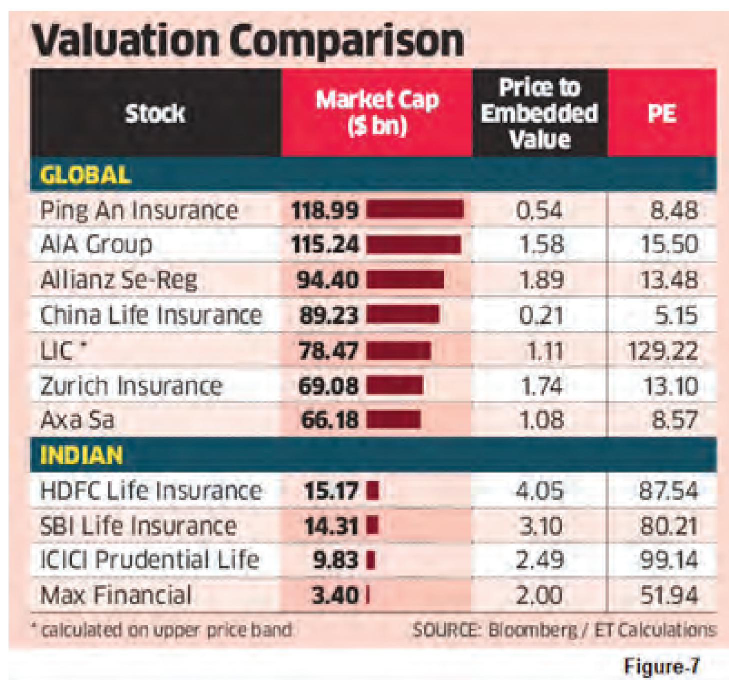
If any changes happen in product strategy or distribution strategy of the company or if expenses level changes, the same gets reflected in the EV.

Upcoming IPO

LIC of India is also coming up with India's biggest-ever initial public offering.

At a 5 per cent sale of stake, the LIC IPO would be the highest ever in the history of the Indian stock market and once the share of LIC is listed, we can compare the valuation of LIC with big and top most companies like Reliance and TCS.

The Biggest Ever IPO of Indian stock market is of Paytm (₹ 18200 crores) followed by Coal India (₹ 15500 crores) and Reliance Power (11700 crores)



Valuation Comparison

Stock	Market Cap ($ bn)	Price to Embedded Value	PE
GLOBAL			
Ping An Insurance	118.99	0.54	8.48
AIA Group	115.24	1.58	15.50
Allianz Se-Reg	94.40	1.89	13.48
China Life Insurance	89.23	0.21	5.15
LIC *	78.47	1.11	129.22
Zurich Insurance	69.08	1.74	13.10
Axa Sa	66.18	1.08	8.57
INDIAN			
HDFC Life Insurance	15.17	4.05	87.54
SBI Life Insurance	14.31	3.10	80.21
ICICI Prudential Life	9.83	2.49	99.14
Max Financial	3.40	2.00	51.94

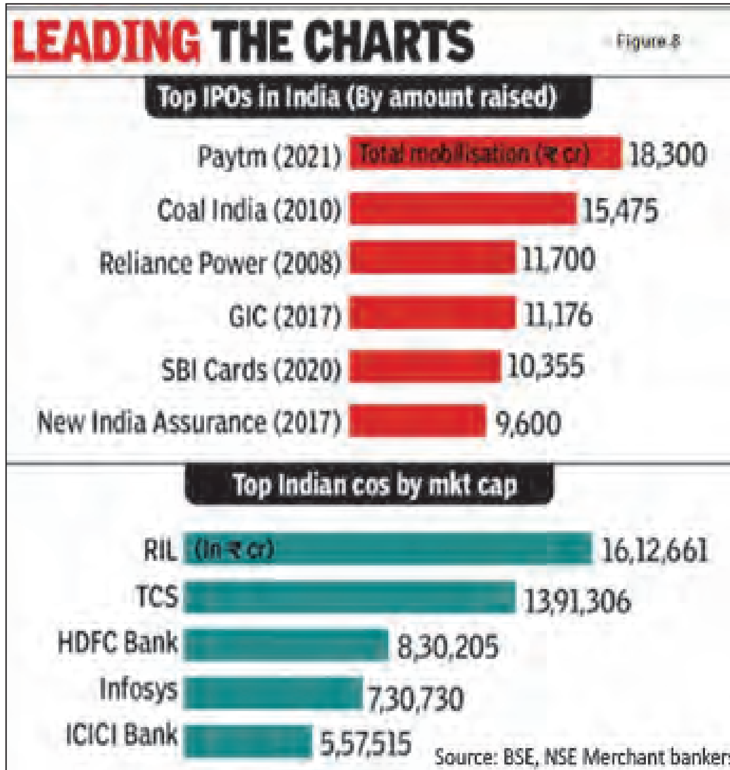
* calculated on upper price band

SOURCE: Bloomberg / ET Calculations

Figure-7

Proposed details are as follows

LIC Upcoming IPO	
Parameters	**Remarks**
Issue Size:	221,374,920 Equity Shares of ₹ 10 (Aggregating up to ₹ 21,008.48 Cr)
IPO – Open and Close date	May 4th 2022, May9th 2022
IPO Price	₹ 902 to ₹ 949 per equity share
Retail and Employee Discount:	INR 45 Per Share
QIB Shares Offered	Not More than 50%
Retail Shares Offered	Not More than 35%
HNI Shares offered	Not More than 15%
IPO Listing date	May 17th 2022



Some of the Disadvantages of Going Public for Insurers

- **Expensive Affair**

Listing of shares on stock exchange is one of the most expensive forms of raising capital. Insurance company need to pay underwriter's commissions, legal and registration fee etc. for successful launching of an IPO.

- **Compromise on Privacy**

A listed company is required to reveal all kind of sensitive information. Listed insurer need to disclose its important strategies, details of finances, important contacts and projects to the general public at large. Listed Insurers also required to reveal their KPIs and important figures like salaries of their KMPs and their incentives, profit margins Etc.

- **Change in structure and control of the Management**

If due to any reason dissident investors or majority of investors want to change the management, listed companies has no choice but to do so, this can put a major threat to the existing management.

- **Volatility**

Once an Insurance company is listed, it has to face volatility in price of their shares, not only due to Insurer's own performance but may be due to having knock-on effect on its stock prices due to external economic factors. This can put an adverse impact on Insurer's valuation.

Way Forward

Listing fundamentally amends an insurance company's legal and economic structure. The management of an insurer becomes more accountable towards their shareholders and Management becomes legally bound to disclose all information regarding the company's financial health and operations, which otherwise they were keeping it private. All this information reflects the company's performance in terms of growth, technology, product and other innovation, fraud figures, customer service, and compliance on regulatory reporting.

The IPO channel helps the insurers to raise capital for expansion of their operations, improve brand image of the company and provide required liquidity to their investors.

IPO market of Indian insurance industry is taking off at a time when the sector itself is poised for an abrupt change. Insurance market of India is expected to increase around four times in size over the next 8 to 12 years from its current size of $108 billion, this is a very big opportunity for an Indian insurance industry. Despite being the second most populous country, India currently accounts for only less than 1.6% of world's total insurance premiums and about 2.1% of its life insurance premiums, this certainly makes a strong case for insurance companies to unlock real value of their shares and knock stock markets for future expansion plans.

Most of the promotors of Indian Insurers are big Indian business houses or business houses dealing in

financial services like banks. Many have decided to enter into this insurance business when they were financially very strong but are now struggling to get the required capital for infusing into their business due to regulatory requirement of maintaining solvency ratio of 1.5, We have already seen few consolidation and exits of many promoters from insurance business. Listing of Insurance companies shares on stock exchange will mean that more promoters could now completely exit or may bring down their shares in their insurance joint ventures. The same will also provide a relief to many state-owned insurers who are totally dependent on the Indian government to meet their regulatory solvency capital requirement.

We can always call an IPO event as a very transformational event because it requires a many different parts of the insurance business to come and work together toward a common goal. Some of the important task includes drafting the registration statement, preparing and auditing financial information, creating new governance structures, selecting underwriters and research analysts, providing input into valuation, identifying and educating their key investors, preparing for the roadshow for launching successful IPO. For many insurance companies this will bring a significant cultural shift and the same requires huge adjustments. Insurance company with improved business fundamentals definitely get a better price for their IPO.

The situation of most of the Public sector general Insures are pathetic, they are continuously incurring underwriting losses and are even struggling to maintain required solvency ratio of 1.5. Listing of public sector general insurance companies will definitely lead to more transparency and will increase their focus on profits from their core are of business. The Cabinet Committee on Economic Affairs has already given their go-ahead to all public sector general insurance companies for listing their shares on stock exchanges and the government had already provided ₹ 12,450 crores in FY 21 to National Insurance, Oriental Insurance and United India for meeting their solvency ratios and strengthening their operations.

The Indian regulator IRDAI appears to be supportive as far as listing of insurance companies are concerned. For Increasing insurance penetration and density, it is very much required that insurers start focusing on covering rural population, for which they need to open new offices at tier-2 and tier 3 class cities for which additional capital will be required and listing will definitely help in bringing out that capital to insurer.

One of the important things which we have seen in the last few months (especially for those insurer who have listed themselves), is price corrections to levels which are reasonably fair. General insurance corporation which is a listed company now has increased their reinsurance rates in many lines of business in all treaty slips of FY 22-23. The same way other Life and Non-Life Insurers have also done this in their line of operation and we hope that this would be sustainable. In summarised form we can say that if any insurance company go for listing it will definitely bring the required change and reforms which is very much required for better underwriting, better claim settlement and for better product innovation and better customer service. TJ

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D. Subrahmaniam Award Essay Writing Competition

Will Regulation of Health Service Providers (Hospitals) Help Insurance Companies to Improve the Results?

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Abstract

Medical healthcare system of India is in a terrible state with good amount of population either having little or no access at all to medical healthcare system. It is a fact that the healthcare system of India is very costly and the same is preventing Indian citizens to receive effective and required treatment. Private healthcare system of India is also very complex and excessive priced.

Medical inflation is growing very fast in India with a rate of around 10-20% year-over-year and putting huge impact on the pockets of patients, their family members and off course to insurance companies as well. While almost all the hospitals operating in India have been steadily increasing their medical pricing which is hugely impacting the profitability of insurance companies operating in India. In spite of this increase, Insurer cannot increase their health premium because as per guidelines given by the Insurance regulator (IRDAI), Insurers can revise their pricing only once in 3 years. The Insurance industry is having a very strong Regulator 'IRDAI' to regulate the insurance business and even the premium charged by the Insurance

companies are being monitored through IRDAI. Since last once decade, Insurance Industry is demanding some proper Health regulations for health service providers for handling patient and Insurer's different grievances. It is very difficult to understand the medical healthcare system of India with different rates being offered by the hospitals under CGHS (Central government health scheme) and for state government employees and for insurance companies. For increasing health insurance penetration and reducing out of pocket spending, government of India has announced various insurance programmes for poor people but mere announcement of these schemes will not service the purpose until and unless proper regulations are in place for health service providers.

During recent pandemic of Covid, Indian Government took some very good steps by capping rates of certain medical tests and treatments but still there are many instances to quote wherein hospitals have overcharged from the patients and unfortunately nobody knows where to raise these problems because currently there is no regulator for these hospitals. Different health insurance programmes introduced by Government of India are running since last few years but nobody including government has taken the issue of overpricing seriously. There are few questions which need to be addressed like how much should the average room rent hospital should charge from patient? How much doctor should charge for a surgical procedure? Nothing is regulated till now.

Covid pandemic has already hit the insurance industry very hard and all types of Indian insurers (Life, Nonlife and health) have received a huge number of Covid claims during this pandemic. While pricing these health insurance products, Impact of Covid claims were not considered because nobody thought about it. All the insurance companies have felt the long lasting impact on their financials due to Covid Pandemic.

Keywords

Incurred Claim Ratio, Solvency Ratio, Out of Pocket Expenses, Gross Domestic Product, Underwriting Losses, Health Regulations.

Existing System of Regulations in India for Health Service Providers / Hospitals

The existing system of regulation for health service providers or hospitals in India are very easy-going and volatile in nature. To regulate health care providers, India in the past has enacted many laws, the details of these laws has been given in the figure-1.

One of the key legislation introduced by the central government for regulating health service providers is The Clinical Establishments Act, (CEA) 2010 and Rules enacted in 2012. Health being a state subject, each state government is actually required to pass a resolution in their assembly to enact the law. This CEA Act provides a framework for registration and regulation of hospitals and health service providers. Registration of all clinical establishments whether hospitals, maternity homes, nursing homes, dispensaries, diagnostic centres is mandatory under the law. Even all those medical establishments that offer treatment in the form of Homeopathy, Ayurveda, Unani or Siddha are also required to be mandatorily registered under this act. The act also prescribes the maintenance of minimum standards for infrastructure, services and staff and for maintenance of records and submission of reports etc. But unfortunately most of the Indian states have not adopted the Clinical Establishment act, 2010. As of March 2021, CEA, 2010 is applicable in 11 States and 6 UT's only. The aim of this CEA Act is to make sure that all clinical medical establishments in India are registered so that they can be easily regulate and across India standard practices can be adopted by all these establishments. There is no doubt about this fact that there are few limitations under this act like, it prescribes only the minimum standards for few things like infrastructure and human resources of medical establishments and their supportive services and medical equipment etc.

"The main limitation under this act is that it does not provide for mechanisms of fixing the cost of services, and also does not address the issue of ensuring patients' rights".

Several laws to Regulate Health Service providerrs (Figure-1)

Regulator	Purpose
Medical Cuncil of India Act 1956	**India has enacted Several laws to regulate health service providers.**
The Indian Medicine Central Council Act, 1970	
The Indian Medicine Central Council Act, 1970, the Medical Termination of Pregnancy Act, 1971	
Pre-Natal Diagnostic Techniques (Regulation and Prevention of Misuse) Act, 1994,	
The Consumer Protection Act, of 1986	
Right to Information Act, 2005	
Clinical Establishments Act	The Clinical Establishments (Registration and Regulation) Act, 2010 has been enacted by the Central Government to **provide for registration and regulation of all clinical establishments in the country with a view to prescrib the minimum standards of facilities and services provided by them**.

For controlling prices of pharmaceuticals, there are few regulators that are prevailing like NPPA (National Pharmaceuticals pricing authority) that is an independent regulator for pricing and availability of drugs in India. The authority ensures that drugs reaches to patient at affordable prices. (refer figure-2)

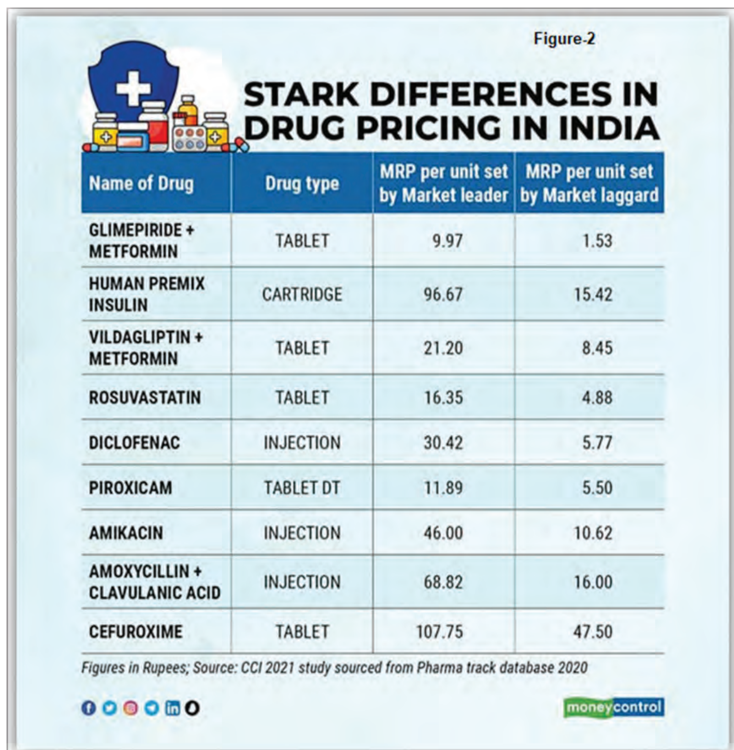


Figure-2

STARK DIFFERENCES IN DRUG PRICING IN INDIA

Name of Drug	Drug type	MRP per unit set by Market leader	MRP per unit set by Market laggard
GLIMEPIRIDE + METFORMIN	TABLET	9.97	1.53
HUMAN PREMIX INSULIN	CARTRIDGE	96.67	15.42
VILDAGLIPTIN + METFORMIN	TABLET	21.20	8.45
ROSUVASTATIN	TABLET	16.35	4.88
DICLOFENAC	INJECTION	30.42	5.77
PIROXICAM	TABLET DT	11.89	5.50
AMIKACIN	INJECTION	46.00	10.62
AMOXYCILLIN + CLAVULANIC ACID	INJECTION	68.82	16.00
CEFUROXIME	TABLET	107.75	47.50

Figures in Rupees; Source: CCI 2021 study sourced from Pharma track database 2020

Drug Controller of India (DCGI) ensures the quality of drugs and also ensures the proper distribution and import of these drugs in India.

Recently the Competition Commission of India (CCI) has also issued few notices to some big hospital like Apollo, Max and Fortis and has asked for their pricing details of pharmaceuticals. The Main Purpose of CCI is to make sure that there are no unfair practices prevail in the market and there should always be a healthy competition among all the stakeholders.

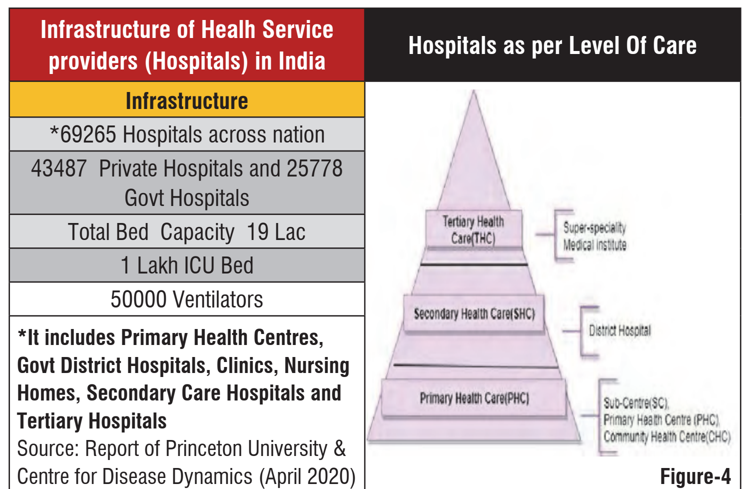
NABH Certification (National Accreditation Board for Hospitals and Healthcare Providers) ensures the continuous improvement in the hospitals by providing them different certification levels. IRDAI took an initiative in 2016 that all medical establishments which are empanelled under private insurance, including private hospitals, day-care centres etc. had to meet at least the entry-level standards given by the NABH for providing cashless facility to patients. (refer figure 3)

Regulation and Governance of pharmaceuticals (Figure 3)		
Regulator	**Short Form**	**Purpose**
National Pharmaceutical Pricing Authority	NPPA	**an independent Regulator for pricing of drugs and to ensure availability and accessibility of medicines at affordable prices**
Drugs Controller General of India	DCGI	**lays down the standard and quality of manufacturing, selling, import and distribution of drugs in India**.
The Competition Commission of India	CCI	functions as a market regulator by preventing and regulating anti-competitive practices in the country. It also carries out advisory and advocacy functions.
National Accreditation Board for Hospitals and Healthcare Providers	NABH	NABH looks at hospital accreditation and is required for empanelment on Government insurance scheme. It assesses civil and medical infrastructure, of the hospitals.

As per the data report of Statista, currently there are around 69265 hospitals in India, out of which around 43487 are private hospitals (ranging from small nursing home to large Corporate hospital) and around 25778 hospitals belongs to public sector.) refer figure 4

These hospitals have been categorised on the basis of type of ownership and type of medicine -refer figure 5

Under the Initiative of IIB (Insurance Information Bureau) Called ROHINI, which is a registry of hospitals empanelled by the private insurance sector. According to this ROHINI portal, India has about 33 000 private hospitals which got registered under ROHINI. All these hospitals provide data to IIB on different parameters like length of stay, Disease wise claims etc. On the basis of this data, many insurers have started withdrawing their cashless facility from those hospitals who are having higher loss ratios and are not willing to work on the rates provided to them by the insurers. Insurance companies also cannot compromise on the rates offered to them by the hospitals because the same will increase their claim cost and it will hurt the policyholder in the form of increased insurance premium. Hospital will also loss their business if they will not be there on the preferred network of insurers and a practical solution here is for hospital to charge a fair pricing and role of required regulator becomes very important for enforcing fair competition among different hospitals.



Infrastructure of Healh Service providers (Hospitals) in India
Infrastructure
*69265 Hospitals across nation
43487 Private Hospitals and 25778 Govt Hospitals
Total Bed Capacity 19 Lac
1 Lakh ICU Bed
50000 Ventilators
***It includes Primary Health Centres, Govt District Hospitals, Clinics, Nursing Homes, Secondary Care Hospitals and Tertiary Hospitals** Source: Report of Princeton University & Centre for Disease Dynamics (April 2020)

Figure-4

Classification of Health Service providers	
As per Ownership Type	**Medicine Type**
Public Providers: it Includes medical colleges, super speciality hospitals at the tertiary-care level, district and sub-district hospitals at the secondary level, CHCs, PHCs, dispensaries, mobile medical units (MMU), sub-centres and frontline workers such as the ASHAs, ANMs and AWWs at the primary level	Allopathy
Private Sector: The private sector comprises constitutes doctors, nursing homes, super specialty hospitals and charitable institutions	AYUSH
	Homeopathic

Figure-5

There are only few private hospitals or doctors or management who actually sit down with patients or their families and have a kind of counselling before admission of the patient for telling them about what will be their total billing so that there is no shock at the end. But no hospitals do it. We have many cases wherein patient being forced to be on ventilator when actually it was unnecessary but hospital gave the huge bill to the insurance company. Insurance industry need an unbiased body in the form of regulator which can look at the real facts and decide about these types of cases.

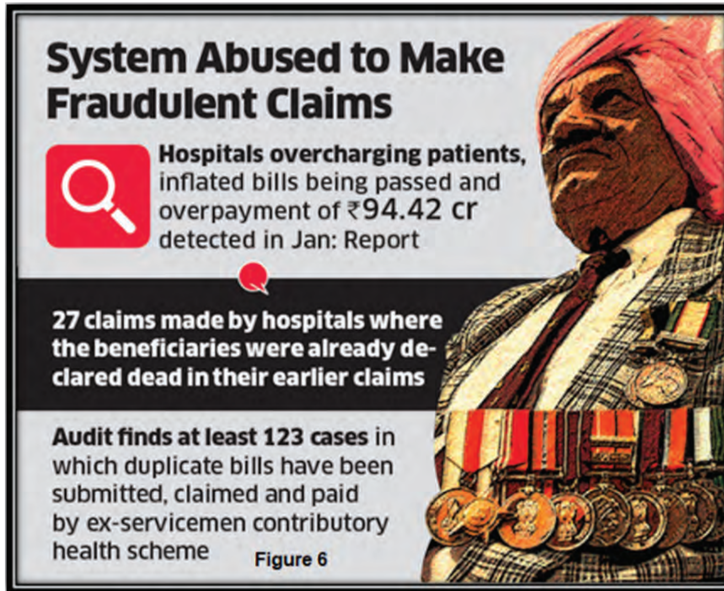


Figure 6

Source - https://economictimes.indiatimes.com/news/defence/fraud-in-veterans-healthcare-scheme-claims-made-even-against-dead-says-report/articleshow/58406095.cms?from=mdr

How Health Service Providers / Hospitals take undue benefit out of Insurance?

Hospitals provides wrong or misleading information / data to insurers for inflating bills so that policyholder or health service providers can avail unauthorized benefits from the Insurance policy. **Some of the Systemic Inefficiencies observed under Health Service Providers (Hospitals) are as follows.**

- Over-charging by hospitals
- longer Length of stays
- Lot of medication errors and the same resulting in readmission of patient.
- Medical billing by hospitals for those services which actually not rendered.
- Manipulation in ICD coding – Hospitals submits the bills using those code which yields them the higher payment than for those services which was actually provided
- Filing of duplicate claims for getting more payment.
- Performing excessive diagnostics test which actually not required
- Producing forged documents for showing admission in the hospitals
- Non-Revealing of critical information.
- Buying Policies in the name of a dead person or a person with a terminal illness
- Manipulating pre-policy health check-up records.
- False and staged accidents and fake certificate of disability
- For generating higher revenue, hospitals perform surgeries which was medically not required to patients.
- Falsifying of tests to justify unnecessary medical actions
- For covering co-pay or deductible amount of patient, provide more billing to insurance companies.

Hospitals - Serious and Moderate Deficiencies
Serious Deficiencies
Impersonation
Patient not found / fake admission
Hospital not functioning
Fabricatrion of doccuments
Moderate Deficiencies
Indication of admission questionable (OP to IP Conversion)
Tampering of doccuments / supperssion of doccuments
Abuse of medicine/ consumables
Tariff Voilation
Extended length of stay

Figure 7

"One of the most important question which Insured faces when he is admitted to the hospital for his treatment, is whether the patient is covered under any health insurance policy or not."

Case Study:

An individual went to hospital for heart surgery. After seeing the patient, the doctor asked for certain diagnostic tests and told him to admit in the hospital where he was working as consultant. The Patient was carrying a health insurance policy but without disclosing the same, Patient asked for the charges and hospital offered a package of around INR 45000 which includes almost everything like procedure charges, room rent, nursing charges and cost of diagnostic tests. The Patient got admitted in the hospital on the date decided and disclosed his mediclaim policy and hereon the story started, Hospital sent the request to insurance company for a cashless request of INR 70000 and immediately got the approval of around INR 65000.The diagnostic tests which patient already ensured before his admission, were asked to repeat it again without realising that ensuring these tests again and again can harm the patient body. Now the doctors who initially said that he can be discharged next day was now asked the patient to stay back for 2 more days just because hospital wanted to increase the bill by charging additional room rent and other charges. The hospital here tried to cheat the insurance company and even the patient also by increasing the bills unnecessarily

Some of the real stories of hospital Mis-Management

- Fortis hospital got a notice from Haryana government for charging around INR 17 lac bill for treatment of dengue.
- Delhi government cancelled the licence of Max Hospital, Shalimar Bagh for declaring an alive baby dead
- 60-year-old person was admitted to Ganga Ram Hospital in New Delhi with symptoms of Covid-19 in April 2021, he was there in the hospital for 30 days and got a 122-page bill of around INR 16 Lac. He was charged a flat rate of INR 10,000 per day for PPE which was worn by medical staff. The Patient paid INR of 2.9 lakh only for PPE which is 18% of their total bill.
- Take the case of a 74-year-old Mumbai man who was admitted in April to the private Nanavati Hospital with pneumonia and Covid-19. He died 13 days later. The family received a bill of INR 16,44,714.

How Absence of Health Regulations for Hospitals is impacting the insurance industry?

Increased Health Insurance Premium:

Due to higher medical inflation or due to hospitals inflating the bills of those customers who have insurance policy, Insurance companies are getting higher claim outflows due to which Insurers are bound to increased their insurance premium

Cutbacks on certain coverages / benefits:

Insurance companies are also forced to stop certain add on coverages or benefits wherein they were facing more fraudulent claims from hospitals like day care cover, Cap on Domiciliary hospitalization, Removal of OPD or Dental treatment etc.

Higher deductibles, Sub Limits and Co-payments:

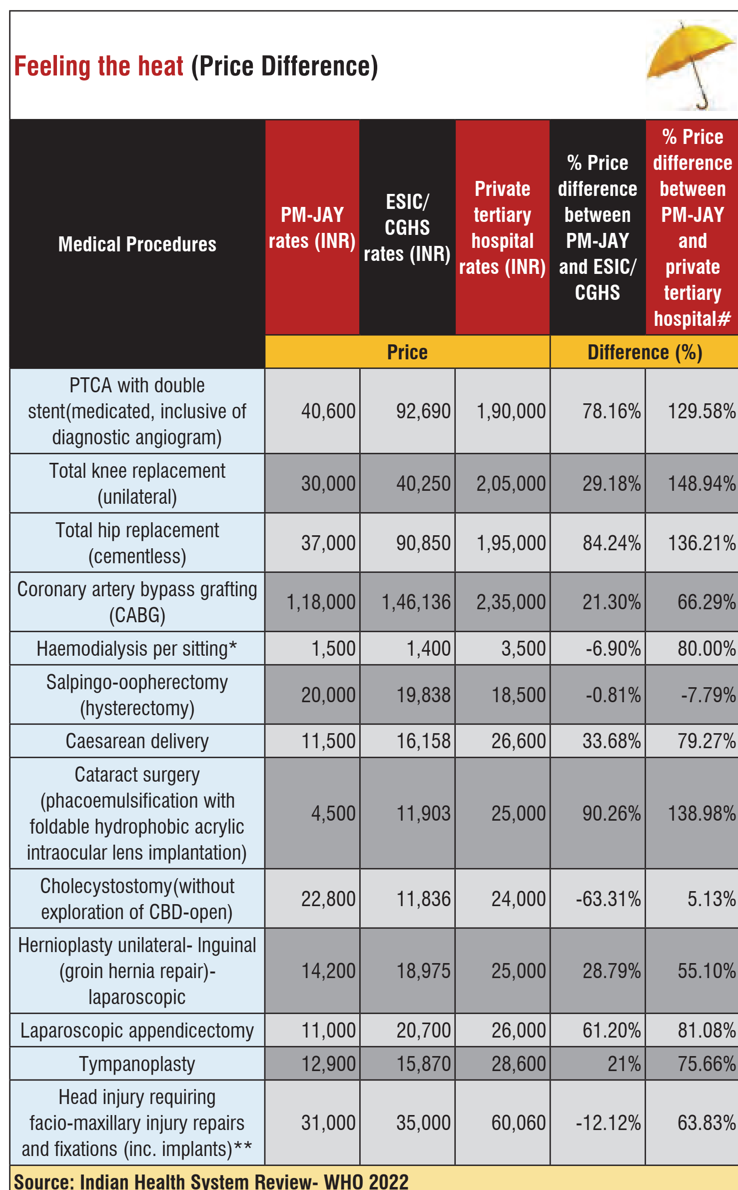
Insurance companies have started increasing their deductible and started putting Co-payments and sub limit clause in the policy so that they can avoid excessive length of stay in the hospitals and can avoid small claims on their books.

Why Regulator for Health Service Providers / Hospitals is Required?

- For ensuring total transparency in procedures and billing
- Maintaining ethical competition among health service providers
- Ensuring portability of patients' medical histories across hospitals and cities

There are different types of health insurance programmes which are running in India for almost over a decade but surprisingly issues of pricing of services is not being taken seriously by any government. ***Currently rates are being fixed either on the basis of an average of market rates or based on the prices which are prevailing under the different central government health schemes, even the pricing fixed under the government health schemes are not perfect because these are not fixed on the basis of any technical logic but the same is fixed only on the basis of open tenders.***

The Indian health sector is very complicated in nature with market conditions ranging from pure competitive to oligopolistic. Pricing is not transparent and we have many instances to share wherein hospitals charged unreasonable amount from patient. Hospitals' earnings vary from charging only service fees to getting reimbursements from some different insurers. Pricing for the same service is different under CGHS, ESIC and under Ayushman Bharat. Person having medical insurance policy from an insurance company gets different treatment and charged heavily as compared to ESIC and CGHS etc. The figure mentioned below (refer figure 8) clearly shows the pricing difference among different schemes.



Feeling the heat (Price Difference)

Medical Procedures	PM-JAY rates (INR)	ESIC/ CGHS rates (INR)	Private tertiary hospital rates (INR)	% Price difference between PM-JAY and ESIC/ CGHS	% Price difference between PM-JAY and private tertiary hospital#
	Price			Difference (%)	
PTCA with double stent(medicated, inclusive of diagnostic angiogram)	40,600	92,690	1,90,000	78.16%	129.58%
Total knee replacement (unilateral)	30,000	40,250	2,05,000	29.18%	148.94%
Total hip replacement (cementless)	37,000	90,850	1,95,000	84.24%	136.21%
Coronary artery bypass grafting (CABG)	1,18,000	1,46,136	2,35,000	21.30%	66.29%
Haemodialysis per sitting*	1,500	1,400	3,500	-6.90%	80.00%
Salpingo-oopherectomy (hysterectomy)	20,000	19,838	18,500	-0.81%	-7.79%
Caesarean delivery	11,500	16,158	26,600	33.68%	79.27%
Cataract surgery (phacoemulsification with foldable hydrophobic acrylic intraocular lens implantation)	4,500	11,903	25,000	90.26%	138.98%
Cholecystostomy(without exploration of CBD-open)	22,800	11,836	24,000	-63.31%	5.13%
Hernioplasty unilateral- Inguinal (groin hernia repair)- laparoscopic	14,200	18,975	25,000	28.79%	55.10%
Laparoscopic appendicectomy	11,000	20,700	26,000	61.20%	81.08%
Tympanoplasty	12,900	15,870	28,600	21%	75.66%
Head injury requiring facio-maxillary injury repairs and fixations (inc. implants)**	31,000	35,000	60,060	-12.12%	63.83%

Source: Indian Health System Review- WHO 2022

Figure 8

India is the second most populous country in the world but when we compare India's health expenditure with other countries, the same is amongst the lowest at 3.54 percent of the Gross Domestic Product (GDP). Out of this, Public expenditure is only 1.28% of the GDP, which clearly indicates that India is largely depend on private sector for their healthcare needs. An efficient health insurance market has reduced the 'out of pocket' healthcare expense of India which currently is almost highest in the world (around 63%). Government of India, opened up the insurance sector in 2000 and one of the purpose of the same was to ensure proper access of healthcare to everyone and accordingly IRDAI came into existence and was asked to perform dual role of developing as well as regulating the insurance sector.

But even after 20 years, the picture of healthcare market is very poor. India is having only 0.4 % health insurance penetration as compare to 4.10% in USA. Even the premium per person on health insurance (Density) is only $ 5 as compare to countries like Germany and France wherein the same is more than $1000. Out of Pocket expenses of India is also amongst the highest in the world, the same is around 63%.

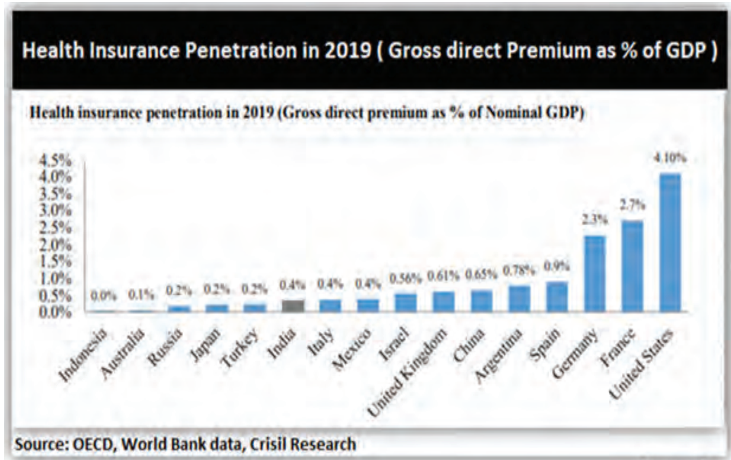


Figure: 9

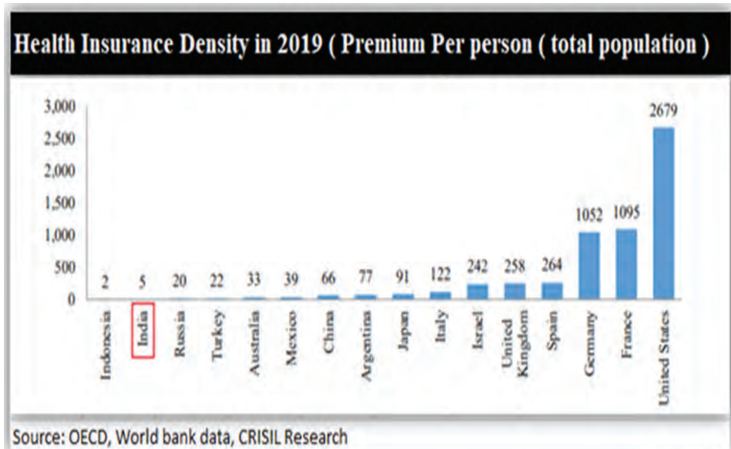


Figure 10

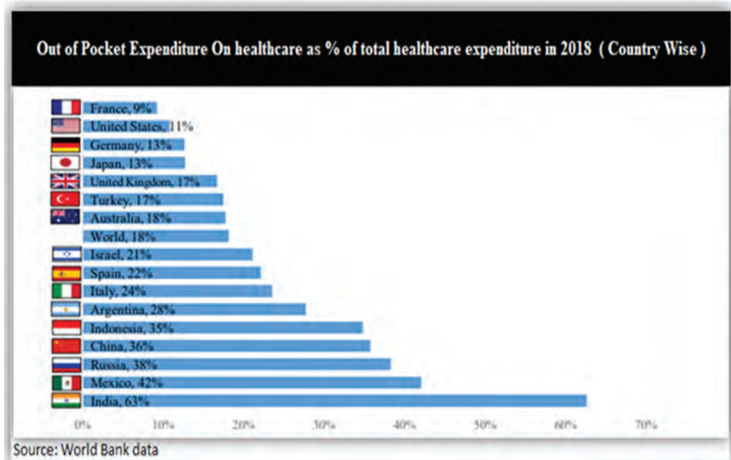


Figure -11

The main problem which is there with Indian healthcare system is absence of regulatory structure due to which private health sector is working in the country as per their wish. This is one of the main reasons for having very few takers for retail mediclaim policy. Some of the advanced countries has started putting focus on Preventive care and OPD cover but in the absence of having proper regulator, it is difficult to manage these products at this juncture in India.

FY	Incurred Claim Ratio (In %)			
	Industry	Private Insurers	PSUs	SAHI
2013-14	97	87	106	67
2014-15	101	84	112	63
2015-16	102	81	117	58
2016-17	106	84	122	58
2017-18	94	80	108	62
2018-19	91	84	105	63
2019-20	88	80	101	66
2020-21	94	86	103	78

Figure -12

How Health Regulations will improve the Result of Insurance Companies?

The Indian insurance industry is regulated by the Insurance Regulatory and Development Authority of India (IRDAI) which is the apex statutory body for regulation related to insurance in India. The IRDA Act, 1999 and its subsequent amendments which came in 2018 provide the basic regulatory framework for the entire insurance industry. The data given by the regulator under their yearly handbook clearly suggest that claim ratio under health insurance has exceeded 100% (For PSUs) of premium revenues in the last few years, whereas claims ratios for private stand-alone health insurers (SAHI) over the same period is hovering around 60%. One of the main reason for having huge losses specially under health portfolio by the Public sector companies is due to poor control of checking cashless claims.

Pandemic of Covid 19 has actually changed the dynamics of the general insurance industry of India. For the very first time, health insurance has overtaken the motor insurance business and has emerged as the largest portfolio in the general insurance industry in the FY 2021-2022. The health segment has contributed around 33.1% per of the domestic general insurance premium with premium income of around INR 731232 Cr (refer figure 13)

But Unfortunately, incurred claim ratio of health insurance industry are increasing and clearly indicating that most of the Insurers specially PSUs are paying more claims pay-out than their premium income, currently there is no fixed tariff for any kind of operation, treatment or procedure / nursing care. So, a patient is free to choose any corporate hospital even for small operation like cataract and ready to be billed for any amount which could be even double or treble what otherwise a similar small hospital which is very nearby to that patient could charge and currently because of absence of health regulations, Insurer has to pay out all claims irrespective of what hospital patient selected.

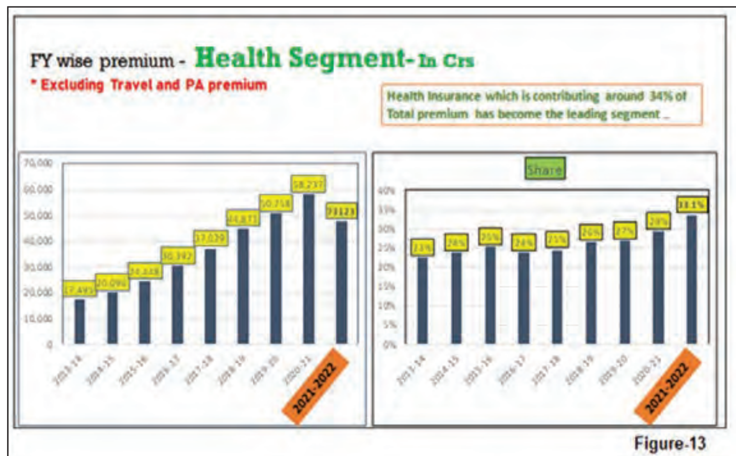


Figure-13

Improved Bottom Line for Insurers

Insurance companies writing health insurance business are experiencing underwriting losses since last few years due to rise in medical inflation. Combined claim ratio of most of the Insurance companies are more than 100% and many Insurance companies are into underwriting losses and absence of health regulator is one of the main reason for this high claim ratio because the pricing tariff is not standardised, although Medical Council of India is responsible for this kind of chaos, but in reality, the body has proved to be very ineffective in checking the irregularities in the existing system.

As referred below no other standalone health insurance company has earned underwriting profit in last 3 financial years except Star health and Niva Bupa. (refer figure 14) The situation of Public Sector Insurers is even more pathetic. The hospitals are actually pushing those patients who are having insurance policy towards availing luxury utilities because patient does not need to pay from their pockets, the same is giving big dent on profitability of Insures.

Combined claim ratio of most of the stand-alone health insurers are more than 100 except for Star Health and Religare (refer figure 15)

Combined Claim Ratio (In %)

Stand-alone Health Insurers	20-21	19-20	18-19
Niva bupa health insurance company limited	102	102	107
Aditya Birla Health Insurance Co Ltd	120	133	148
Care Health Insurance Ltd (Religare)	93	98	95
ManipalCigna Health Insurance Co Ltd	119	126	137
Star Health & Allied Insurance Co Ltd	122	93	93
HDFC Ergo* (Apollo Munich)	-	106	95
Total	**112.00**	**102.00**	**101.00**
Source: GI Council			

Figure-15

Solvency Ratio and Equity Capital

It is mandatory for every insurance company to maintain a solvency ratio of 150%, but due to higher loss ratio in health insurance, most of the Insurers are infusing capital and that too every year to maintain required solvency margin which is not a healthy sign for insurance industry. If proper health regulations will be in place to check the pricing of services under different hospitals, it will definitely reduce the claim ratio of insurers and will help the Insurers in maintaining required solvency margin without infusing capital.

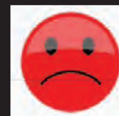
For example, Manipal Signa started with a capital of INR 100 Cr in 2014 and in 2021, Manipal Signa is working with INR 942 capital which is not a healthy sign for the company and for the industry.

Underwriting Profit / Losses

Stand-alone Health Insurers	20-21	19-20	18-19
Niva bupa health insurance company limited	-283.95	-71.33	52.02
Aditya Birla Health Insurance Co Ltd	-273.37	-283.00	-274.87
Care Health Insurance Ltd (Religare)	-84.43	-46.98	-11.83
ManipalCigna Health Insurance Co Ltd	-165.86	-158.02	-193.90
Star Health & Allied Insurance Co Ltd	-1,731.63	160.68	114.20
HDFC Ergo* (Apollo Munich)	-	-177.80	27.46
Total	**-2,539.24**	**-576.45**	**(286.91)**
Source: GI Council			**(Figure In Crs)**

Figure-14

'Equity Share Capital of Stand Alone Health Insurers (SAHI)



(₹ Crore)

Stand-alone Health Insurers	2014	2015	2016	2017	2018	2019	2020	2021
Aditya Birla Health insurance Co. Ltd.	-	-	-	100	133	212	299	360
Care Health Insurance Ltd.	250	350	475	525	595	689	728	841
ManipalCigna Health Insurance Co. Ltd.	100	200	240	251	365	591	729	942
Max Bupa Health Insurance Co. Ltd.	669	791	898	926	926	981	1,126	1,350
Star Health & Allied Insurance Co. Ltd.	334	362	387	456	456	456	491	548
Solvency Ratio (Stand Alone Health Insurers)								
Aditya Birla Health insurance Co. Ltd.				2.88	1.67	1.62	1.81	1.82
Care Health Insurance Ltd.	2.10	2.04	1.85	1.91	1.56	1.56	1.55	2.45
ManipalCigna Health Insurance Co. Ltd.	1.70	2.10	1.54	2.65	2.06	2.23	1.90	2.12
Max Bupa Health Insurance Co. Ltd.	2.13	2.10	2.16	2.01	2.11	1.77	1.77	2.09
Star Health & Allied Insurance Co. Ltd.	1.50	2.40	5.99	1.61	1.77	2.01	1.88	2.22

Source: IRDAI Hand Book (As on March)

Figure-16

Higher expenses ratio due to more investigations

Expenses ratio of most of the Insurance companies are on higher side because of ensuring investigation under almost every alternative case.

"As per one of the report of Business Today, Indian Insurance industry lost around INR 45000 Cr in 2019 due to fraudulent claims and share of health clams was as high as 35%."

Fraudulent claims are like morale and moral hazard, not only for the entire insurance industry but even for Indian's economy. These frauds are mostly prevailing in semi urban and rural pockets of India where Insurance companies are not having adequate infrastructure to ensure physical verification of the patient. The impact of the fraud is not only limited to a loss for the insurer but it also prevents the right customer from accessing their genuine claim. Insurance companies are spending lot of money on ensuring these investigations to find out these fraudulent claims hence their expenses ratio also get increased. More Investigations is also one of the reason for having higher expenses ratio for insurers.

There is no doubt that if proper regulator will be there to stop these manipulations, number of investigations will get reduce and it will help in reducing expenses for insurers. The same will also help the genuine customers to get their claim very fast.

Expenses ratio (Including Commision in %)

Stand-alone Health Insurers	20-21	19-20	18-19
Niva bupa health insurance company limited	45	49	53
Aditya Birla Health Insurance Co Ltd	70	84	89
Care Health Insurance Ltd (Religare)	38	39	40
ManipalCigna Health Insurance Co Ltd	57	64	75
Star Health & Allied Insurance Co Ltd	28	28	30
HDFC Ergo* (Apollo Munich)	-	32	33
Total	**36.50**	**37.00**	**39.90**

Source: GI Council

Figure-17

Improved Customer Satisfaction through reduction in complaints

As far as consumer satisfaction is concerned, India's health insurance sector is experiencing high number of complaints as compared to other countries. All the Insurance companies that are writing health insurance business are getting most of their complaints due to claim under their health insurance policies and the major reason behind dissatisfaction of the patient is either overcharged by the hospital or due to Insurer asking so many queries and documents for settling their health claim. For example, one of the patient Mr. Kimti Lal Khatri whose age was around 55 and a resident of New Delhi, was admitted in the hospital for Covid treatment. He was there in the hospital for 17 days and his bill came around INR 3.2 lakh. firstly, he was told by the TPA that he has to born only INR, 10,700 from his pocket and the rest would be borne by the insurer but later on he was told to pay another INR 89,000. Why the same so? because, the insurance company was willing to pay the hospital only at the rates which was fixed by the state government hence unhappy with the insurance company, the Insured went to ombudsman for settlement of his claim. This is also one of the reason for facing more complaints by the Insurers.

Segment Wise No of Complaints	
Policy Type	**Share of Complaints**
Total complains in 2019-20	**2,15,205**
Conventional life insurance policy	63.36
Health insurance policy	**14.32**
Unit linked insurance policy	8.03
Motor insurance	5.73
Others	2.36
Pension policy (other than unit linked)	2.31
Others	1.89
Health insurance policy*	1.18
Fire	0.44
Crop	0.23
Marine cargo	0.1
Engineering	0.02
Marine hull	0.02
Credit	0.01

***Health insurance policies sold by life insurance**

Source CAB FY20
The Insurance Ombudsman annual report for FY19) **Figure-18**

Health Complaints (Type Wise)				
FY	**16-17**	**17-18**	**18-19**	**19-20**
Total Complaints- Related to Health Policy	**26937**	**25516**	**25369**	**30825**
Type (percent)				
Claim	**53.83**	**58.67**	**64.15**	**70.55**
Policy	22.43	18.06	13.95	12.44
Premium	2.58	4.43	3.92	2.57
Refund	2.7	2.69	2.44	1.95
Product	0.48	0.8	0.89	0.72
Proposal	0.68	0.79	0.79	0.42
Coverage	1.43	0.92	0.78	0.67
Others	15.87	13.65	13.08	10.69

Source CAB FY20
The Insurance Ombudsman too, in its annual report for FY19) **Figure-19**

These kind of complaints are coming only because of absence of proper health regulator. Once proper health regulations for health service providers are in place, the number of complaints related to claims will definitely go down and more people will come forward to purchase health insurance products and the same will increase the health Insurance penetration in the country which currently is very low as compared to global figure.

Proposed Health Regulations and its Role

The recent COVID pandemic has unveiled the inaccurate health systems of many countries including India. India's varied and diversified health medical care system is loaded with issues of quality of service, overpricing, fraudulent activities, accountability, coordination between the public and -private sector, and the difficulty of providing medical facilities to large populations which is living in Tier 2 and Tier 3 cities.

India currently is dire need of having regulations on healthcare service providers.

These regulations should focus on the following stakeholders and services

- Practitioners /Doctors – All kind of doctors like Allopathy, Homoeopathy, Ayurveda, dentists, nurses, and other allied health care professionals
- Inpatient and outpatient services
- Other supportive services: Like laboratories and diagnostics, ambulances, pharmacies and blood banks,
- Professional actions (abortions and transplantation of organs),
- illness and diseases (mental health and HIV),
- Outbreaks, epidemics and pandemics.

The Proposed regulations should take care of regulations related to licensing and registration of healthcare service providers, Benchmarking of quality and even quantity of health care, pricing of different procedures and cost containment, patient protection and having proper and grievance redressal mechanisms to regulate the entities.

Role of Health Regulator

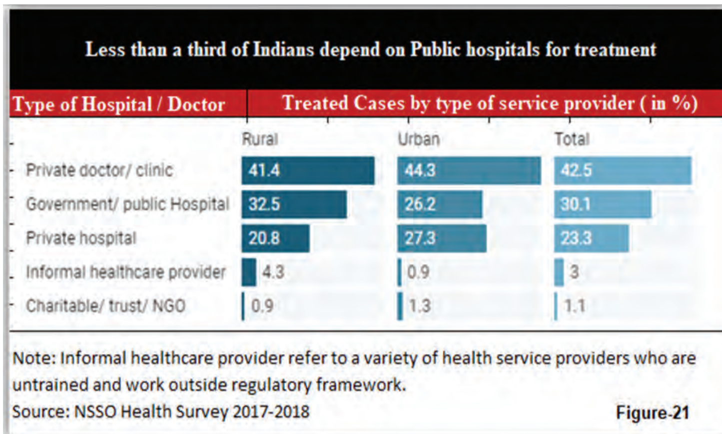
- To Protect Healthcare consumers (Patients) from health risks.
- Provide a Proper and safe environment of working for healthcare professionals like doctors etc.
- For ensuring that public health and welfare are served by health programs. Regulation works at all levels, and the regulatory standards are developed by government and private organizations as well.
- To protect Insurance Companies' Interest

Insurance companies and many TPAs at times have found many hospitals engaging in frauds and inflating unnecessary bills and they have blacklisted these hospitals and send them show cause notice as well, even Insurers stop offering cashless facility to these hospitals but still due to emergency few customers went to these hospitals and later on filed claim on reimbursement basis. No doubt Indian Government has done their best to control this medical inflation by putting a capping on certain medicines and stents, but since stent prices were capped by the government, hospitals have started compensating their losses on stents by increasing other charges like room rent, fee of surgeons, and other costs etc. For ensuring proper functioning of Indian health system and welfare of patients, Regulation of hospitals, and its allied services is very important.

Currently Out of Pocket Model is being used in India for managing healthcare (refer figure 20)

Global Healthcare Different Models	
The Beveridge model	**The Bismarck model**
The government acts as the single-payer, removing all competition in the market to keep costs low and standardize benefits:	Employers and employees are responsible for funding their health insurance system through "sickness funds" created by payroll deductions. Private insurance plans also cover every employed person, regardless of pre-existing conditions, and the plans aren't profit-based.
Funded by taxes, there are no out-of-pocket fees for patients or any cost-sharing. Everyone who is a tax-paying citizen is guaranteed the same access to care, and nobody will ever receive a medical bill.	Providers and hospitals are generally private, though insurers are public. In some instances, there is a single insurer (France, Korea). Other countries, like Germany and the Czech Republic, have multiple competing insurers. However, the government controls pricing, much like under the Beveridge model. Unlike the Beveridge model, the Bismarck model doesn't provide universal health coverage. It requires employment for health insurance, so it allocates its resources to those who contribute financially.
Used by the United Kingdom, Spain, New Zealand, Cuba, Hong Kong, and the Veterans Health Administration in the U.S.	Used by Germany, Belgium, Japan, Switzerland, the Netherlands, France, and some employer-based healthcare plans in the U.S
The National health insurance model	**The out-of-pocket model**
The national health insurance model is driven by private providers, but the payments come from a government-run insurance program that every citizen pays into. Essentially, the national health insurance model is universal insurance that doesn't make a profit or deny claims.	The out-of-pocket model is the most common model in less-developed areas and countries where there aren't enough financial resources to create a medical system like the three models above.
Since there's no need for marketing, no financial motive to deny claims, and no concern for profit, it's cheaper and much simpler to navigate. This balance between private and public gives hospitals and providers more freedom without the frustrating complexity of insurance plans and policies	In this model, patients must pay for their procedures out of pocket. The reality is that the wealthy get professional medical care and the poor don't, unless they can somehow come up with enough money to pay for it. Healthcare is still driven by income.
Used by Canada, Taiwan, and South Korea, and similar to Medicare in the U.S.	**Used by rural areas in India**, China, Africa, South America, and uninsured or underinsured populations in the U.S
	Figure - 20

Despite having high cost of medical treatment, private sector is still taking care of maximum number of OPD care and IPD care. Common man of India is not able to afford private hospitals in India because the treatment under the private hospital is 20 times costlier than government hospital.



Less than a third of Indians depend on Public hospitals for treatment			
Type of Hospital / Doctor	Treated Cases by type of service provider (in %)		
	Rural	Urban	Total
Private doctor/ clinic	41.4	44.3	42.5
Government/ public Hospital	32.5	26.2	30.1
Private hospital	20.8	27.3	23.3
Informal healthcare provider	4.3	0.9	3
Charitable/ trust/ NGO	0.9	1.3	1.1

Note: Informal healthcare provider refer to a variety of health service providers who are untrained and work outside regulatory framework.

Source: NSSO Health Survey 2017-2018

Figure-21

If we take both hospitalisation and non-hospitalisation cases into account, around 66 percent of India's population got treatment from a private hospital or clinic. Only 33 percent of the rural population depend on the public sector for treatment and only 26 percent of the urban population depend on the public sector for treatment.

Role of health regulator becomes very important here to control the cost charged by private hospitals so that even poor People can go and afford these private hospitals.

Way Forward

India is forced to face poor quality medical health services because of dominance of private sector in the hospital industry and inadequate prevailing regulations and failure to have proper health regulations in place for health service providers. All the insurance companies along with regulator want Indian government to regulate these heath service providers. This is the only solution to retain public faith in the health care industry, the same will also help in increasing penetration in the form of more people getting insured through insurance industry. The average claim size and severity is getting increased every year and the same is forcing the insurer to increase their health insurance premium. Intervention of government is very much required to prevent hospitals from overcharging those patients who are covered through any health insurance policy. There is no doubt these health service providers do not come under the purview of any health regulations like the way IRDAI regulate health Insurers but these kinds of unethical practices used by hospitals are creating huge trouble for insurance companies. Insurance Regulator IRDAI on many public platform has requested Indian government to either come up with proper health regulations or they should allow IRDAI to regulate these hospitals because IRDAI is already regulating one part of health care industry which s health insurance and cashless claims settled through these hospitals are being regulated by IRDAI. Hospitals are increasing their tariffs every year and due to which average claim severity is getting increased every year which is forcing insurance companies to increase their premiums and which is directly impacting the policyholder's interest. Healthcare fraud is not only impacting the health insurance industry but the same is also giving dent on other portfolios like Motor insurance and Workmen compensation etc. For example, a fraud medical attention given to motor vehicle accident victims or may be to the worker who actually does not injured on the workplace but shown as injury occurred during work. The same will not only increase the claim ratio of health portfolio but it will also increase the claim ratio of TP Portfolio of Motor insurance and even increase of claim ratio under WC product. It is very important to have a health regulator that can identify the right kind of drugs and procedures for patient to avoid unnecessary lines of treatment. Regulator for health service provider should also ensure that Patients are not over treated by hospitals. Because sometimes these practices can be very fatal. For getting higher revenues Hospitals asks for so many tests like CT scan, X ray, MRI etc. which can actually cause cancer to patients.

Work is also needed on setting some methodology for capturing medical inflation, facilitating regulatory monitoring of pricing, and making price hikes more predictable and transparent. It's high time for Indian government to start taking it seriously to make this system viable for people and for Indian insurance industry otherwise it will be very difficult for insurance companies to manage this health portfolio. TJ

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Technology Will Not Eliminate Insurance Agents but Will Enhance Their Effectiveness

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Abstract

Advanced technology is fast becoming an integral part of life insurance industry. It has reduced the dependence of customers on insurance agents. Today's customers research on the insurers and their products online before zeroing in on the insurance cover they think is apt for them. But no way will technology be so powerful that they will make the insurance agents irrelevant in the industry. In life insurance, people still look for the much needed "Human Touch" which agents alone can offer. In all the markets of the world, agents, captive or independent, own the lion's share of the distribution value chain.

Technology enables the customers to compare prices of various companies for similar products. It can quickly access the customers located in far-off locations. It also enables the customers get an ecosystem of services. It also helps customers get the option of self-services. During pandemics, it enabled insurers to maintain uninterrupted flow of services. But even tech savvy people are not avoiding insurance agents altogether. Technology has made the

relationship less personal. That void can only be filled up by insurance agents.

Artificial Intelligence (AI) is the technology which some insurers are using extensively. But life insurance selling is too complicated a process to be handled properly by AI. Reponses of Chatbots can be personalized only to a limited extent. AI cannot be expected to show due empathy towards the customers.

If we make some statistical analysis of the data on insurance agents as published by IRDAI, we can readily see that there is clear correlation between the number of agents employed by insurers and total premium earned by them. All leading insurers have engaged tied agents for selling insurance and promoting their brands among the masses. In fact, insurance premium per policy for the private insurers per agent happens to be much higher than that under LIC.

While agents are considered as inseparable part of insurance industry, they have to evolve a lot more in order to prove to be more relevant. They have to switch over to expertise-based selling from just product or relationship-based selling. They should develop behavioural and advisory skills rather than common script based selling skills.

If insurers do certain things right for their agents, then nobody will question the importance of the agents at all. Agents have to be made to learn modern digital tools to improve productivity. They have to train the agents to be more empathetic towards customers. Only those agents who develop themselves to be total financial advisors and not just insurance salespersons, should be given recognition like MDRT, COT/TOT etc. The insurers should promote the agents through microsites within their social media websites. Pre-issuance Verification Calls should be made to assess the quality of insurance selling.

In insurance industry, technology should facilitate the work of the insurance agents. It cannot replace the insurance agents.

Keywords

Predictive Analytics, Indurtech, Artificial Intelligence, Correlation Co-Efficient, MDRT, Millennials.

Introduction

Technology is making services available in all circumstances. Advanced technology is fast becoming an integral part of the insurance industry. Only a few mouse clicks can now enable a customer to compare insurance quotes. Mobile Apps enable her to know policy status and other information on insurance her policies. Self-services options available in customer portal enable her to get various policy services online, without bothering any insurance intermediary. Again, the customers across the board have become exceptionally tech-savvy. A recent Accenture report says that technology has already become "an inextricable part of the human experience". The pandemic situation has made the people more appreciative about the benefits of online transactions. So, insurers are using this opportunity to explore digital channels of distribution which are cost effective as they do not need the intervention of insurance intermediaries. There has been a spurt in the sale of online life insurance policies, especially term policies in the last two years. Much of the growth of the private life insurers came through sale of online policies. But, having said all this, we have to point out that the survival of insurance agents has not been threatened anywhere in the world.

Insurance Agents are still strongly positioned. Let us be honest about the ground realities. In life insurance, people still look for the much needed "Human Touch" which agents alone can provide. While technology can help reach a large client base quickly, agents can make a better emotional connect with customers to make the actual purchase possible. According to the latest Annual Report of IRDAI[1], 58% of life insurance business is procured through tied agents only. The scenario is nothing different in US which is the cradle of Digital Marketing and InsurTech Start-Ups. Statista 2022 reports that 53% of life insurance market has been captured by independent insurance agents of US. Captive agents are cornering another 36%, leaving very little for the remaining distribution channels. In Europe, insurance agents remain strongly positioned in UK while bancassurance is the dominant channel in France, Spain, Portugal and Germany. So, although insurance agents are losing ground in many countries there, the market share is grabbed by banks which are nothing

but corporate agents, i.e., another form of insurance agents only. The fact is, technology takes time to be integrated and fully utilized by insurance industry. Human creativity is something which technology still can not replicate anywhere in the world. Insurance agents are known as creative salespersons. Technology can not take the place of a creative person like insurance agent.

Agents are using Digital Tools in greater numbers. Neither the insurers nor the customers deny the usefulness of insurance agents. But, in the age of cutting-edge technology, the role of agents is undergoing transformation. The insurance agents who are not resistant to change are adding new values everywhere. In the more developed insurance markets, the insurers are providing digital tools to agents that improve their productivity significantly. Although per unit commission has reduced, total compensation to high performing agents has still increased quite a lot. Career paths of agents have improved a lot, too. The emphasis is more on "Agent Life Cycle Management". There is better plan now for recruiting, onboarding and retention of agents. They are doing all this to attract new generation workforce in the industry. Agents are not just "pushing products". They are actually "offering holistic solutions" to customers. All new offerings are centred around health, wealth and wellness. These are happening with the aid of Technologies.

Predictive Analytics are Helping Insurance Agents. To increase agent productivity, the insurers are providing agents with more qualified leads on the basis of "Predictive Analytics". Agents are used in two important functions. One, they are spending considerable time in increasing consumer awareness about various insurance products. Two, they are playing advisory role for the customers. When the agents are marketing insurance, they are also marketing health, wealth and wellness solutions that companies have to offer. All this makes life insurance a value-added product.

InsurTechs are disrupting the Insurance Value Chain. Now that InsurTechs are disrupting the insurance value chain everywhere in the country and Digital Channels are helping people to buy insurance policies through a few mouse-clicks only and since insurance is available at cheaper rate when policies are purchased online, the question is whether the insurance agents can match the strength of latest digital technologies? Can the people do away with the support of insurance agents in buying insurance policies and in getting post-sale services of those policies? One thing should be kept in mind. Insurance agents are required not to just to buy the right insurance policies, their assistance is also required at the time of getting a lapsed policy revived, assigned for financial considerations and getting claims settled in a hassle-free manner. These are valuable services. In this technical paper, an attempt has been made to understand whether the new technologies are going to make the survival of millions of agents difficult in this industry.

Review of Existing Literature

Now that digital channels of the insurers and InsurTech players are selling insurance and servicing them too without the active involvement of insurance agents, the industry observers and consultants are wondering whether technology can really dethrone the traditional insurance intermediaries once and for all. Some analyses are quite interesting and can help us in understanding the issue closely. I have handpicked a few of the papers and giving the synopsis of them below.

Deloitte, in its report titled Life Insurance Consumer Purchase Behaviour (2015)[2], points out that although digital channels promote ease of buying and speedier processing of proposals, consultative advice remains a highly desired element in the purchase process. The customers agree that consultation with insurance agents significantly impacts the decision to buy or not to buy life insurance. Agents are considered "Helpful" and "Very Helpful" by 75% of the respondents, in the post purchase engagement with the customers.

Lexis Nexis Risk Solutions, an InsurTech Start-Up says in its report[3] titled "Insurance Agent Role will transform..." (2017) that digital channels are likely to transform the industry landscape in the next few years although the share of online sale of life insurance is presently just 0.5% of the total business. They believe that the role of insurance agents will undergo significant

change in the coming years. Since the insurers will directly communicate with the customers, the insurance agents will be integrated to the digital sales and marketing framework. Agents will be responsible for deepening customer relationship and they will act more like team members rather than separate organizations.

Capgemini Report on Life Insurance Distribution Optimization (2020)[4] (mentioned as Capgemini Report hereinafter) points out that almost all generations are fast adopting a millennial mindset, in which people trust their own research in digital channels rather than depending on insurance agents for insurance related information. Most customers are still interested in working with agents but only when they want to. Now, the insurers have started to own the customers, with agents acting more as the extensions of the insurers. The insurers are redesigning the "Agent Journeys" according to the "Customer Journeys".

McKinsey in their report on Future of Insurance Agents (2020)[5], (hereinafter mentioned as McKinsey Report) says that what customers crave for is empathetic personalized services. 83% of the respondents of their survey say that they expect the insurance agents to see problems from the perspectives of the customers. 73% of them expect agents to provide personalized services throughout the term. There has been a spurt of insurance selling through digital channels/insurers from 7% to 44% in 2020 primarily because of lockdown situations, preventing the insurance agents to meet customers physically and offer personalized services.

Methodology of Research

This research is based on the findings of already conducted research work as mentioned in the previous section as also data on Indian insurance industry. The data on Indian insurance industry has been culled from Annual Report of IRDAI and Handbook on Insurance industry published by IRDAI only. In fact, IRDAI is the repository of all authentic data on Indian insurance industry.

The primary objective of this research is to seek answer to the question whether technology will really eliminate the insurance agents from the Indian life insurance industry. Since I have seen this industry from close quarters for years, my personal experience is also quite vast. I have tried to use while drawing inferences. Although insurance agents work for both life and non-life sector, they have been more a powerful force in the life insurance industry only. They are more than two million in number and life business brings 75% of insurance business of the country. For all these reasons, most of the analysis will be based on the insurance agents of the life insurance industry.

Customer Expectations are Complex in India

Customer expectations are quite complex in Indian context. On the one hand, a section of the new age customers that include Millennials and Gen Z-ers prefer digital channels in the matter of buying insurance policies and getting all post sales services online. On the other hand, they prefer "Customer Centricity", "Personalization" and "Simplicity of product offerings". The fact is, when one prefers "Only Digital Channels", he is shutting the doors on insurance agents. In the absence of insurance agents, it is difficult to give personalized services to 30 crores of life insurance customers. Although Artificial Intelligence and Machine Learning (AI/ML) are providing personalized services to many customers across the world and in India too, AI algorithms alone are not enough to understand customer psyche and aspirations in life insurance industry. If that had been the case, life insurance agents would have been vanquished from the industry long ago from the countries which gave birth to these transformative technologies.

Hi Tech has to be blended with Hi Touch. "Customer Centricity" is possible when Hi-Tech and Hi-Touch (human touch) are blended properly by the insurers. Regarding "Simplicity of Products", we can say that oversimplified products will result in too many "one size fits all" type products. That will certainly not be the preferred products of new age customers. IRDAI is encouraging insurers to test launch products under its "Sandbox" scheme. These are innovative products with novel product attributes. A customer needs to sit face-to-face with someone (agent or otherwise) to understand such products well before making the purchase. Such products are meant for some niche markets only.

Technology has not replaced Insurance agents anywhere. As has been mentioned in the first section of this paper, insurance agents (both captive and independent) are the most dominant insurance intermediaries. In Europe Bancassurance is very popular but agents are also present with their full strength in the market. Technology surely plays a vital role in the process of sales and customer engagement. But it acts more as enablers in the processes. In no market, technology is used to replace insurance agents. The products which are mostly sold online are generally very easy to understand type products like term insurance and ULIPs. There are many other products in the kitty of insurers and these are perhaps more useful. But insurers need top quality advisors to market them properly.

Areas Where Technology is Adding Value to the Industry

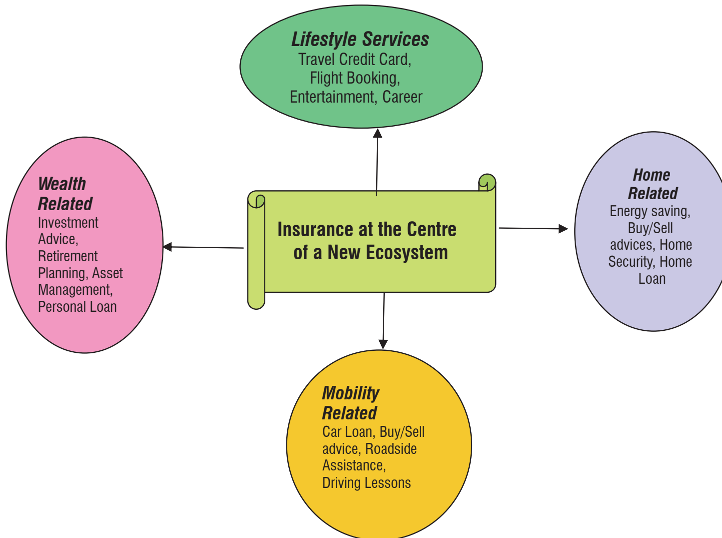
Technology has already started to impact the insurance industry. Although non-life sector has been impacted more, life sector is not lagging far behind. Let us see how this is happening.

Technology has opened up many options for customers. Now, technology enables the customers to compare life insurance quotes by clicking a few buttons. Web Aggregators help the customers compare the premiums charged by insurers for similar type of policies. Earlier, they had to depend on insurance agents for that. In fact, they never got any opportunity to compare quotes, since the insurance agents had hardly told the prospects the details about the products and prices of the competitors. The insurance agents are generally owned by the insurance companies and they are authorized to sell the products of one insurance company only. In India, we have only tied agents and not independent insurance agents. So, even a decade ago, a customer of LIC hardly had much idea about the endowment plans of HDFC Life or SBI Life. He believed what his agents had told him, in good faith. Now, people get to research a lot in internet, thanks to affordable cost of internet connectivity and Smartphones. Social Media is full of product reviews made by knowledgeable customers. Many insurance blogs are illustrating the products with right numerical examples. Most insurance companies have launched their own Mobile Apps which guide the customers to know about the products and buy them too online at lower cost for the insurance cover.

Technology is helping the disruptors accessing the far-off locations. There are more than 700 million smartphones in India now, catering to the connectivity needs of more than 80% of the population through wireless broadband. Insurers can not be present everywhere in the country through agents because insurance agents may not be able to sell sufficient number of products on a continuous basis in far-off areas. So, technology can quickly capture a segment which the insurers may not find it worthwhile either to open offices or appoint agents to procure business. This is the reason why InsurTech companies are able to use technology to serve the underserved areas of the country. It is also possible to sell life insurance at 15-20% lower costs.

Technology enables the customers to get an "Ecosystem of Services". There is marked decline of the traditional protection/savings type life insurance products. The insurers are offering the customers a bouquet of services which are not directly linked to the core product but a combination of both financial and non-financial products. The insurers who are able to offer such "Ecosystem of Services" are able to get more customers and retain them too for a long time. Needless to say, this is possible only because of latest technologies. In fact, digital connectedness is blurring industry boundaries and the insurers are profitably partnering with companies of totally different industries. According to a PWC Report titled "Competing in a new age of insurance"[6], the insurers can be at the Centre of an Ecosystem as under:

Technology is enabling the insurers to offer self-services facilities to its customers. A section of today's customers wants self-service facilities so that they can keep the transactions quick, convenient and confidential. So, almost all insurers present self-service platforms which enable the customers to get some simple services like change of address, change of nomination, simple alterations of policy conditions, initiating surrendering/ partial withdrawing of policies and requesting waiver of premiums in



case of disabilities etc online. Self-service platforms empower the insurance customers to get various services without having to depend on insurance intermediaries like agents or brokers or even the insurance employees. According to some estimates, self-service platforms may ultimately reduce servicing costs by 60% and processing time by 80%. LIC's e-Services have already become popular among a section of the tech-savvy customers.

Technology can help the insurers to offer uninterrupted services in crisis situations like pandemics. Technology helped the insurers to carry on important activities even during Covid times. Many insurers could quickly switch over to "Work From Home" (WFH) mode which ensured safety of employees, insurance intermediaries and customers. Almost all insurers collected new and renewal premiums online, settled claims in time and procured new businesses with the help of technology only. Customers were allowed to upload claim papers online. Proposals under many products were completed online. The insurers which did not have strong digital capabilities to run the organization in "Work From Home" mode had to quickly change various systems and processes, so that employees could do a good part of the jobs in WFH mode.

Customers are not Homogeneous

Has technology made insurance industry more innovation driven? Has technology increased customer insights? Is technology enabling the insurers to make differentiated offerings to customers? If and only if the answers to these questions are "Yes", can we say that technology has made very big strides in insurance industry of India and has really made other players like insurance agents irrelevant.

Tech Savvy people are not necessarily ignoring Insurance Agents. It's a misconception that all digitally savvy people will invariably favour digital channels of insurers for buying policies. The customers of all the insurance markets, including India, fall under three general categories. The categories are mentioned below:

Traditional: These customers, not necessarily middle aged or above, prefer human touch in all financial transactions. They want to hear from people with sound domain knowledge. They are averse to making digital transactions all the time although they are capable of doing things online if that is compulsory. For them, trust is much more important than cost. These customers prefer insurers who can delight them with personalized services.

Value-Oriented: The value-oriented customers look for insurance cover at lower costs. Although they are not at all averse to buying insurance with the aid of insurance agents, they don't hesitate to buy from other intermediaries if that channel offers insurance cover at a significantly lower cost. These people even ask for rebates from insurance agents (though that is forbidden by Sec 41 of Insurance Act, 1938). They look only for better returns from insurance policies knowing fully well that insurance is not investment and there is little scope to make huge profits from insurance.

Tech-Savvy: These are typically new entrants in working population and

quite adept in making digital transactions. Tech-Savvy people typically live in metros and large cities and always swear by technology. They are receptive to new models and they are happy if their personalized needs are taken care by insurance products. They are not too comfortable with complex products that have interesting features but also some exclusions which need to be understood well before making purchase.

Insurance is still a Push Product. According to the PWC-CII report, insurance remains very much a push product in India. Policy conditions of many of the products are complex. If customers do not understand the features completely, they may end up buying wrong products. That's why people still prefer face-to-face interactions with some agents they know well for years and can rely on. Most of the customers depend only on agents to get post sales services including lodging of complaints. For settlement of claims, the customers invariably take the help of insurance agents, no matter whether they had purchased the policy through them or some other agents who are not around to extend a helping hand.

Technology makes the interactions with customers less personal. Technology has made insurance business more efficient but a lot less personal. People talk a lot about Internet of Things (IoT), sensory technology and gamification. These digital tools can help the early entrants but the customers will soon find these commonplace. It is very difficult to commoditize life insurance. Only solution lies in building relationships. This can be built digitally, of course. The current model where insurer gets to interact with the customers once in a year will never build relationships. It's more important to add values in the experiences of the customers instead of cutting rates in "a race to the bottom".

Insurance agents acquire knowledge about the customers over a period of time. When they interact with customers, they do not always discuss insurance. They discuss a wide gamut of things of interest to the customers. That makes all the difference as it helps them to go to the subject matter of insurance anytime they like. It is difficult for technology to be so intimate with the customers.

AI is not the Best Solution for Life Insurance Marketing

The fact is, insurers are already using technology in their various processes. That is not replacing agents. If technology has to replace the agents, it has to present a superior sales process and customer engagement process. The best digital tool that the insurers have in their arsenal is AI. In all online selling process, AI and Chatbots are used. The question is, can AI really replace the agents in course of time?

Life insurance selling is too complex a process to be handled solely by AI. If technology has to replace insurance agents, it has to do some of the special jobs that have so far been done by the agents quite satisfactorily across the world. Insurance agents make an honest attempt to understand the personal circumstances of the prospects before suggesting insurance plans that can be of use to them. The insurance agents are in a position to explain everything related to insurance in the way that is intelligible to the customers. In digital channels, insurers try to do this job with the help of Artificial Intelligence (AI). Although AI is an excellent digital tool which can do some thinking like the humans, they have many shortcomings in the area of suggesting life insurance products and also engaging them at a personal level. AI suggests products on the basis of transactions with customers who are in the same age group and same occupational profile. This is exactly the way Amazon suggests products to its customers. But selling consumer goods and selling life insurance are not the same. Life insurance needs are much more complex and can better be unearthed through face-to-face interactions with insurance agents. Many prospects do not know what risks they are facing. When they do not clearly know what risks they are carrying, how can they get the desired results by asking for it to the Chatbot/Virtual Assistant?

Response of Chatbots are too standardised for life insurance marketing. Another point is worth keeping in mind. Insurance needs keep on changing with the change in life's circumstances. Everybody's circumstances are different. AI gives unique type of results for a particular question asked by prospects to it. AI fails to differentiate because its

intelligence is artificial and programmed before the interactions start. The strength of AI lies in its ability to quickly process a large mass of data and give results that it is programmed to give. But it is not possible for AI to understand the context in its totality. Only a human can understand a fellow human through spoken and unspoken words.

The AI is able to compare two similar products (e.g., term insurance) very quickly. But comparison is almost always in terms of price. There can be many reasons why price differences exist. AI will not be able to say that. An insurance agent can say that to the customers. AI has great quantitative skills. Insurance agents are rich in qualitative skills. In insurance selling, qualitative skills matter much more.

AI can not show empathy when it is required in life insurance servicing. In the moments of claim settlement, what customers need is empathy and support of someone. In this area, AI can hardly match the services rendered by insurance agents. An agent can help a claimant get the claim amount quickly be completing the necessary paperwork. AI can automate some part of the claim settlement job and that is really valuable. But explaining claim conditions needs different level of intelligence which is not always available in digital tools like AI. It requires emotional involvement. AI can not understand human emotions. For AI, all customers are the same when questions asked are similar in nature.

Some people still think insurance is too complicated and do not even want to discuss it. Only an insurance agent can change the mindset by building rapport, telling real life stories and showing that they really care. It is practically impossible to program AI to play this role. If one does not go to the AI Chatbot and asks some questions, the AI will not utter a single word and there will be none to speak to the customers.

Role of Insurance Agents is Changing

Agents have to be extremely knowledgeable. Capgemini report says that the customers are not doing away with the agents even when technology is doing wonders for them. Customers are now consulting the agent advisors at a more appropriate time, may be at a later stage in the buying process. The report says that 44% of the customers want to use both digital channels and the agency channels before making the purchase. In our country, many agents say that when they meet the prospects, they find, much to their astonishment that the prospects have already made good study of the products they really want to buy. So, in the changing market where customers are reasonably aware of the insurance products, the agents have to know A to Z about the products so that they can clear every single doubt of the customers.

Agents have to carry out expertise-based selling. Role of insurance agents is changing very fast. From product-based selling to relationship-based selling and now to expertise-based selling is what the new market demands. The agents have to be experts in their fields. Those who joined the industry only to earn some quick money or as stopgap occupation find the going very tough.

Script based selling is a passe. Earlier, the agents had learnt script-based selling skills. Now, that is not found to be useful. Customers are no longer impressed by same kind of scripts that some agents are habituated in blabbering. Now, behavioural skills and financial advisory skills have become much more relevant. To become a financial advisor, the agents have to learn how economic data and market data should be interpreted. This may not be the cup of tea of all agents that are recruited. Insurance agents have to quickly redeem themselves to stay more relevant to the insuring public.

Insurers have to promote the agents. Since social integration is taking place at a rapid pace in social media sites, the insurance agents have to play a more appropriate role in integrating themselves in the official social media pages of the insurers. Most agents give their Mobile Nos and expect people to contact them in large numbers. That does not really happen. The insurers should project the agents as trustworthy advisors and encourage the customers to be in touch with agents of their neighbourhoods.

Agents must learn new ways of engaging the customers. Since, the busy customers do not get time to discuss insurance for long hours, the agents must learn how to provide

high quality, brief yet comprehensive financial advice to the customers. Although Indian agents once had the habit of getting involved in all family matters of the customers, there is little scope now to make that kind of relationship. So, the agents must be able to make best use of all touchpoints to create positive experiences for the customers.

Agents have to increase financial well-being. It's the total financial wellbeing of the customers which are at stake. Agents should be able to promote financial well-being of the customers holistically and not just through life insurance products. Today's agents can not say that they know insurance only and are not in a position to comment on the effectiveness of other savings/ investment products like Mutual Fund, Stocks, Gold and Real Estate available in the market. Agents have to study the financial market well and discuss the current financial scenario with their colleagues and managers.

Agents can make use of Predictive Analytics. Insurance agents should also learn to use Predictive Analytics to manage the Customer Journeys better. They need not learn Data Analytics for that. Already, many softwares are available in the market that are capable of giving the insurance agents insights into the customer data. By using these digital tools, the agents can quickly understand which customers are likely to remain loyal for a long term and which customers may not renew policies. The job is then cut out for the agents to engage with the customers appropriately. In some cases, the respective insurers provide such insights. But, when that service is not available, the agents have to do it themselves.

Indispensability of Agency Force: A Statistical Approach

Let us now look at the data available in the latest Handbook on Insurance published by IRDAI. The following table is prepared by taking data from various statements.

Table-1: Data on Insurance Agents and Life Insurance Business 2020-21

Insurers	*New Business Premium (in crore)*	*Total Premium (in crore)*	*No. of Agents*	*% Of New Business Brought by Agents*	*Persistency Ratio (61 month)*	*No. of Policies in force (in Lac)*
Birla Sunlife	4564	9775	94775	44.02	38	19.69
Aegon	62	526	364	0.03	39	3.35
Ageas Federal	632	1959	11671	4.73	41	6.21
Aviva Life	220	1165	6990	38.54	39	4.08
Bajaj Allianz	6313	12025	88102	57.09	35	37.11
Bharti Axa	783	2281	33213	33.38	37	6.81
Canara HSBC	2301	5116	246	0.05	46	6.58
Edelweiss Tokio	455	1248	57773	47.38	44	3.12
Exide Life	781	3325	36928	54.7	33	16.01
Future Generali	523	1322	2861	13.61	26	3.82
HDFC Life	20107	38583	112012	13.3	43	57.22
ICICI prudential	13226	35733	187560	21.9	56	50.90
India First	2051	4056	1914	2.63	40	8.61
Kotak Mahindra	5257	11100	109321	32.76	51	20.19
Max Life	6826	19018	55217	22.01	50	45.82
PNB Metlife	1996	6033	9935	4.6	39	14.40
Pramerica	227	994	14901	38.84	63	3.37
Reliance Nippon	1135	4736	42604	54.45	39	25.02
Sahara India	0	73	10374	100	45	2.27
SBI Life	20624	50254	170096	28.81	39	86.25
Shriram Life	880	2019	3784	6.96	22	10.37
Star Union Dai Ichi	1164	2999	261	0	36	5.66
Tata AIA	4144	11105	50367	26.79	40	21.71
LIC India	184430	403287	1353808	94.74	48	2862

Source: IRDAI Handbook 2020-21[7]

The above table speaks volumes about the predominance of agents in the insurance distribution system in India. Some basic statistical analysis will prove the point. Some of the results are mentioned below:

- The Correlation Co-efficient between the number of agents and New Business Premium is as high as 0.99. That means, more the number of

agents, more is likely to be the New Business. Of course, one can argue that since LIC which is a runaway market leader in life insurance and procures about 94% of its business through tied agents is making the analysis a little biased. So, considering LIC to be an outlier here, if we calculate the Correlation Co-efficient again using the data pertaining to the private insurers, a more accurate picture is expected to come. Without considering LIC, the Correlation Co-efficient comes out to be 0.83. So, even among private insurers, there is very strong correlation between the number of tied agents and the New Business procured in a given period. That is also one reason why private insurers who promote alternate distribution channels like Bancassurance and Digital Channels also recruit good number of agents, train them and keep monitoring their activities. The contribution of online channels in New Business procured in 2020-21, as mentioned in the IRDAI Annual Report is 0.83% for LIC, 2.31% for private insurers and 1.58% for the entire industry. Even the bank-promoted insurers are in possession of the country's elite agents. SBI Life has already produced a large number of MDRT agents. In a few cases, mergers of life insurance companies have taken place because one insurer wanted to leverage the strength of the agency force of the other insurer.

- Now, let us test the strength of relationship between the number of agents and Total Premium received by the insurers. In fact, this is perhaps a better way to assess the effectiveness of life insurance agents. After all, the sustainability and solvency of a life insurers can be better judged by how much renewal premiums they are able to procure for a long period of time. The Correlation Co-efficient between the number of agents and Total Premiums received by insurers (including LIC) is 0.99 again. Without LIC, the Co-efficient is found to be 0.86. Here, the relationship between the variables is found to be even stronger! That proves, tied agents play a crucial role in bringing renewal premiums from the customers.
- It is clear from Table-1 that it is not possible to scale up business unless an insurer builds a fairly large agency network. For example, if collection of at least Rs. 10,000 crores of Total Premiums is considered as a reasonably large size of business, then all the insurers who have crossed this threshold have at least 50,000 agents in their organisations. These insurers are LIC, Tata AIA, SBI Life, Max Life, Kotak Life, ICICI Prudential, HDFC Life and Bajaj Allianz. Birla Sun Life has Total Premiums slightly below Rs. 10,000 crores. They too have a large agency force at 94,775. The insurers who are solely dependent on online sale (e.g., Aegon) has a miniscule presence in the market. This proves, agents not only sell insurance policies, they also create brand awareness in the market which helps even the alternate channels in selling insurance policies.
- We find that out of 24 insurers, 15 of them bring at least 20% of Total Premium through tied agents. Among the top ten insurers, as many as nine procure more than 20% of business through agents. Only HDFC Life depends heavily on Bancassurance channel.
- If we look at the data on 61-month Policy Persistency ratio, we find that almost all insurers who have better Persistency ratios have recruited many more agents than other insurers. The insurers who have 61 month Persistency ratio in excess of 50%, So, irrespective of which channel is their dominant insurance channel, they understand the usefulness of tied agency channel.
- Finally, if we want to test the strength of association between the number of agents and the number of policies in force, we find that Correlation Co-efficient between these two variables is very high at 0.98. If we exclude LIC, even then the degree of association is 0.84. So, we can readily conclude that even the private insurers understand the importance of having a large number of agents in order to retain customers for a long term.

We can look at the data of Table-1 in a little different way, too. We can make an attempt to see how much of the variation in business of the insurers can be explained by the number of agents possessed by the top ten insurers. This can really be a very useful exercise because the remaining insurers are holding less than 5% market share together. Many of them do not even have a serious “Pan India” existence either. Now, we can focus on two variables only – Total premium and number of agents. Since the data on LIC can sway the analysis hugely in favour of the insurance agents, we can do the analysis on top 9 private insurers. We use simple linear regression analysis to see how much of the variation in business can be attributable to the number of agents. The number of agents is considered as an independent variable and Total Premiums as a dependent variable. The result that we get is as under:

Table-2: Regression Output

SUMMARY OUTPUT								
Regression Statistics								
Multiple R	0.77717							
R Squar e	0.6039932							
Adjusted R Square	0.5474208							
Standard Error	10663.656							
Observations	9							
ANOVA								
	df	*SS*	*MS*	*F*	*Significance F*			
Regression	1	1214058743	1214058743	10.6765	0.013721848			
Residual	7	795994875	113713554					
Total	8	2010053618						
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	244.2274	7416.78626	0.03292901	0.97465	-17293.68527	17782.1	-17293.685	17782.1401
X Variable 1	0.2181801	0.06677308	3.26748599	0.01372	0.06028686	0.37607	0.06028686	0.37607335

If we look at Sum of Squares (SS) results shown in Table-2, we can readily calculate the variation as explained by the number of agents in proportion of the total variation. In ANOVA section, dividing Regression SS by Total SS, we get 60.4. That means, 60.4% of the variability in business can be explained by the variability in the number of agents as engaged by the insurers. Adjusted R^2 to the extent of 0.55 also proves that a relationship (although not “very strong”) exists between these two variables. Although linear regression can not be used here to predict business (as there are a host of other factors that determine business outcomes and those factors are almost difficult to quantify), we get a rough estimate of how much the existence of a large army of agents can really play a significant role of procuration and retention of business of the bigger life insurers of the country. Since, p value in respect of X variable 1 is 0.01372, which is significantly less than 0.05, we can say, with 95% level of confidence that the relationship between the dependent variable (Total Premium) and the independent variable (number of agents) is reasonably strong, the R-Square and Adjusted R-Square being 0.60 and 0.55 respectively. Although, we are not attempting to use the regression equation $Y=244.2274 + 0.2181801 X_1$ to make any prediction of Business Outcomes as a result of recruitment of insurance agents, we can say with some conviction that the activities of insurance agents in bringing business and retaining business have a salutary effect on the business performance of the life insurers.

Let us also look at the agency strength of the insurance companies in the last six years. Table-3 shows the total agents in possession of the life insurers at the end of last six financial years. These figures have been taken from Insurance Handbook 2020-21.

Table-3: Agency Strength of Insurers in the period 2014-2021

S.No.	Insurer	2014	2015	2016	2017	2018	2019	2020	2021
	Public Sector								
1	Life Insurance Corporation of India	11,95,916	11,63,604	10,61,560	11,31,181	11,48,811	11,79,229	12,08,826	13,53,808
	Private Sector								
2	Aditya Birla Sunlife Insurance Company Ltd.	81,763	90,537	1,10,658	82,048	91,720	81,528	85,995	94,775
3	Aegon Life Insurance Company Ltd.	8,022	7,973	6,222	5,814	5,739	5,671	1,661	364
4	Ageas Federal Life Insurance Company Ltd.	10,343	13,089	9,309	7,915	10,763	14,402	10,603	11,671
5	Aviva Life Insurance Company India Ltd.	19,985	18,935	10,443	13,648	16,431	13,803	11,285	6,990
6	Bajaj Allianz Life Insurance Company Ltd.	1,69,634	1,20,982	89,975	77,097	70,763	72,719	80,524	88,102
7	Bharti AXA Life Insurance Company Ltd.	16,733	19,132	20,561	18,535	28,638	39,382	43,316	33,213
8	Canara HSBC OBC Life Insurance Company Ltd.	-	-	-	-	-	-	54	246
9	Edelweiss Tokio Life Insurance Company Ltd.	7,255	10,421	15,490	21,449	31,031	43,681	51,723	57,773
10	Exide Life Insurance Company Ltd.	35,140	32,357	50,300	56,034	46,126	49,833	44,383	36,928
11	Future Generali India Life Insurance Company Ltd.	27,292	17,150	17,919	8,755	11,890	7,629	3,928	2,861
12	HDFC Life Insurance Company Ltd.	55,933	65,214	82,381	54,516	77,048	91,172	1,07,662	1,12,012
13	ICICI Prudential Life Insurance Company Ltd.	1,71,734	1,32,463	1,21,016	1,36,114	1,51,563	1,70,572	1,90,924	1,87,560
14	IndiaFirst Life Insurance Company Ltd.	3,790	4,325	2,468	2,910	1,660	2,038	2,540	1,914
15	Kotak Mahindra Life Insurance Ltd.	44,395	55,548	86,303	96,729	94,688	1,24,500	1,24,690	1,09,321
16	MaxLife Insurance Company Ltd.	42,620	43,505	45,276	54,283	56,968	50,854	45,979	55,217
17	PNB Metlife India Insurance Company Ltd.	13,448	17,017	7,989	6,248	6,452	7,338	8,829	9,935
18	Pramerica Life Insurance Company Ltd.	3,249	1,995	4,439	7,889	12,318	14,250	15,351	14,901
19	Reliance Nippon Life Insurance Company Ltd.	1,09,042	1,05,022	1,29,693	1,62,276	65,099	55,492	63,016	42,604
20	Sahara India Life Insurance Company Ltd.	10,914	11,362	11,477	10,402	10,480	10,439	10,398	10,374
21	SBI Life Insurance Company Ltd.	1,10,491	83,656	92,619	95,355	1,08,261	1,23,613	1,30,417	1,70,096
22	Shriram Life Insurance Company Ltd.	4,637	4,460	4,422	4,508	4,498	4,455	4,436	3,784
23	Star Union Dai-ichi Life Insurance Company Ltd.	6,510	8,167	8,507	9,112	4,757	2,678	999	261
24	TATA AIA Life Insurance Company Ltd.	40,751	40,993	27,538	25,704	26,963	29,469	30,926	50,367
	Private Sector Total	**9,93,681**	**9,04,303**	**9,55,005**	**9,57,341**	**9,33,856**	**10,15,518**	**10,69,639**	**11,01,269**
	Grand Total	**21,89,597**	**20,67,907**	**20,16,565**	**20,88,522**	**20,82,667**	**21,94,747**	**22,78,465**	**24,55,077**

If we look at Table-3 closely, certain interesting facts come to light. These are as under:

- Although Bancassurance channel has made serious inroads into the insurance distribution system and digital channels find favour among a section of the new age customers, agency channel is standing tall. In fact, the agency strength of the industry has increased over the last six years, from 21.89 lac to 24.55 lac.
- Out of top 10 insurers, 9 insurers increased agency strength in the period 2014-2020. Among these 9 insurers, there are top bank promoted insurers as well.
- As a whole, private insurers increased agency strength from 9.93 lac to 11.01 lac.
- Among top three private insurers, one increased agency strength by about 100% (HDFC Life) and the other by about 55% (SBI Life). Incidentally, both are bank promoted insurance companies.

How effective are the insurance agents? This is a pertinent question because it's of no use possessing a large agency network if the agents are not able to bring valuable business.

Insurance Handbook shows average premium income per agent for all the insurers during the period 2013-14 to 2020-21. Table-4 shows the data for the period.

Table-4 : Size of First Premium Per Agent for Insurance Companies

S.No.	Insurer	Individual Agent							
		2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Public Sector								
1	Life Insurance Corporation of India	11,839	16,318	16,075	22,622	24,181	23,859	23,513	27,010
	Private Sector								
2	Aditya Birla Sunlife Insurance Company Ltd.	22,416	28,402	31,066	38,536	45,727	50,100	57,247	73,863
3	Aegon Life Insurance Company Ltd.	35,471	39,035	32,734	28,001	9,327	59,742	50,352	-
4	Ageas Federal Life Insurance Company Ltd.	25,773	27,619	30,548	36,698	50,240	46,472	44,019	72,068
5	Aviva Life Insurance Company India Ltd.	45,138	42,873	39,901	44,157	49,493	70,307	72,477	87,716
6	Bajaj Alli anz Life Insurance Company Ltd.	26,916	35,039	34,524	50,768	63,812	77,277	90,589	77,960
7	Bharti AXA Life Insurance Company Ltd.	26,239	35,419	32,079	33,520	34,053	30,595	36,638	54,633
8	Canara HSBC OBC Life Insurance Company Ltd.	-	-	-	-	-	-	-	21,522
9	Edelweiss Tokio Life Insurance Company Ltd.	18,545	33,225	35,022	37,998	38,615	59,219	57,514	56,318
10	Exide Life Insurance Company Ltd.	29,008	41,668	29,409	54,928	39,841	44,210	50,804	59,355
11	Future Generali India Life Insurance Company	23,145	26,902	34,170	47,038	52,159	65,962	81,933	86,219
12	HDFC Life Insurance Company Ltd.	12,106	17,368	11,954	18,320	56,394	70,928	77,572	85,070
13	ICICI Prudential Life Insurance Company Ltd.	52,945	81,956	88,555	1,01,275	1,06,449	98,458	1,01,929	1,20,030
14	IndiaFirst Life Insurance Company Ltd.	11,244	13,542	18,055	20,723	13,676	27,886	33,596	41,790
15	Kotak Mahindra Life Insurance Ltd.	30,089	33,420	34,578	38,354	43,336	44,934	51,858	55,082
16	MaxLife Insurance Company Ltd.	33,572	40,707	45,259	60,896	72,395	68,763	76,928	1,24,637
17	PNB Metlife India Insurance Company Ltd.	34,889	32,178	32,994	59,161	73,255	74,411	72,468	80,972
18	Pramerica Life Insurance Company Ltd.	24,158	29,843	35,319	43,897	42,131	48,662	44,847	42,945
19	Reliance Nippon Life Insurance Company Ltd.	20,102	24,672	23,620	24,679	34,919	42,991	50,314	56,005
20	Sahara India Life Insurance Company Ltd.	16,037	18,025	22,127	27,827	26,295	NA	-	-
21	SBI Life Insurance Company Ltd.	28,367	36,992	40,683	49,542	49,895	50,775	56,513	59,399
22	Shriram Life Insurance Company Ltd.	33,204	32,397	31,406	44,748	51,072	54,833	59,416	66,383
23	Star Union Dai-ichi Life Insurance Company Ltd.	20,785	34,654	32,784	37,608	38,020	34,507	-	63,876
24	TATA AIA Life Insurance Company Ltd.	21,183	29,838	34,694	47,444	45,702	55,320	63,362	76,162
	Private Average	**26,334**	**34,340**	**34,052**	**44,501**	**55,242**	**58,570**	**64,974**	**74,957**
	Industry Average	**12,989**	**18,273**	**18,017**	**24,825**	**26,992**	**26,999**	**27,003**	**30,951**

Table-4 speaks a lot about the efficacy of insurance agents. Certain important observations may be made here as under:

- Average ticket size of all policies sold by all insurers are continuously rising in the period under consideration. The average for private insurers has increased by about three times, from Rs.26,334 to Rs. 74,957. Industry average has increased by about 2.5 times, from Rs.12,989 to Rs. 30,951.
- Average ticket size of 22 out of 23 private insurers is more than that of LIC, the market leader selling insurance primarily through tied agents. That means, insurance agents of private insurers are able to bring better value businesses across the board.
- If we look at the ticket sizes of top three private insurers, we find that they are at least two times that of LIC in all the years under consideration. While LIC's ticket size was Rs. 27,010 in 2020-21, the ticket sizes of top three private insurers are Rs.59,399, Rs. 1,20,030 and Rs. 85,070 for SBI Life, ICICI Prudential and HDFC Life respectively.
- Another interesting feature is that while there is huge difference between the average premiums between LIC and private players, there is not much variability between the ticket sizes within private insurance players. In 2020-21, the Standard Deviation was Rs. 27,733. This means, the insurance agents of almost all life insurers are able to bring good business from the market.

The question may arise, whether the insurance agents are present across the geographies of the country. We may also be interested in testing whether insurance agents deployed in particular states result in proportionate increase in the collection of New Business premium and also sale of new insurance policies. To get these answers, we can use Spearman's Rank Correlation Co-efficient statistic. In Table-5 we can make an attempt to rank the states according to New Business Collection, Policies sold and insurance agents pressed into action for marketing life insurance products. All the data shown in the Table are taken from Insurance Handbook of IRDAI. We need to calculate Rank Correlation Co-efficients between Number of Agents and New Business Premium procured state wise and between Number of Agents and New policies sold state wise. We have to see whether high ranks in respect of number of agents available in a state is associated with high business volume and low ranks associated with low ranks in respect of business procured in respective states.

D1 is difference between ranks in respect of number of agents and the number of policies sold in a state. D2 is the difference between the ranks of the number of agents and the amount of First Premium collected in state. For the sake of calculations, d_1^2 and d_2^2 columns have been constructed.

Table-5 Rank Correlation Co-Efficients on the basis of Ranks Assigned to states

S.No.	State / Union Territory	Total Agents	Rank1	Policies	Rank2	Premium	Rank3	d1 square	d2 square
1	Andhra Pradesh	96453	12	1321841	10	3958.759	10	4	4
2	Arunachal Pradesh	1566	31	14082	32	85.72107	31	1	0
3	Assam	69629	15	874737	13	2695.851	16	4	1
4	Bihar	124280	7	1581188	5	3513.025	13	4	36
5	Chattisgarh	45052	19	535534	19	1678.633	19	0	0
6	Goa	8715	25	89556	24	617.0617	23	1	4
7	Gujarat	144460	6	1359533	8	8072.543	4	4	4
8	Haryana	77346	14	767367	14	3079.6	15	0	1
9	Himachal Pradesh	20352	21	266632	21	939.9036	21	0	0
10	Jammu & Kashmir	13620	23	197769	22	677.5962	22	1	1
11	Jharkhand	66000	17	629126	18	2290.866	18	1	1

S.No.	State / Union Territory	Total Agents	Rank1	Policies	Rank2	Premium	Rank3	d1 square	d2 square
12	Karnataka	144790	5	2005097	4	7685.165	6	1	1
13	Kerala	101641	11	764503	15	5116.525	8	16	9
14	Madhya Pradesh	108787	10	1286587	11	3459.994	14	1	16
15	Maharashtra	278727	1	3161577	2	19472.82	1	1	0
16	Manipur	4351	27	35996	27	130.6255	29	0	4
17	Meghalaya	3057	28	24439	29	133.37	28	1	0
18	Mizoram	803	34	7968	34	45.72638	34	0	0
19	Nagaland	2281	29	21121	30	96.26462	30	1	1
20	odisha	109312	9	1323591	9	3787.562	11	0	4
21	Punjab	61959	18	709614	17	2637.807	17	1	1
22	Rajasthan	124027	8	1577839	6	4019.471	9	4	1
23	Sikkim	1436	32	14742	31	77.96905	32	1	0
24	Tamil Nadu	170139	4	1572452	7	7889.093	5	9	1
25	Telangana	86973	13	953829	12	3658.654	12	1	1
26	Tripura	8719	24	124626	23	355.6278	26	1	4
27	Uttrakhand	30374	20	310400	20	1227.608	20	0	0
28	Uttar Pradesh	268339	2	3240253	1	9996.424	3	1	1
29	West Bengal	189399	3	2461517	3	10234.85	2	0	1
30	Andaman & Nicobar Is	461	35	6220	35	25.93337	35	0	0
31	Chandigarh	16384	22	69571	25	376.1327	25	9	9
32	Daman & Diu, Dadra & Nagra Haveli	1114	33	8959	33	49.87246	33	0	0
33	Delhi	67626	16	736956	16	5162.058	7	0	81
34	Ladakh	1776	30	38352	26	466.8019	24	16	36
35	Lakshadweep	8	36	118	36	0.380695	36	0	0
36	Puducherry	5121	26	33733	28	172.6553	27	4	1
	Total	**2455077**		**28127425**		**113889**		**88**	**224**

The formula of Spearman's Rank Correlation Co-Efficient is

$$R = 1 - \frac{6\sum d_i^2}{N(N^2 - 1)}$$

N is the number of observations, i.e. 36. In this case, R between number of agents and number of policies sold in various states and Union Territories is 0.988674. The R between the number of agents and volume of New Business procured by insurers in various states and Union territories is 0.971171. This proves there is almost linear correlation between number of agents pressed into action and business secured from particular states. Similar results were also obtained earlier. Here, the difference is that it is now proved that in each state business procured by insurers is proportional to the agents recruited and launched in the market. It proves that the insurers are not only recruiting agents, they are also using their might to increase insurance penetration. Of course, insurance penetration depends on many other factors. But, there is no indication anywhere that technology has become a game changer in increasing insurance penetration. It is at best improving the image of the insurers and also helping the insurance agents with many useful data that is helping them to understand the customers better and engage with them better. The insurance agents who are not using modern digital tools are at a disadvantageous position in carrying out sales process effectively and scientifically. However, the agents

have started adopting new methods of selling insurance. New age agents are adept in using digital tools and are already proving to be more effective than those who cling to the old techniques.

We have made analysis of published data on insurance agents in the preceding sections. We have seen that the insurance agents are an indispensable marketing force of the insurers. Technology can be used in marketing insurance. But, most customers will look for some people who can help them understand the products better. Even the most educated are never sure whether they are buying the right products. Scores of similar products are available in the market with varied policy conditions. It is difficult for the individual customers to know about all products and their features. Insurance agents are in a better position to suggest the right products because it is their job to make a thorough study of the products available in the market. That LIC is still a market leader can be attributable to its large countrywide agency network. It was not built overnight. LIC developed this profession painstakingly over a long period of time.

The insurers who use alternate channels heavily are also recruiting agents in large numbers. One reason why HDFC Life is merging with Exide Life is the enviable agency strength of Exide life. With this agency force, HDFC Life plans to make a successful foray into Tier-II and Tier-III cities. There are market segments where insurance agents are considered as most dependable.

Even the insurers who have decided to sell online policies heavily are discovering that the assistance of agents is required to sell online products as many customers find it difficult to navigate through Internet. In fact, “Assisted Online Sales” has become a new buzzword these days. While some insurers have kept “Assisted Online” optional for customers, Birla Sunlife has made it mandatory for their customers. Their “Easy Protect” term plan can only be purchased through agents. Insurers like Aegon Religare, Aviva Life, Bajaj Allianz and ICICI Prudential are also allowing the customers to buy term plans through agents.

According to a study by Business Today[8], although quite a number of people make their research on insurance products and services, only 2% of them actually buy policies online. Certain assistance is always required even by net savvy people before buying policies online and the insurance agents are in the best position to provide this assistance.

Many insurers are not too sure whether Persistency will not suffer if a very large number of policies are sold purely online. In the absence of insurance agents, the insurance company will almost be a faceless organisation for the customers. That may not be very palatable for the customers in later part of the policy life cycles. So, they want some insurance agent should be around for the customers in case of any emergency situations. Honestly speaking, insurance is all about helping the customers or their near and dear ones in difficult times.

How Insurance Industry Can Make Agency Force More Relevant

Technology can help insurance agents in marketing life insurance better. We have already seen that insurance agents are quintessential part of the insurance distribution system. There is no possibility of insurance agents (and especially life insurance agents) getting replaced by digital tools of insurance selling and customer engagement. Technology can aid the insurance agents in understanding customer needs and profiles better but it can not replace the services of the agents. People have accepted insurance agents even in the most advanced digital societies of the world. Insurance agents can be replaced only by better qualified, tech-savvy and more customer centric insurance agents.

LIC’s ANANDA App is empowering agents. Insurers should take special initiatives to make agents more tech-savvy. ANANDA App of LIC is making insurance agents less dependent on the insurers as they are authorized to upload the customer data directly to the system of the insurer. The customer has only to authenticate the correctness of data entered by the agents on their behalf. This initiative has been embraced by the tech savvy agents of LIC as it reduces the Turn Around Time of completing the insurance buying process. This is also freeing up a lot of time of the insurers as they devote less time on repetitive jobs now. ANANDA is an example of digital transformation of a process and not just digitizing a

manual process. More such transformations are required in the industry.

Agents should engage their peers more vigorously. Insurers should be able to recruit agents who represent important market segments. If insurance agents belong to the peer groups, people do not have any problem listening to them with due seriousness. The insurance agents should be encouraged to get involved in community work which are not related to insurance. When the agents make themselves likable and acceptable, they can start talking on financial planning and insurance. Some top agents are already doing that in right earnest. But insurance is to be marketed among much larger number of people of this land. So, a greater proportion of insurance agents must grow up.

Agents have to be made more empathetic. Agents must be taught how to give quality services to the customers with care and empathy. Although it is very difficult to teach empathy to an adult person, but attempt has to be made to make it possible as much as one can. Without this, an insurance agent can not be successful in the long run. The companies give a lot of product knowledge to the agents during any training session. They also try to improve the body language and mannerisms of the agents. While all these are good, what actually matters to the customers is a high level of customer centricity. Insurance is traditionally a low touch industry. The insurance agents have to learn how touch-points can be increased. More the touch-points, more it is possible to be in sync with changing circumstances of the customers.

Agents should be elevated only when they develop professionally. Insurers have the practice of conferring MDRT/COT/TOT status on the basis of premiums brought and commissions earned. While these are important performance criteria, the insurers should add one more criteria for determining the quality of insurance agency. They should give elevated status to the agents only when the agents become more knowledgeable in the other related areas of financial planning. On the one hand, study materials should be developed on tax planning, estate planning, Keyman Insurance, Partnership Insurance etc. On the other hand, exhaustive study materials should also be on investments in Mutual Funds, Gold, and Real Estate etc. Certificate Courses can then be prepared by Insurance Institute of India or NIA Pune and examinations taken to test the understanding of the agents. Only if the agents pass relevant examinations, can they be selected for tags like MDRT or COT. In these days, knowledge is power in every occupation.

Microsites for Special Agents. Some insurers are already creating microsites within their social media pages in order to promote the agents who can do wonderful job as insurance advisors. This is one kind of Brand Endorsement which can go a long way in promoting the services of quality agents. This is another example of using Technology (Social Media Platform) to further the interests of insurance agents.

Insurers are developing Mobile Apps that help the agents to get all policy related information, USP of products, taxation aspects associated with the products, underwriting requirements etc during the sales process. This is empowering the agents to become better insurance advisers for their clientele. The insurers should make all the agents use such digital tools. Unless insurance agents change their age old habits, they cannot get better results from their efforts.

Mobile Apps should enable customers to reach out to agents. There should be Mobile Apps that can enable the customers to connect to any agent in his neighborhood 24X7. Customer needs are dynamic. To understand the changing needs of each of the customers, there has to be some continuous process through which the customers can be in touch with any agent on an urgent basis. In many situations, the agents who brought the customers are not around to help the customers. There is high rate of attrition among the agents. Many old agents are not able to work. Many have even died. So, customers should be in a position to contact any agents in their neighbourhoods. No agent should be allowed to deny servicing requests.

Relying solely on digital transformation will not bring the desired results. The physical and virtual world must be linked for the benefit of customers and insurance agents. With better use of technology and data, agents can increase cross-

sell opportunities by as much as 30% with their existing customer base only. Cross-selling is important for the survival of all agents. Data Analytics tools should be with the agents to know who are likely to be most valued customers. Right now, the agents get data on the basis of transaction behaviour captured by his insurer only. There should be Analytics tools that are able to capture the customer data from external sources as well. That way, the agents will get a total financial and risk profile of the customers.

Agents should be encouraged to underwrite remotely. Digital tools can help insurance agents to engage remotely with customers. Some insurers are also empowering the agents to underwrite remotely using digital tools. AI enabled remote advice platform has the ability to analyse customer responses on real time basis. All this help agents to underwrite the proposals as accurately as possible. We need a hybrid distribution model which uses the best features of both technology and insurance agency. This model enables the agents to become financial advisors from mere salespersons more easily.

Insurers should inculcate better working habits. Insurance Agents should work together with the The question is not whether the insurance agents will survive in the digital age. The insurance agents have already proved their worth in this digital era. The problem is that for most insurance companies, the insurer and the insurance agents work as two separate organizations. The insurers should take better control of the customers because customers are owned by them and not by the agents. At the moment, insurers have a low level of control on how business is procured, how customers are kept satisfied during the term of the policy and how grievances sometimes brew up. The insurers need to inculcate a better discipline in the working habits of the agents so that there is some uniformity and predictability in the way policies are sold and post sales services are provided.

Fee based agency can also be tried. In future, agents may be encouraged to provide fee based financial advices to the customers. So, the leading agents may be offered a fixed salary for providing a minimum number of services plus commissions on insurance selling. In all mature markets, such fee-based insurance agency is very popular. Fee based insurance agents are extremely knowledgeable and dependable too. There is no question of mis-selling as their fees are not dependent on the premium amount.

PIVC can enforce better discipline. Some insurers, notably HDFC Life call up the new customers before issue of the policies and tries to understand whether they have understood the most important features of the policies they have just purchased. Only when the insurer is sure that the customer known what he has purchased that the policy is ultimately issued. This is called Pre-Issuance Verification Calls (PIVC). These are done to ensure that no mis-selling or unethical selling has taken place. In 2020, IRDAI came with a regulation on PIVC. The regulator had advised the insurers to carry out PIVC in at least 3% of the cases on a sample basis. Unfortunately, very few insurers are following this regulation. If the insurers implement PIVC, a lot of uniformity and transparency will come. Customers will be happy to receive calls from the offices of the insurers.

Insurance is Something Much beyond Technology

Agents will remain relevant in life insurance industry in all markets, even in this digital era. The foregoing discussion on the subject shows that the insurance agents can co-exist with technology quite successfully. But the agents have to be aware of the digital tools used in the industry now. They need to use technology to understand the changing insurance needs of the customers and also use the technology to provide better personalized services.

Pure Tech companies have not made much headway. “Pure Tech” companies have not yet been able to make any headway in life sector. Although two insurance companies, namely, Acko and Go Digit are operating as “Virtual Insurers” in non-life sector, they too have miniscule presence in the industry. After all, being Unicorn and being a preferred insurer for crores of people are not the same things. In insurance, business is sustainable only when there is a reasonably large number of customers across the country. Otherwise, there is always a risk of solvency margin going below the

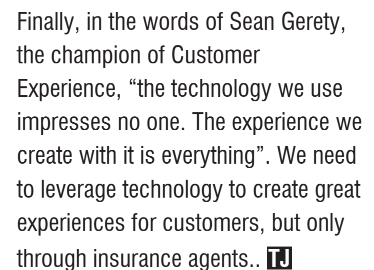
desired level. We have seen that in order to scale up operations, insurers need a large army of insurance agents. Insurance can not be expected to be purchased like mass consumption goods from e-commerce companies.

InsurTech is not in a position to take on existing insurers. InsurTech is doing good jobs in developing many products for niche segments. But, data shows that they are able to make maximum impact only when they collaborate with existing insurers selling through insurance agents. They are not in a position to scale up operations across the country and put insurance agents in awkward position. That is simply not possible to happen.

Insurance Agency should appeal to the Millennials. We are living in an age of Start-Ups and Self-employment opportunities. The millennials prefer to be their own bosses. Insurance agency has a great future if the bright, educated millennials can be made top class insurance advisors through proper motivation and training. The insurers have to inculcate entrepreneurial spirit in the millennials. If the profession is marketed more vigorously among Gen Y and Gen Z individuals, a good number will join the industry and do the agency job more innovatively using the modern digital tools.

Unlike the purchase of consumer products, customers look for validation before making the purchase of insurance products. Only insurance agents can validate at the right time.

Deloitte Report says that most people understand the need of life insurance when some life changing events happen in life. It can be getting married, getting the first baby, premature death of a friend or a close relation or even penury of a neighbour in his post-retirement life. These events can prompt a man to buy life insurance. But it is not possible for technology to know all such events taking place in a man's life. An insurance agent knows people of his neighbourhood very closely and can persuade a man to buy right insurance before it is too late.



Many insurers have put excessive focus on technology solutions. That has not helped their cause. Insurance customers have always honoured quality insurance agents everywhere in the world.

Finally, in the words of Sean Gerety, the champion of Customer Experience, “the technology we use impresses no one. The experience we create with it is everything”. We need to leverage technology to create great experiences for customers, but only through insurance agents.. TJ

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Technical Paper Writing Competition (General)

Changes in Operating Model by Non-Life Insurance Companies in View of Covid-19 Pandemic

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Abstract

The pandemic has raged for many years and has still not fully abated, as evident from infections still taking place in some countries. But it is at a lower ebb now after severely impacting different aspects of life all over the world. This is as good a time as any to review and assess its impact on the non-life insurance companies in the insurance industry. The operating model of a non-life insurer attempts to bring its business objectives to life and their actualization, as it were. The operating models of non-life insurers have responded to the changes in the external environment and a number of trends are now visible for analysis. These trends indicate that hybrid working models are now preferred. More technology is being used by non-life insurers. There is greater emphasis on developing their human-resources and greater customer-centricity is also evident now. Agile operating models are now preferred over the traditional layered models for their inherent benefits. Sustainability is also driving change and more thought is being given on how to close the protection gap exposed by the pandemic. And of

course, this is a time to review the business results and strengthen the balance sheets which have mirrored the negative trends encountered during the height of the pandemic.

This essay attempts to not only assess the changes in the operating models of non-life insurers but also discusses the operating models and the problems plaguing the state-run general non-life insurers who are now in a financially precarious condition and dependent on public fund infusions to maintain their solvency margins. A comparison has been made with a non-life insurance start-up - Go Digit General Insurance - which is now a unicorn to find out how its operating model has evolved and highlights its defining features.

Some management strategies such as PESTLE strategy, SWOT Analysis and Blue Ocean Theory have also been discussed along with illustrations to demonstrate that they can help the operating models from time to time to negotiate solutions whenever organizational road-blocks are encountered. This essay has been written with the objective of providing food for thought to spark discussion and debate in the insurance-industry on the current post-covid -19 scenario. Discussion within the insurance fraternity is required for defining the path ahead as it of interest to all stake-holders that the insurance industry remains strong and resilient and uses the lessons that the pandemic has thrown up to support its policy-holders adequately in the time to come.

Introduction

The coronavirus pandemic has brought change and disruption in its wake all over the world. Despite more than two years having elapsed since it first appeared in Wuhan, China in December 2019, it has not yet fully abated. Though it appears that the worst is over, different mutated strains of the corona-virus such as the highly infectious Omicron strain are still causing infections with varying levels of intensity in dispersed geographies. The pandemic has wreaked havoc on the global economy and all aspects of our lives. The global economy has already suffered a negative supply-side shock due to covid. Geo-political tensions due to Russia's invasion of Ukraine has also caused further supply-chain disruptions which has worsened stagflationary conditions which have emerged during the pandemic. (Inflation in an economy is the rate at which the price of goods and services increases. An economy with Stagflation has not only inflation but also stagnant economic growth rate and a high rate of unemployment.)

As the world had to adjust to new techniques of work with reduced human contact there was a big change in our 'normal' way of life. Offices were no longer the hub of activity as before. The world resorted to remote working or work-from-home and found it to be a viable option for organizations. This was one big take-away from the pandemic. Another change brought on by the lockdown was that e-commerce sites began to be widely used during the lockdown for online purchases. E-commerce sites have grown in size and importance since then. The gig economy has also grown by leaps and bounds during the pandemic. The dependence on physical use of currency is considerably reduced as digital means of payment are preferred now and this has also made online purchasing more widespread. It is common knowledge that many business enterprises have made losses during the pandemic and closed down. Disappointments were caused by the fact that business interruption losses caused by the pandemic were not supported by insurance. As the pandemic, brought about changes in the demands and priorities of consumers, different enterprises responded to these requirements in their own unique way. For example, ordering food from outside is currently viewed as more prudent rather than eating in close proximity with other customers in a restaurant. Hence many restaurants have now encouraged take-aways.

It would also be relevant at this juncture to draw attention to the enabling role of technology in empowering us during the ongoing pandemic. The pandemic has been a catalyst in speeding up the pace and gamut of technological advancement in all spheres of life. The benefits of technological advancement are now apparent everywhere, be it in the home or at work. We now appreciate and utilize them for the convenience that they bring into our lives.

In fact, the pandemic has impacted all the different factors such as social, economic and technological aspects

in the environment in which organizations work. Consequently, their outlook and performance have experienced many changes. Many of the new trends initiated by the pandemic have influenced business enterprises in the way they set their priorities and respond to changed consumer preferences. Insurance enterprises have also had to respond to this fluid situation with a perceptible impact on their balance sheets. The object of this discussion is to assess how the operating models of non-life insurers in particular are evolving and responding to this new scenario. In order to provide some insights into the current trends in this area it would be necessary to shed some light on the way business is conducted in non-life insurance companies.

How is Business Conducted in Non-Life Insurance Companies?

Non-life insurance as the name suggests is any insurance that is not life insurance. It is also referred to as general insurance. Non-life insurers insure health, fire, property, motor, marine, aviation, crop, liability, travel and a wide range of miscellaneous classes of business. Life is also covered but only under Personal Accident risk group and is normally clubbed with health insurance. To put it in a nutshell, insurance pools together contributions of a large number of people who have exposure to similar risks to ensure that the few people who actually experience losses are protected financially. Pricing the risk (with the assistance of actuaries) and charging an appropriate premium (with the help of underwriters) for assuming risks is common to all non-life insurers. This is followed by settlement of claims. Insurers must check and verify the claims, weed out fraudulent claims and then remit the payment. Claim-settlement is the service which they are selling to customers. Insurers also resort to reinsurance to protect their own risks from exposure beyond their capacity and protecting their balance-sheets. Revenue is generated by insurance companies by reinvesting the premium-income into various interest generating assets. Insurers also try to market effectively and minimize administrative expenses to reduce expenses.

Operating Models of Non-Life Insurers

The aforesaid, may also be referred to as the business model of non-life insurers. Whilst the business model is what is more externally visible; the intangible but all-important operating model provides the basic philosophy behind their operations and helps the organization furnish the deliverables.

Every insurer has an operating model. It can be defined as “a simplified depiction or visualization (a model) of how the insurer operates to deliver on its business objectives”. It is the way the organization runs and delivers value to its customers and beneficiaries. The operating model serves to actually bring the business model of the insurer to life, as it were, because the operating model ensures delivery of value and defines the value chains required for the same. An operating model is only a part of a larger business model. The business model relates to the stakeholders, the value proposition to customers and the cost and revenue streams. It would be pertinent to note that both the operating model and the business model of an insurer are interlinked. An operating model is necessary because an organization is a complex system for delivering value. An operating model also relies on strategy. Formulating a strategy would involve understanding the ramifications of the market the insurer is competing in, its position relative to its competitors and techniques to outperform its rivals.

An operating model is required to run the organization efficiently by combining digital technologies and operations capabilities in an integrated manner. This is intended to bring about improvements in generating revenue, enhanced customer experience and reduce cost. Thus, it assists the insurer in achieving its organizational goals.

New Trends in Working-Models of Non-Life Insurers

The Covid-19 pandemic has impacted all aspects of life. Commercial activities have been severely impacted by the pandemic. Non-life insurers have also had to face numerous challenges and respond to their goals in a changed working environment. As it happens, covid has demonstrated that the unexpected can happen and non-life insurers have to accept transformation now. They also have to leverage these changes to set their course for the

next decade. It would be illuminating to assess the new trends observed as emerging in the operating models of non-life insurers and hope that this discussion will serve to generate further thought and debate in the matter within the larger insurance fraternity.

1. Delivering value through new work-force models

Lock-downs and restrictions on movement have led to a shift to remote working strategies. Many insurers have invested in the required technology to integrate mobile apps, websites and call centres to enable enhanced customer-service. The present situation has compelled insurers to also depend internally on meetings which are conducted virtually. It has been found that that this technique works quite well in most circumstances. Insurers are finding that remote working (or work-from-home as it is more commonly called) does result in many benefits to employees and the organization alike. It is also viable and productive. It is likely that remote working may remain as a practise at many organizations particularly when there is a heightened risk of infections and mandated shut-downs as public health measures. Local office shutdowns may be required due to safety-protocols due to a work-site infection or if infections rise in a specific area.

As employees are gradually re-joining office, hybrid models of remote and on-site employees may be favoured. The hybrid work-model is an outcome of the work-environment during the pandemic. It is important because it helps balance work, health and family. At the same time, more virtual interactions are likely to lead to new opportunities for building customer relationships. Those employees whose on-site presence is more necessary than others can be identified for their regular on-site inputs whilst others can be available physically on-site at regular intervals. Technology now supports such work-practises.

Social distancing is here to stay and people are now accustomed to less personal interaction. Hence the operational models of non-life insurers which are undergoing change and will evolve even further with new digitally enhanced work-force models providing more and improved virtual interaction with enhanced delivery of value.

2. Increasing digital transformation

Studies have indicated that the pandemic has hastened the natural progression of digitalization at most insurance organizations. Non-life insurers have appreciated the necessity for building their technologies for remote operations and virtual interactions with customers. Hence additional investment is now coming into digital technologies. Use of cloud computing is also of use particularly for smaller insurance start-ups who want to save on storage of data on their servers. Non-life insurers have used technology for reduction of cost and revamping processes. Consequently, the use of advanced and new technological applications such as artificial intelligence, telematics, aerial imaging and claims automation are now preferred.

Non-life insurance is a data-driven industry. It is therefore necessary to view digital transformation as a necessary step in unlocking data value. This includes both the vast static data that is readily available with insurers as well as the context-driven external data coming in through telematics, Internet-of-things (IoT) and other such sources. Creating new data-based insurance products that will be of use to the new-age post-covid customer requires insurers to master digital transformation. This will help them to develop new business models which will help them expand into new markets. They also have to have to keep an effective value-chain to enhance their competitive advantage. (A value-chain breaks the business into sequential processes to enable analysis and identify opportunities.)

Whilst on the subject of digital transformation it would be pertinent to draw attention to the disruptors or InsureTech entities the world over. Some well-known InsureTechs are Osar Health, ZhongAn, Lemonade, BestDoctor, Bequest, Go Digit General Insurance and Acko General Insurance. They are remarkable in leveraging technology to make the experience of purchasing insurance and settlement of claims simple, convenient and hassle free. These disruptors have made innovations in personalized product designs. Telematics for example rewards customers for risk avoidance and safe driving whilst wellness features in health insurance encourage healthier lifestyle choices. These are

new insurance value propositions from insurers which encourage and incentivize customers for minimizing risk. They have also brought in emphasis on a digital customer interface which has been accentuated by the complexities of the lockdowns. They are also enjoying better connectivity with potential and existing customers by using social media channels such as Face Book, Instagram and Twitter to their advantage. The operating models of InsureTech insuring entities have thus brought in success in providing value to customers the world over.

However, the challenge for non-life insurers and their operating models is to ensure that digital penetrates the general insurance industry to the extent it has done in say, banking where it is deeply embedded into the banking processes. To do this non-life insurers have to maximise their digital services keeping the requirements of the customers in mind. These services have to be seamless and integrated with the non-life insurance eco-system. But even as non-life insurers become more technology driven they also have to keep cybersecurity concerns in mind. Non-life insurers have rich repositories of sensitive data. Cybersecurity protects all categories of data from theft and damage from potential cyber threats. It encompasses technologies as well as practices to protect the IT set-up of the insurer from cyber threats. It is vital if insurers become more technology driven with hybrid working models where the organizational IT network and its security systems may not be that effective.

3. Partnering and flexibility trends in the insurance industry

A corollary to the development of disruptors or InsureTech entities driven by technology has been a marked increase in both intra as well as extra-industry collaborations. Not managing their own risks themselves, is a good strategy for non-life insurers. Combining digital transformation with business priorities is expected to provide good results and this has been acknowledged by non-life insurers. This trend has been utilised as an opportunity by many non-life insurers which have opted to rely on the platforms and services of this expanding eco-system of InsureTech entities and have entered into partnerships with them. This has helped non-life insurers to digitise at a faster pace than what could have been achieved by adapting their own in-house capabilities.

Partnerships and collaborations are necessary for cost rationalisation, convenience and competitive advantage. No doubt, some internal disruption will be inevitable with such change. But this is unavoidable as the future is dependent on the flexibility to react to changes quickly whilst maintaining sound risk management practices. It would only be prudent to non-life insurers to diffuse their knowledge across partner networks and ecosystems. Developing new channels of distribution and encouraging intermediaries to be adept at using digital means is also necessary. True digital transformation provides flexibility to making the entire ecosystem work effectively. However, it goes without saying that no single stack or core system will provide everything necessary to build and sustain competitive advantage. Such partnerships are therefore likely to increase and thrive in future and lead to successful operating models for non-life insurers.

4. Nurturing the human element for success

Technology alone cannot ensure a successful operating model. The corollary to this is that the human element is just as important. Maybe even more so. Non-life insurers need their people to be capable, resilient and adaptable to harness the available technologies properly. Insurance employees must remain connected and supported by their systems and secure from cyber threats to respond effectively to customers. It is important to note that whist technology can empower customers to purchase insurance remotely policy-holders still believe that they need guidance and support in case of claims.

What distinguishes one non-life insurer from another is primarily its human resource and its internal culture. An organization's growth depends primarily on the competencies of its human resources. In a non-life organization both technical competencies and customer-handling skills are essential pre-requisites. Hence regular training, reskilling and customer handling should be an important part of the non-life insurance working model. Many non-life insurers have focused on their core areas in this time of disruption due to the pandemic. They have given attention to operational improvements and work-force

enhancements to be poised for a yet another crisis which may yet be caused by the pandemic.

This observation is also important in the perspective of agile operating models. An agile operating model helps insurers create self-adjusting teams in every part of the business. Agile teams require new skills and capabilities. It would not be prudent to delay in developing human resources and infusing new talent as required. Such teams require performance orientation, a growth mindset and of course empowerment. The traditional and hierarchical operating models do not foster these qualities. Introducing diverse talent to the teams often brings in the different perspectives and talent that non-life insurers badly need. Infact, an important principle of an agile operating model is to stress on individuals and interactions over processes and tools. It is the individuals who will engage in effective customer collaboration using the available software rather than follow a rigid plan of action.

Non-life insurance includes very complex and intangible products which may fall short of expectations and may be mismatched to need. For example, business interruption insurance has been found to be lacking in coverage for business interruption losses caused by the pandemic. This demonstrates that the post-pandemic working model has to re-shape and improve the customer experience by using new risk products and holistic advice at the point of purchase. Digital solutions can communicate facts only to a limited extent. It is the workers and intermediaries in communication with the customer who have a key role to play here. After all the insurance customer experience must include both data-driven advice and shared communication for adequate understanding of the available insurance solution being marketed.

5. Importance of customer centricity

Customers are central to the organization and it is only appropriate that the operating model of a service-oriented organization should be geared to providing value to customers. Identifying customers needing assistance in real time and providing appropriate connectivity through agent assistance, through chatbots, social media tools or even in person can improve customer engagement and minimize potential drop-offs at the crucial time of purchase of insurance. Customers expect prompt and personalized service from their insurers. Streamlined and automated underwriting will enable swift decision making and policy approvals. This would be a great step towards enabling the convenience of customers. It is after all customer satisfaction which will augment the insurer's business profile and standing. Social distancing due to the pandemic has led to a more connected and digitised world. It has also increased the demand for omnichannel engagement, online self-service, instant pricing and seamless claim settlements. (Omnichannel experience is an approach that attempts to provide customers with a seamless shopping experience wherever they may be purchasing from - whether it be online or a physical store or office premises.) These represent new challenges for insurers.

As a result of COVID-19 there have been changes in underlying customer behaviour at a much quicker pace. New analytical models are being launched much faster to look into these trends. Data and analytics capabilities can strengthen a wide variety of initiatives to provide the personalized and convenient experience that customers now expect. The entire organization (from senior management to frontline staff) should be skilled-up and trained about the value of data and analytics in order to minimize resistance to using them. Agile and cross-functional teams can combine business and technology functions to create value for customers. Non-life insurers are already utilizing these capabilities to provide timely assistance which can be further enhanced by human interface where required. It is also important that technology and digitization are applied to claims management as much as possible. This will help make the claim process less cumbersome and lengthy for customers. Many insurers have already been improving their operating models to achieve this objective. These steps will define insurers' competitive advantage in the future decade.

6. Innovation to capture emerging customer requirements and closing the pandemic risk protection gap

Innovating to respond to emerging customer requirements is an

important part of the working of non-life insurers. It would be pertinent to mention here that InsureTech entities have been very active in innovating and transforming the way in which insurance is viewed and sold. They have simplified and de-bundled traditional products and made the process of purchasing insurance simplified. They have also improved the delivery channels and made claim settlement convenient and less cumbersome by allowing for on-line claim settlement. Some recent trends have provided interesting insights into their innovative skills. They have now seized the initiative to devise specific short term covers for gig workers In India. They have used the insurance opportunities brought on by the rapid growth of the gig economy in India during the pandemic. Demand from specialist gig workers has resulted in introduction of niche products that include daily to weekly insurance products. Interestingly, it has even been specified by the corporates that the insurance covers will depend on productivity and meeting hourly targets. The demand from corporates is rapidly increasing in this sector. Corporate clients are using increased insurance covers to incentivise the gig workers to perform better. Apart from the basic accident and health insurance, home, liability, equipment and credit insurance is being sought for gig workers. Some of the important players here include Probus Insurance Broker Pvt. Ltd, Coverfox Insurance Broking Pvt. Ltd and Plum Benefits Pvt Ltd.

The aforesaid trend is somewhat akin to that of speciality insurers who target certain specific niche areas to eliminate competition. They underwrite risks profitably which others are not keen to insure. Their success is directly co-related to their quality of technical expertise which is much specialised and their pre-disposition to underwrite risks profitably that others generally avoid. Thus this is a different kind of operating model here in operation which caters to only a select target group. To remain relevant and responsive, the operating models of the larger and established non-life insurers also have to evolve and respond flexibly to changing demand patterns that the smaller and nimbler InsureTech entities are adept in.

The pandemic has also exposed a significant risk protection gap in the area of business interruption losses. The risk protection gap arises from the fact that there is a major difference between the total losses as compared to insured losses, because there is limited or no provision for covering pandemic impacted business interruption losses. When several commercial organizations found to their detriment that their business interruption losses due to the interruption of business activity during the pandemic were not covered by insurance, there was a general feeling of being let-down. Small and medium business enterprises were the worst affected as they had to absorb these losses themselves and many could not cope with it. Insurance support was unavailable when it was badly required. It is now incumbent on non-life insurers to innovate and devise a system of reinsurance pools or some other means in collaboration with reinsurers and governments to provide support for business interruption losses triggered by viruses and bacteria in addition to fire and natural calamities. Their challenge will lie in keeping their balance sheet and business model intact in such situations whilst rising up to the expectations of their policy-holders.

7. Advantages of enterprise agility in non-life insurance

Responding to the challenges posed by the pandemic has been difficult for non-life insurers. However, it appears that enterprise agility gives them many advantages in this regard. Enterprise agility refers to the ability of an organization to adapt speedily to its external business environment based on inputs from stakeholders such as customers. It also refers to the adaptability to changing in market forces. It relies on the use of agile methodologies in the organization. It achieves numerous goals simultaneously including enhanced alignment between new business ideas and customer needs and improved operational performance. It also helps them launch new products and finalize their pricing much faster. The synergies of business and IT in close collaboration increases efficiency. This can be seen as a major improvement over traditional and hierarchical operating models. Many large insurers may find that they are hampered by their existing operating models with their existing siloed and layered approach in delivering results. It helps to reduce layers in an organization which

reduces efficiency. Users of this new methodology have benefitted in creating efficiency and meeting customer expectations. Studies indicate that the risks posed by the pandemic have led to organizational commitment to business agility.

Embedding agile practices in their operating models can result in all-round improvement for non-life insurers. Hybrid models of work are likely to be in use in organizations relying on agile practices. Small dedicated groups (also referred to as self-managing squads) can be formed for remote work. Some regular meetings in person can help review goals and assist in collaborations. Otherwise, virtual meetings on a regular basis can lead to appropriate responses to fast-changing market conditions. It is difficult to predict what further challenges the pandemic will bring. As the unlikely and uncertain have become harsh ground realities it is vital that non-life insurers use agile methodologies to augment their working models speedily.

8. Sustainability as a new driver of organizational model change

(ESG) factors which take environmental, social and governance criteria into consideration are important considerations for non-life insurers. The environmental side of (ESG) factors is taken into consideration by supporting different initiatives for slowing down climate change. It is the social goal of increasing penetration in underserved areas by providing innovative and more affordable products which should draw more focus. Good governance will make the non-life insurers more transparent and welcome organizational diversity. Multiple benefits of embedding sustainability in the working model lies in the fact that it augments brand value, increases efficiency and meets with demands of well-informed customers. Thus sustainability has many advantages for non-life insurers. The impact of covid on health and disability insurance, travel insurance and pandemic cover in event insurance to mention just a few issues are helping to develop new products and specify their pricing. It is interesting to note that in this post-pandemic period health and safety are combined concerns now. Insurers have a social responsibility and are well positioned to lead the way in providing solutions to health and sustainability issues. As this is a critical implication of the post-pandemic scenario the operating models of non-life insurers are incorporating these criteria in their strategies.

9. Strengthening the balance sheets

The last two years were dominated by the pandemic. It reduced overall business and consequently there was a negative impact on the business profiles of non-life insurers. As mentioned earlier, the operating model of an organization is part of a larger business model. Both are interlinked and a good operating model helps to achieve the business objectives of the organization. As the pandemic has somewhat abated, this breathing space should be utilized by non-life insurers to review their balance-sheets and decide on strategies to shore up results. This would involve examining their assets and liabilities. They have to ensure that they not only have adequate assets but have also accounted for and have properly valued their liabilities. The different business verticals or units should be reviewed with a view to closing weak units and scaling up those performing well. This will help non-life insurers to ensure that their solvency requirements comfortably meet with regulatory norms.

Whilst strategies may vary, the objective remains the same for all non-life insurers. They have to orient themselves to the new techniques of working. Non-life insurers will need to respond to financial pressures with measures such as IT cost reduction, digital channel development and artificial intelligence powered automation to improve their underwriting and claims output. Non-life insurers have to ensure that their own businesses generate returns. This is as good a time as any for non-life insurers to focus on this aspect.

Despite the challenges of the pandemic, non-life insurers have to strengthen their financial position. The financial results of Lloyd's provide encouraging information in this regard. (Lloyd's is the iconic marketplace for varied insurance solutions for a number of requirements.) Though Lloyd's had faced losses earlier it has again regained its profitable position according to its results which have been declared for the year of 2021.

As per the results it has declared they have an overall profit of GBP 2.3 billion (as compared to loss of GBP 900 million in 2020). Their combined ratio has also improved to 93.5% (as compared to 110.3% in 2020). Their emphasis and renewed focus on underwriting profitability has helped to improve its financial results. They have also stated that they will focus on sustainable performance and invest in digitalisation to reduce expenses. This instance is mentioned here as an example of a successful operating model providing support to customers with a profitable performance and within the challenges thrown up by the pandemic.

Operating Models of Non-Life Insurers - An Analysis

A number of trends emerging in the operating models of non-life insurers post-covid have already been discussed. At this juncture, it may perhaps be worthwhile to discuss some real-life cases. For a better understanding of successful operating models it may be illuminating to examine some non-life state run general insurers in India which are currently in financial distress. This would illustrate what problems can ail non-life insurers when their operating model is not what it should be. For example, the three non-life public sector insurers in India- United India Insurance Company Limited, National Insurance Company Limited and Oriental Insurance Company Limited are in poor financial condition. Their solvency margins are below the regulatory norms and they are now dependent on financial infusions from the government to function properly. The solvency margin is a measure of the financial health of the organization. As per the Regulator IRDAI the "Required Solvency Margin is the amount by which an insurance company's capital exceeds its projected liabilities…" A lower than prescribed solvency margin implies that it is likely to have difficulties in meeting its financial obligations. Hence it is important for an insurer to maintain capital in excess of its liabilities, projected or otherwise.

This decline had started before covid but there does not appear to be signs of any significant turnaround. The question which begs to be answered here is what went wrong? Why are these three erstwhile public sector giants in such dire straits? Whilst analysis may throw up many reasons, it definitely appears that their traditional and layered operating models are relics of the yester-era. They are now riddled with inefficiencies. They were designed to succeed in more stable environments and are now outdated. No doubt, working in independent functional domains helped develop technical expertise earlier. But now with surfeit of information available easily these siloes hamper rather than augment work-flow. These traditional operating models were already creating difficulties for the non-life public sector insurers before the COVID-19 pandemic emerged. They now seem redundant and new operating models are required by these non-life general insurers to connect with customers and improve their business profiles. These insurers need more flexible groups and agility in their organization for a competitive edge. Their delivery channels also need modernization. All organizations need fresh ideas and expertise for growth and resurgence. Utilizing management experts in the field to identify the bottle necks and problem areas for these distressed non-life insurers and suggesting solutions may also help to bring fresh life into them. Leaner and more technologically poised operating models are now giving non-life insurers the competitive edge that these behemoths lack. This should be a wake-up call for them to take on the challenge of a turn-around.

To elaborate further, a snap-shot of the operating model of an InsureTech start-up which is a general insurance company is mentioned here for the purpose of an academic discussion. Go Digit General Insurance Company has been selected for discussion purpose as it was the first start-up to become a unicorn in 2021 with a valuation of approximately USD 3.5 billion. (Unicorn is the term used in the domain of venture capital to describe a start-up company with a value of over USD 1 billion.) Go Digit was incorporated in 2016. Go Digit had started initially with a few insurance verticals and has now evolved to being a major general insurance player. As mentioned in a recent interview by the CEO of Go Digit, Shri Vijay Kumar, the start-up had recognised the value of technology as an important business driver back in 2017, when it was a relatively new concept. He also reiterated that technology is now the "backbone" of Go Digit. He also mentioned, that they intended to

transform insurance by modifying the manner in which traditional products were viewed. Technology is used right from the time of purchase, at the time of claim settlement and again during renewals. Their processes are also imbued with transparency and are kept simple for the benefit of customers. Considerable research went into designing new products as demonstrated for instance by their flight delay cover. One of the first covid-specific covers was also designed in March 2020 under the regulator IRDAI's sandbox guidelines.

Whilst it would be correct to say that an InsureTech start-up will be as different from a distressed state-run general insurer as chalk from cheese, as they are at two opposite ends of the spectrum in respect of operating models, the findings which emerge are illuminating. Analysis reveals many stark contrasts between the operating models and workings of these aforesaid non-life insurers as compared to that of the referred up-and-coming InsureTech entity. These points can be taken to be illustrative of what could be of use for evolving operating models for insurers, particularly those in financial distress, in this fluid post-covid scenario.

a) Making use of new opportunities is very important. Technological development was a new opportunity which Go Digit was quick to seize. They leveraged it successfully during the pandemic by reaching out to customers who were dependent on remote connectivity. As online purchase is now preferred, they are operating on a strong footing and have even made their platforms compatible with online claim settlement systems.

b) Moreover, making use of emerging technologies to ease the difficulties of customers in purchasing insurance and settling claims should be important to the insurer. After all, the customer is central to the organization and if the culture and operating model veers to this adage as the axis then all the processes are geared to customer satisfaction.

c) Go Digit also has a motivated and a technically enabled work-force. It is very necessary that the entire workforce of the organization has the same culture and is engaged in furthering the organizational goals.

d) Product differentiation by Go Digit is also a good strategic move. Demystifying the product makes it more accessible and easier for customers to comprehend easily. They find that there is no mismatch and it is suited to their needs. This strategy helps provide a significant competitive advantage.

e) New products have to be designed keeping the requirements of customers in mind. Product innovation such as providing an independent flight delay product brought some respite to customers. This area is unfortunately neglected by the established insurers.

f) Attention to achieving the business goals of the non-life insurer is extremely important. The entire operating model has to be geared to this objective. After all, if the insurer is constrained financially, it may not be in a position to meet its commitments to customers. Its capacity to bring in new technology and fresh talent is also restricted. This also implies that its operating model needs review and modification.

Some Management Strategies for Non-Life Insurers

Regardless of geography, certain techniques are necessary for non-life insurers to help them in evolving their operating model and negotiating road-blocks. As they chart out their organizational trajectory these techniques can be of help to do course correction from time to time in response to difficulties that may crop up. In fact, all operating and business models need review and analysis from time to time to help them overcome gaps in their workings. Some techniques which can be useful from this perspective are discussed below with illustrations:

a) Reviewing the economic environment from time to time using the PESTL model can be of use for non-life insurers in this period of change. This is an acronym for the key areas that can impact the competitive environment in which non-life insurers operate and are namely- political, economic, social, technological and legal areas. Since it is a very

inter-connected world that we reside in this is a very important strategy to resort to, from time to time. For example, the Russian invasion of Ukraine will have an impact on potential marine losses from that region. Marine business is basically international in nature and it would be necessary to limit marine exposure in the war-impacted area. Due to the economic sanctions invoked by the western countries led by the USA, there may be rise in oil imports by countries who may not follow the sanctions. This may lead to marine cargo and hull business opportunities which the political stand of the country concerned will have a bearing on. The insurer will have to assess business potential and evolving scenarios such as these and keep their own business strategy in place. This will also require modification from time to time as geo-political tensions rise or ebb.

b) Using a SWOT analysis may also help non-life insurers to identify their strengths, weaknesses, opportunities and threats. This can prove to be a review operation for insurers to set their strategy in their operating model. For example, these aforesaid distressed non-life insurance companies on doing a SWOT analysis may find that though they have human resources of a good quality and a pan-India net-work their work-force is a demoralised lot and do not want to stretch themselves and realise their potential. Perhaps encouraging creativity, new ideas, infusing a new vision of change and a dynamic leadership could improve things. De-layering their hierarchical and top-heavy structure can also yield better results. Then the operating model could also be geared towards achieving different goals for which the entire non-life insurance organization will take ownership at all levels. Taking resort to a SWOT analysis from time to time would enable an insurer to develop on its strengths whilst their weaknesses can be identified and defended properly.

c) The Blue-Ocean strategy can also assist non-life insurers to re-set their market boundaries. This is of significance in a heavily contested market-space. (Blue Ocean Strategy stresses on diverging from the current and routine thought process to rely on differentiation to open up a new and uncontested market space. Since the market boundaries are re-drawn and a new target group identified with new demand existing competition is eliminated in this new market space). This demonstrates that market boundaries are only the reflection of a thought process and thinking laterally can reshape the existing boundaries. Rethinking afresh about various assumptions such as the target customer groups and the products and services offered to them can lead to value innovation. This strategy has its advantages. By following this technique, a non-life insurer can create an intrinsically different value proposition *vis-à-vis* its competitors. This then helps opens up a brand-new market space with lower or no competition. To some extent, this is reminiscent of the strategies followed by InsureTech entities globally. They have appealed to the younger and tech-savvy millennial group who are technologically proficient, prefer less personal interaction and want online access to insurance which is simplified for their needs.

Developing and keeping the operating model relevant and effective is a complex job in today's unpredictable world. Be that as it may, the crux of the situation is that every non-life insurer needs to have some objectives and the techniques to translate these into actionable behaviour and this is a challenge all insurers have to face. It is to be hoped that the suggestions advanced spark further thought and are debated amongst experts so that the operating models of non-life insurers can draw some helpful insights from these discussions.

The Way Ahead

The pandemic has demonstrated that the unexpected is now more likely than anticipated earlier. Pandemics were thought to be a reminder of the distant past. However, in an inter-connected world pandemics are not restricted by global boundaries as

Covid-19 has demonstrated by the shut-downs it triggered world-wide. What passed for the normal and stable earlier are now a thing of the past. Insurers have no choice but to accept the reality that changes triggered by the pandemic in the business world are here to stay. They are now permanent in nature and changes in working models, management techniques, customer preferences and digitalisation are here for good. Insurers have to prepare their operating models for delivering results amid uncertainty and change. Responding to new goals and different ways of working will define the activities of insurers for a long time now. Innovation and growth in the post-covid scenario will be challenges which insurers have to contend with. But if they have to increase competitiveness, they will have to devise strategies to achieve these goals and generate revenue.

However, on balance it would not be incorrect to say that the crisis caused by the pandemic has been weathered well, all points considered. But the learnings that it has provided are priceless. It is for the industry leaders to reflect on the vulnerabilities exposed by the pandemic, learnings generated and reset their compass to navigate the future. After all, transformation takes time and setting a new direction should be an important priority. It is for industry pioneers and leaders to be alert to change and take note of the varied factors impacting the insurance industry, They have to be alert to seek out competitive advantages which may be valuable in the long run. Decisions taken now and current investments made may be vital for a secure future for all stake-holders in the insurance eco-system alike. To sum up, as John F. Kennedy had said, “Change is the law of life and those who look only to the past or present are certain to miss the future.” TJ

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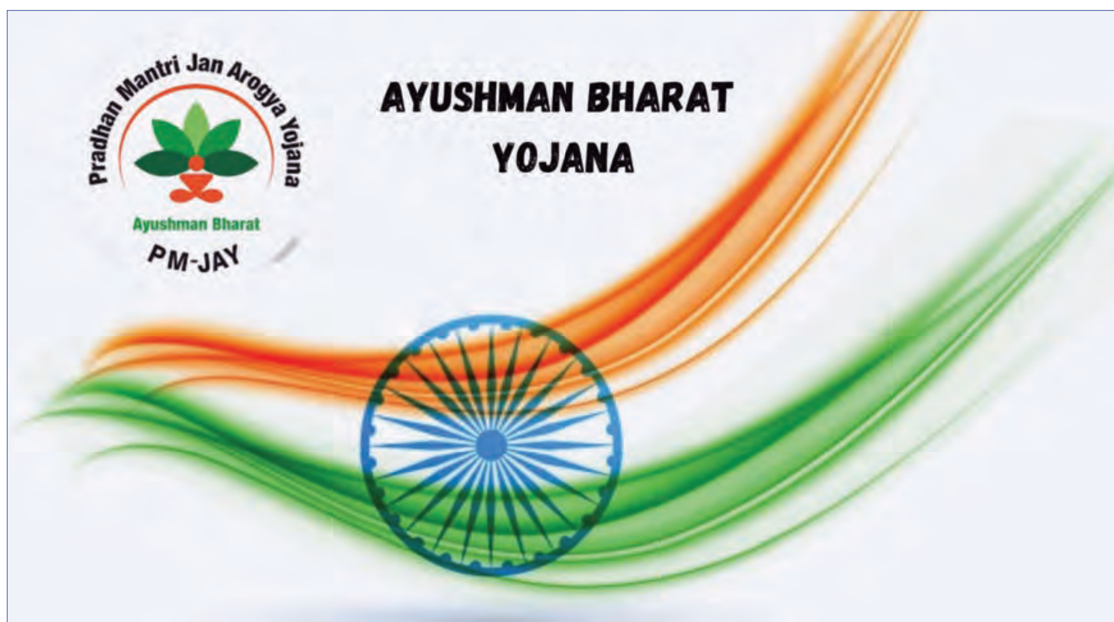
Technical Paper Writing Competition (Health)

The Enabling Factors behind Success of Ayushman Bharat - PMJAY



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Abstract

Quality health care is the essential need for all the citizens of the country. It forms the basis for equitable and sustainable economic development. India has made significant progress in basic health care over the past few decades. However, still most people do not have access to essential health care services. Health insurance is very important for every citizen, especially in India, where there is a large rural population. As everyone cannot afford private Health insurance coverage, so government must take initiatives to provide health insurance coverage to poor people. Government of India has been taking initiatives to provide financial assistance for health care costs for vulnerable and needy families. Rastriya Swasthya Bima Yojana (RSBY) was launched in the year 2008, but was not very successful. Prime Recently, Ayushman Bharat Jana Arogya Yojana (PMJAY) was launched on 23rd September 2018. It provides health insurance cover of Rs. 5 lakhs per year, per family for secondary and tertiary care hospitalization to more than 10.74 crore poor and

vulnerable families. Ayushman Bharat PMJAY card holders can claim cashless services at all the empanelled hospitals or at the private hospitals (approximately 20,000 plus) those have registered to offer PMJAY. The total number of Ayushman Bharat Cards issued till 21st March 2022 are 17,86,97,235 and Hospital admissions under PMJAY as of 21st March 2022 since launch are 3,11,27,750. Ayushman Bharat PMJAY has shown a good progress since its launch. It is a successful health insurance scheme till now. This paper studies about reasons of perceived failure of Rastriya Swasthya Bima Yojana (RSBY), Introduction of Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PMJAY), its features, coverages and benefits, the factors behind the success of Ayushman Bharat PMJAY scheme, its challenges and about the future of the scheme.

Keywords

Ayushman Bharat, Health Insurance, RSBY, Health Care, PMJAY.

1. Introduction

Access to quality health care is a vital need of the country's citizens and forms the basis for sustainable and equitable economic development. Over the past few decades, India has made significant progress in basic health care. However, the vast majority of people still do not have access to essential health care services. The financial burden of access to health care makes millions live in poverty every year. Therefore, the requirements for health care in India are very complex and require a strong model of health support for effective patient care. India's healthcare industry has been growing steadily over the past decade, and rising momentum is expected to continue. Government of India has taken initiatives to provide financial assistance for health care costs for vulnerable and needy families, such as Rastriya Swasthya Bima Yojana (RSBY) that was launched in 2008 and after its perceived failure, Prime Minister Ayushman Bharat PMJAY was introduced in 2018.

2. Rastriya Swasthya Bima Yojana (RSBY)

Rastriya Swasthya Bima Yojana was launched on April 1, 2008, to provide Health Insurance for families under the Below Poverty Line. The purpose of the RSBY was to provide security for BPL families with financial liabilities arising related to health including hospitalization.

Beneficiaries of RSBY were eligible to receive in patient health care insurance benefits as required by the particular people or geographical area designed by state government. The following minimum benefits were advised to be there in scheme:

- The worker of unorganised sector and his family (five units) were covered.
- Rs. 30,000 total sum-insured per family per annum on a family float basis.
- Cashless benefit was there to all the covered ailments.
- The cost of hospitalization, care for common ailments with few exclusions.
- All existing diseases were to be covered.
- Transport costs (maximum limit of Rs. 100 per visit) within the total limit of Rs. 1000.

2.1 Reasons for failure of RSBY

Rastriya Swasthya Bima Yojana was not the successful, the reasons of failure of the scheme were:

- low enrolment, inadequate insurance cover and the lack of coverage for outpatient costs.
- One of the main reasons for the low enrolment was that most of the eligible people were unaware about it. Of all eligible households, 35% were unaware of the program, according to a 2013 study by the Tata Institute of Social Sciences, Mumbai. Maximum 14 million beneficiaries have been hospitalized out of 150 million registered (9.94%).
- The cost of outpatient treatment, which the poor prefer rather than hospitalization, accounts for 65.3% of out-of-pocket expenses in India, according to a 2016 Brookings report. But these were not covered by RSBY. RSBY does not cover the cost of outpatient care, which does not include hospitalization. Typically, this included medical consultation fees, medication, and medical equipment costs.

However, 63.5% of all out-of-pocket health expenses are related to outpatient costs. This means that the aim of reducing the cost of out-of-pocket expenses for BPL families is lacking something important. The poor people mostly prefer the outpatient treatment, they do not prefer hospitalization, because it leads to their loss of wages.

- The cost of hospitalization increased significantly. more than 10% between 2004 and 2014, but the insurance coverage provided by RSBY remained the same. As with the rise in the cost of hospitalization, the insurance cover remains unchanged. According to the Indian Institute of Public Health (IIPH), Insurance of Rs 30,000 was not enough for a family of five. In 2014, the hospitalization average cost was Rs 14,935 in rural India and Rs 24,435 in cities, according to the National Sample survey Office. The cost of hospitalization had increased by 10.1% in rural areas and 10.7% in Indian cities over the decade ending 2014, but the RSBY insurance coverage remains the same during the nine years of existence of this scheme. The low coverage of the system was likely to result in some households using hospital facilities beyond the RSBY cap.

- Although RSBY pays for medication during hospitalization, many hospitals refuse to provide this and sometimes suppress unnecessary services that add to the cost of hospitalization. Hospitals also tend to be unfriendly towards poor patients and this discourages them from seeking medical help. Many hospital refuses to admit patients who have registered for RSBY due to administrative problems such as reimbursement delays by RSBY," said the IIPH study.

- RSBY beneficiaries were provided with smart cards, verified with fingerprints, to facilitate the transfer of cashless benefit, but due to the following reasons, the cards were rarely used: First, patients were rejected, or their use were discouraged by the hospitals. Second, most beneficiaries do not know how to use the services provided by hospitals, according to a 2014 study by the Overseas Development Institute.

Government of India introduced a new Health Insurance scheme - Ayushman Bharat Yojana in 2018 for the welfare of poor people in India.

3. Ayushman Bharat Scheme

With the 2017 National Health Policy, India wants to move forward in terms of Universal Health Coverage. Ayushman Bharat is a step forward in this regard. Historically, India's approach to health care has been fragmented and focused on segmented service delivery. Ayushman Bharat is an effort to provide a comprehensive need-based health care service. Ayushman Bharat was launched as recommended by the National Health Policy 2017. The plan is designed to meet the Sustainable Development Goals (SDGs) and its compelling commitment, "leaving no one behind."

The Ayushman Bharat scheme is known as PMJAY - Pradhan Mantri Jan Arogya Yojana. The scheme provides financial assistance for health care costs for vulnerable and needy families. Ayushman Bharat has subsumed few past health insurance schemes, such as Rastriya Suraksha Bima Yojana (RSBY).

Ayushman Bharat uses a continuum care approach, which includes two related components, namely: Health and Wellness Centres (HWCs), Pradhan Mantri Jan Arogya Yojana (PM-JAY).

3.1 Health and Wellness Centres (HWCs)

The Government of India established 1,50,000 Health and Wellness Centres (HWCs) in the year 2018 by transforming PHC's (Primary Health Centres) and Sub-Centres. The Comprehensive Primary Health Care (CPHC) centres bring health care closer to people's homes. It includes both maternal and child health services and non-communicable diseases.

Health and Wellness Centres are expected to provide an expanded range of services to address the basic health care needs of all communities in their area, increasing access,

global equality, and equity closer to the community. The emphasis on health promotion and prevention is designed to bring the focus on collective health care and to empower individuals and communities to make healthy choices and to make the changes to for reduction of Chronic diseases.

3.2 Pradhan Mantri Jan Arogya Yojana (PM-JAY)

Ayushman Bharat PM-JAY is the world's largest health insurance scheme aimed at providing Rs. 5 lakhs per year per family health insurance cover for secondary and tertiary care hospitalization to more than 10.74 crore poor and vulnerable families making up bottom 40% of population of India. For rural and urban areas, the households that are included are based on the occupational and deprivation criteria of Socio-Economic Caste Census 2011 (SECC 2011). PM-JAY was previously known as the National Health Protection Scheme (NHPS) before being renamed. It subsumed the existing Rastriya Swasthya Bima Yojana (RSBY) launched in 2008. PM-JAY is fully funded by the Government and operating costs are shared between the Central Government and the State.

3.2.1 Key Features of PM-JAY

- PM-JAY is the world's largest health insurance scheme funded by government.
- PM-JAY provides cashless services to beneficiary at the hospitals.
- PM-JAY has a vision to help reduce the catastrophic cost of treatment that pushes about 6 million poor Indians each year into poverty.
- PMJAY includes pre-hospitalization up to 3 days and 15 days post hospitalization expenses such as diagnosis and medication.
- Family size, age or gender has no limit in PMJAY.
- Pre-existing diseases are covered.
- The benefits are nationwide i.e., beneficiary can visit any public or private empanelled hospital in India for cashless treatment.
- Services cover approximately 1,393 procedures covering all medical expenses, including but not limited to drugs, equipment, diagnostic services, doctor's fees, room costs, surgeons' expenses, OT, and ICU costs etc.
- Public hospitals are reimbursed for health services in conjunction with private hospitals.

3.2.2 Benefit Cover Under PM-JAY

Benefits under various Government-sponsored health insurance schemes in India have been built on the upper limit from an annual cover of Rs. 30,000 to Rs. 3,00,000 per family in all the provinces that have created a separate system. PM-JAY provides cashless cover up to Rs. 5,00,000 per family annually eligible for secondary and tertiary care listed.

The cover under the plan covers all costs incurred in the following components of treatment:

- Medical examination, treatment, and consultation
- Pre-hospitalisation expenses
- Medications
- Intensive and non-intensive services
- Diagnostic and laboratory research
- Implant services (where required)
- Accommodation benefits
- Food services
- Complications during treatment
- Post-hospitalization up to 15 days

Rural Beneficiaries

Out of all seven rural deprivation criteria, PM-JAY catered to all such families who fall into at least one of the following six (D1 to D5 and D7):

- D1- Only one room with kutcha roof and walls
- D2- No adult member between the ages of 16 and 59
- D3- Families without an adult male member between the ages of 16 and 59
- D4- Disabled member and no adult senior member
- D5- SC / ST homes
- D7- Landless households earns from manual labour

Urban Beneficiaries

In urban areas, the following categories of labour activities are eligible:

- Ragpicker
- The beggar
- Domestic worker
- Street vendor, hawker, cobbler, and other street service provider
- Construction Worker, Mason, Guard, Coolie, welder, painter, labour
- Sweeping / Sanitation / Mali Work
- Tailor, artisan, handcrafter, home based workers
- Transporter, Driver, Conductor and their helpers, rickshaw, and cart pullers
- Store clerk, Assistant, Peon, Waiter, attendant, delivery man, helper
- Electrician, Mechanic, Compiler, Repairman
- Washerman, Chowkidar

3.2.3 Key Highlights of the Ayushman Bharat PMJAY

Table 1: Progress of Ayushman Bharat PMJAY since launch

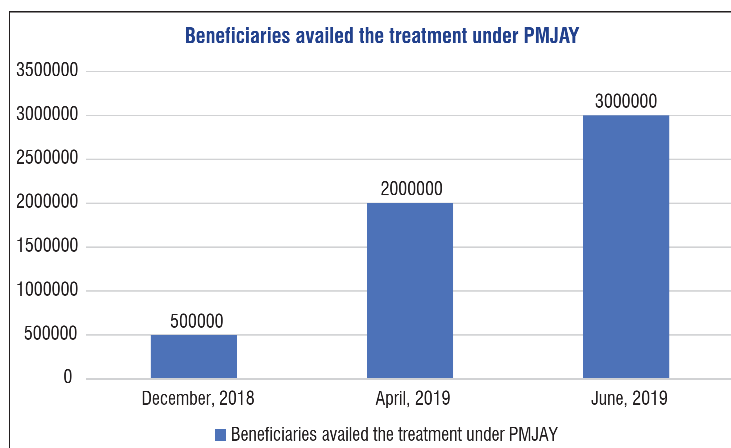
Progress since launch (as of 21 March 2022)	
Hospital Admissions	3,11,27,750
Ayushman Bharat scheme Cards Issued	17,86,97,235

Source: https://pmjay.gov.in/

- Total Rs. 2400 Crore was allocated to Ayushman Bharat PMJAY during financial year 2018-19, out of which Rs. 1965 crore was released to the states/ UTs during the year.
- The total budget for the 2019-20 year was Rs. 6400 Crore, among which Rs. 5795 Crore is for state's Grant-in-Aid / UTS payments for use of Ayushman Bharat-PMJAY and the remaining amount of Rs. 605 Crore for NHA's Head Quarter Expenditure.
- Budget Estimates of the financial year 2021 to 2022, the Government of India allocated 6,400 crores to PMJAY, that were equal to the year 2020-21 Budget estimates but more than twice the Revised Rates. By FY 2020-21, until the 20th of November 2020.
- On January 24th, 2019, MoU was signed with Ministry of Railway and 91 railway hospitals got Empanelled.
- The COVID-19 epidemic affected PMJAY, between 11-18 March 2020 and 25 March-1 April 2020, the number of applications submitted for claims decreased by 64%. On April 4, 2020, COVID-19 treatment and testing packages were added.
- As of 15 July 2020, across India, 58% of all households were covered under PMJAY and 8% by state schemes.
- Government of India allocated the 1,600 crores to Health Wellness Centres in the financial year 2020 to 2021, 431 crores were used until September 2020.

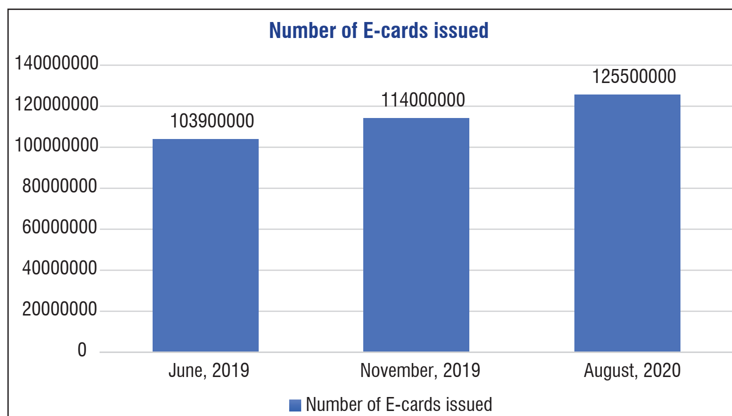
(Source: https://cprindia.org/wp-content/uploads/2021/12/Ayushman-Bharat-2021-22.pdf)

Figure 1: Number of Beneficiaries availed treatment under PMJAY



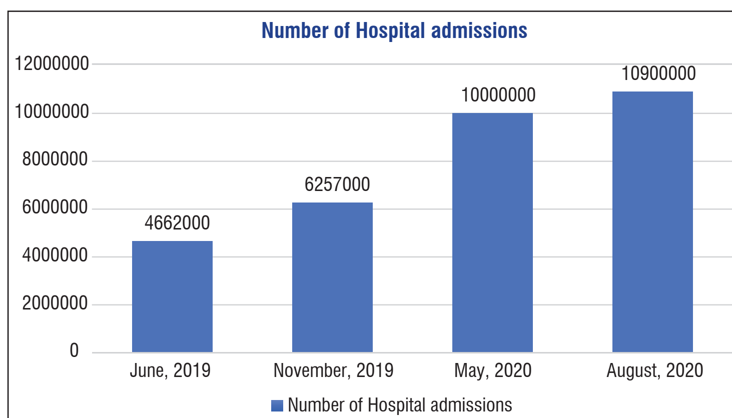
Source: https://pmjay.gov.in/about/pmjay

Figure 2: Number of E-cards issued



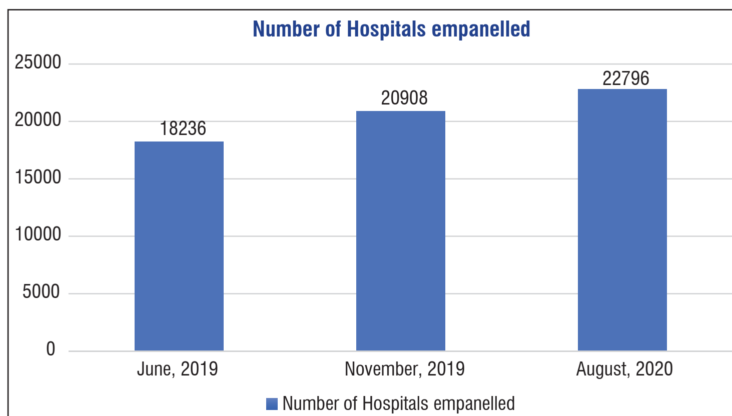
Source: https://pmjay.gov.in/about/pmjay

Figure 3: Number of Hospital admissions



Source: https://pmjay.gov.in/about/pmjay

Figure 4: Number of Hospitals empanelled



Source: https://pmjay.gov.in/about/pmjay

4. Factors Behind the Success of PMJAY

- The National Health Authority (NHA) had started pursuing a two-pronged approach for increasing the scope and scale of Ayushman Bharat PMJAY. This includes beneficiary identification and hospital use. NHA has learned from their past experiences and are making the necessary changes to ensure the success of the scheme.
- Technological changes had been made in the IT field to liberate and speed up the production of Ayushman cards. The SECC 2011 beneficiary data, village wise is now available. This has made it easier for regional, block and panchayat-level officials to plan and implement local campaigns to identify beneficiaries.
- The “Open BIS” field for self-verification / assistance has been introduced. This had allowed the beneficiaries to produce Ayushman cards, under the required verification, in a seamless manner.
- As a part of an ongoing process to review health benefit packages (HBP) under AB-PMJAY, NHA has introduced HBP 2.2 in November 2021. Under this, more than 400 treatment package numbers were raised to enable them to access health care service providers.
- Emphasis of PMJAY is placed on the most populous states such

as Bihar, Chhattisgarh, Madhya Pradesh, and Uttar Pradesh. 4.7 crore cards prepared are mainly from these states. Under PMJAY, approximately 26,000 hospitals (pan India network) have been established to ensure that medical facilities are provided in rural and urban areas said by R.S. Sharma, Chief Executive Officer of National Health Authority (NHA) in an interview with The Hindu.

- NHA have relaxed guidelines for remote / rural hospitals, 15-bed hospitals have been relaxed into 5-bed hospitals. Also, the portability of pan India cards has allowed beneficiaries (most of them from rural areas) to access quality health care services throughout India.
- According to R.S Sharma, NHA has received interest from various countries in the Asian and African regions who have worked closely with the NHA / Department of Health and are proving their interest in various health-related programs, including Ayushman Bharat - PMJAY.
- Monitoring and Evaluation (M&E) is the key to successful implementation of the PMJAY scheme and ensuring the intended outcomes of such a large insurance scheme. NHA continues to periodically track these UHC scales (inclusion, benefits, and financial protection) through the following working areas: Performance management, supporting performance management (including activities such as power development, complaints, fraud and harassment, call centre, etc.), Provider management, Beneficiary management.
- The real-time online MIS is set up at the national level to review Key Performance Indicators (KPIs) and achieve the results with respect to the targets defined under the domains.
- According to R.S. Sharma, CEO of National Health Authority, The NHA is introducing Aapke Dwar Ayushman with renewed vigour. They are focusing on the states such as Assam, Bihar, Gujarat, and Uttar Pradesh.
- NHA are also working on increasing the use of programs in public hospitals and see that they can use the funds to upgrade their infrastructure. In the private sector, they are working on reviewing HBP values to make them more acceptable in private corporate hospitals.
- According to R.S. Sharma, the official will extend the full financial assistance to the States / Union Territories to issue a co-branded Ayushman card to all eligible beneficiaries (identified and tagged on the SECC 2011 website). This will lead to the widespread distribution of Ayushman cards and thus increase awareness of the system.
- In the coming years, NHA will strengthen the partnership with a network of suppliers.
- According to R.S Sharma, the Green Payment Channels are going to be introduced, under this, 50% of the claim will be automatically deducted to hospitals by the system at the time of the submission of claim, while the remaining amount will be disbursed in accordance with the normal claim processing procedure.

4.1 Challenges

- The challenges under the successful Ayushman Bharat PMJAY scheme includes limited awareness and adoption of the scheme, lack of portability of Ayushman Bharat registered subscriber in one state to another state, and lack of trained manpower.
- With 4.6 million registrations under Ayushman Bharat, the average spent per patient is Rs. 16,164 compared to a budget of 0.5 million per family. Therefore, there was a scope of increase in patient enrolment under the Ayushman Bharat PMJAY more than five times.
- Other challenges were crowd management problems due to the high admission of Ayushman Bharat patients at the empanelled hospitals in the peak hours, low-tech (IT) technology in Indian hospitals and the expansion of the system to accommodate more citizens, says CEO of Ayushman Bharat.

- Lack of knowledge was also a challenge, there was a need to educate the masses about the importance of health care and the link between health and workplace performance. Citizens need to be educated about good health aspects as well as individual productivity linkage.
- Marketing of the Ayushman Bharat Scheme was a major challenge, most targeted people were unaware of the Ayushman Bharat program. There was a need for a proper advertisement for the Ayushman Bharat program and its proposed benefits to the target population. This will help the hospital staff and Arogya Mitra to work more efficiently and more patients can get cashless benefit treatment under this government health care program.
- Digitalization is a major challenge for the success of Ayushman Bharat PMJAY. There is a need for digitalization of all hospital records throughout the country.

5. A way Forward

Currently Ayushman Bharat PMJAY is showing successful results but there are few challenges, that needs to be overcome by the Government of India to prove the Ayushman Bharat PMJAY be one of the successful Health Insurance schemes in India. As the country is moving towards digitalization, there is a need for digitalization of all hospital records throughout the country to ensure the smooth process of Ayushman Bharat beneficiaries records across the country. PMJAY needs to evaluate its ability to deliver fair financial protection and responsiveness to its beneficiaries. PMJAY needs to move forward in a way that celebrates a variety of performance indicators that affect all stakeholders, beyond numbers. There is a scope of improvement in identification of beneficiaries and the issuance of Ayushman cards. A new program called Aap Ke Dwar Ayushman (an e-card awareness campaign) aims to fill this gap in the future. To ensure further enrolment and certification, NGOs may be involved in reducing the burden on overworked health care providers.

6. Conclusion

Quality health care is the essential need for all the citizens of the country and forms the basis for sustainable and equitable economic development. India's healthcare industry has been growing steadily over the past decade, and rising momentum is expected to continue. Government of India has taken initiatives to provide financial assistance for health care costs for vulnerable and needy families, they had launched Rastriya Swasthya Bima Yojana (RSBY) in 2008 which was not successful, due to various reasons such as low enrolment, inadequate insurance cover and the lack of coverage for outpatient costs. After the perceived failure of RSBY, Government of India decided to launch Ayushman Bharat scheme for the welfare of poor. Ayushman Bharat scheme was launched on 23 September 2018. Ayushman Bharat PM-JAY is the world's largest health insurance scheme aimed at providing Rs. 5 lakhs per year per family health insurance cover for secondary and tertiary care hospitalization to more than 10.74 crore poor and vulnerable families. The total number of Ayushman Bharat Cards issued till 21st March 2022 are 17,86,97,235 and Hospital admissions under PMJAY as of 21st March 2022 since launch are 3,11,27,750. Ayushman Bharat PMJAY is a successful Health Insurance scheme till now. There are many factors behind its success such as National Health Authority (NHA) had started pursuing a two-pronged approach for increasing the scope and scale of Ayushman Bharat PMJAY. This includes beneficiary identification and hospital use, Technological changes had been made in the IT field to liberate and speed up the production of Ayushman cards, NHA have relaxed guidelines for remote / rural hospitals, 15-bed hospitals have been relaxed into 5-bed hospitals, Monitoring and Evaluation is the key to successful implementation of the PMJAY scheme and many more. NHA are also working on further initiatives such as the Green Payment Channels are going to be introduced, Aapke Dwar Ayushman with renewed vigour is going to be introduced. Ayushman Bharat PMJAY is showing successful results but there are few challenges, that needs to be overcome by the Government of India to prove the Ayushman Bharat PMJAY be one of the successful Health Insurance schemes in India. TJ

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Merit Winner

G.V. Rao Memorial Essay Competition

Deepening the Market Riding on the Prime Minister's Insurance Schemes

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Abstract

Indian insurance industry has been in existence since 1800s and has reached various milestones since then. The industry was nationalized in 1900s and later opened up for foreign participation in the year 2000. Entry of foreign players in the market brought multiple new options for the customers, enhanced service delivery and customer experience, however, still much remains to be done. Establishment of our insurance regulator, IRDAI was a watershed moment in the year 1999.

[1] IRDAI Report 2021

The sector first opened up to participation from foreign players in the year 2000 with a 26% permissible FDI limit. In the year 2014, this limit was further increased to 49%. Last year, Hon'ble Finance Minister announced further increase in FDI limit to 74%.

While entry of foreign players has been a boon and the market has seen a phenomenal growth of over 1700 times in terms of premium since 2001, insurance penetration still remains low at 4.2% vis a vis global average of ~8%[1]. The growth of

insurance sector of India far surpasses the global average and has been constantly in the range of 12 to 15%, insurance penetration has not reached the desired levels and remains at a dismal 4.2% of which 3.2% is contributed by the life segment while only 1.00% is contributed by the general insurance segment. The growth momentum is thus not sufficient to meet the market potential.

Government welfare schemes have played a major role in increasing the penetration levels be it in life segment while Jeevan Jyoti Bima Yojana or in the health segment via erstwhile Rashtriya Swasthya Bima Yojana and now Ayushman Bharat or on the Personal Accident Segment via Suraksha Bima Yojana or in the crop segment via Fasal Bima Yojana. These schemes have increased the reach of insurance multifold to the most deprived sections of the society who can barely afford insurance. Premiums in these schemes are borne by the Government (Centre/ State depending upon the scheme design or in a particular proportion by both).

However, riding merely on Government schemes is not the way forward for the sector.

Insurance is more of a push product rather than a pull product. The new age consumer likes more options, better service delivery, more transparency, quicker policy purchase, claims adjudication, faster KYC processes, claims settlement, transparency in grievance redressal and customer satisfaction.

The insurance industry offerings are currently devoid of most of the above discussed features. There is sometimes mis-selling and processes are slow.

The rise of new age insuretechs are understanding these issues and creating solutions to resonate with new age customer needs and demands. Last year saw rise of two insuretechs unicorns in India viz. Acko and Go Digit.

As per a BCG report, global funding levels for insuretechs have risen seven times in last five years. In India, this funding has become 2x.

Customers of today look for two minute solutions be it in grocery purchase, home delivery, merchandise purchase, funds transfer via fintech apps, etc. Simple solutions to complex insurance problems is the motto of these insuretechs and facilitating their growth can help the industry majorly in increasing the reach and resonating with the new age demands.

In case insurance industry fails to adapt to these new trends, it would be left far behind.

While Government schemes have played an excellent role so far in deepening the insurance market and will continue to do so, these efforts need to be compensated by bringing in newer, quicker, faster and simpler solutions for attracting more customers and increasing the reach of insurance.

Both together will play a great complementary role in deepening the insurance market.

Further sections discuss the nuances of the insurance industry, its reach so far, role of Government policies in deepening the market and the way ahead.

Insurance Industry – Background & Evolution

The initiation of insurance in India dates back to 1818 when Oriental Life Insurance Company started functioning, in 1870, India got its first Indian life Insurance company namely Bombay Mutual Life Assurance Society.

On the life insurance side, LIC, the life insurance behemoth came into existence upon issuance of ordinance by Government of India in 1956 nationalizing the Life insurance sector. The entity very recently floated an IPO and diluted 3.5% stake wherein Government raised roughly Rs. 20,000 Crores[2].

On the general insurance side, Triton Insurance Co. Ltd. was the first general insurance company established in the year 1850 in Calcutta. On 1st Jan 1973, general insurance business was nationalized and more than 100 insurers were grouped into four large national insurance companies of India namely, New India Assurance Company Limited, National Insurance Company Ltd., United India Insurance Company

2 https://www.business-standard.com/article/markets/lic-ipo-govt-raises-rs-20-560-crore-as-firs-sets-issue-prices-at-rs949122051300346_1.html#:~:text=India%20raised%20Rs%2020%2C560%20crore,minute%20dash%20by%20foreign%20funds.

and Oriental Insurance Company Limited.

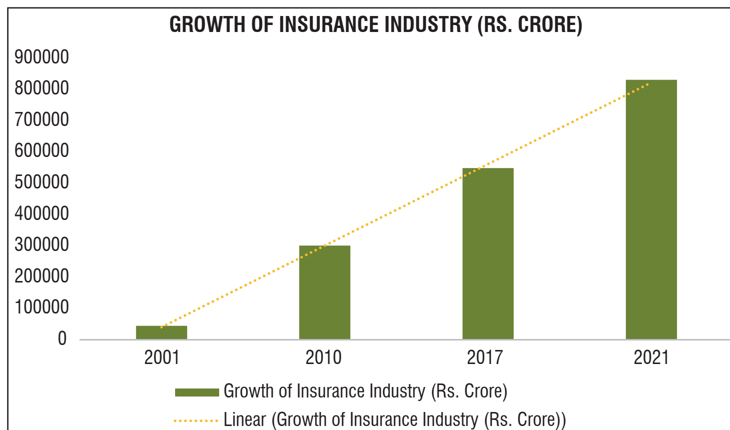
Insurance sector market size today is roughly Rs. 8 lakh crore as per IRDAI Annual Report 2020-21. 70% share comes from life insurance while balance comes from general insurance.

GIC is the only domestic reinsurer. It was only in 2015-16 that regulations for setting up of foreign reinsurance branches were floated by IRDAI that allowed foreign players to set up offices in India. This was done with the intention to retain premium within the country which was earlier floating outside as most of the insurers were reinsuring with Cross Border Reinsurers (CBRs). Since 2017, 10 foreign players have set up operations in India.

The latest watershed development for the sector is the development of Gujarat International Financial Tec-City (GIFT City) which is a financial city based out of Gandhinagar, Gujarat. This is a Special Economic Zone for financial services such as banks, insurers, capital markets, etc. For insurers & reinsurers, the biggest advantage is rationalization in capital requirement and tax-free operations for businesses booked in GIFT City.

Growth of Insurance Sector

Insurance sector in India has seen a phenomenal growth since inception. Massive jump has come post liberalization in the year 2000. Industry grew from Rs. 50,000 crores in the year 2001 to more than Rs. 8 lakh crores today – a massive jump of almost 16-17 times.



Source 1: IRDAI Annual Reports

Insurance penetration has increased from 2.71 (2.15 life plus 0.56 general insurance) in FY 2001-02 to 4.20 (3.20 life and 1.00 general insurance) in FY 2020-21. Life segment has dominated this penetration rate over the years as life insurance is primarily seen as an instrument for tax saving.

Insurance Penetration

Year	Penetration (%)		
	Life	Nonlife	Total
2001-02	2.15	0.56	2.71
2002-03	2.59	0.67	3.26
2003-04	2.26	0.62	2.88
2004-05	2.53	0.64	3.17
2005-06	2.53	0.61	3.14
2006-07	4.10	0.60	4.80
2007-08	4.00	0.60	4.70
2008-09	4.00	0.60	4.60
2009-10	4.60	0.60	5.20
2010-11	**4.40**	0.71	5.10
2011-12	**3.40**	0.70	4.10
2012-13	3.17	0.78	3.96
2013-14	3.10	0.80	3.90
2014-15	2.60	0.70	3.30
2015-16	2.72	0.72	3.44
2016-17	2.72	0.77	3.49
2017-18	2.76	0.93	3.69
2018-19	2.74	0.97	3.70
2019-20	2.82	0.94	3.76
2020-21	3.20	1.00	4.20

Insurance penetration (which is a factor of premium) fell drastically in 2011-12 owing to fall in ULIPs. These were the more expensive priced plans linked to savings and higher premiums. Policyholders shifted to term plans which are less expensive and provide a higher coverage however without any savings plans.

In comparison, world average penetration is 7.4 (3.3 life and 4.1 general insurance). India's insurance penetration is far lesser and has a long way to go. Taiwan has the highest insurance penetration followed by South Africa and USA.[3]

Insurance density of India has increased from 11.5 USD in 2001 – 02 to 78 USD in 2020 – 21. USA has the highest insurance density followed by Switzerland and Singapore.[4]

The falling penetration was arrested in 2015-16 post which it has seen an uptick along the years.

Role of Government Schemes in Insurance

Insurance is not seen as a desirable product to be bought. It's more of a push product and has mostly been sold as a tax saving instrument or because its mandated (for instance motor third party liability) by the Government.

Life insurance dominates the market as it saves taxes under Section 80C for taxpayers. In general insurance, maximum sales are of motor insurance as Motor Third Party Liability cover is mandated by the Government. Health insurance follows motor as it again saves tax under section 80 D for tax-payers.

Rest of the segments do not generate such high premiums as these two. Crop insurance is the third one as Government has mandated coverage for loanee farmers under Fasal Bima Yojana.

Government schemes have played a major role in increasing insurance penetration over the years. In Government schemes, premiums are mostly subsidized, paid partly by Central Government, partly by State Government and some portion by the beneficiary. In some cases, there is no contribution expected from the beneficiary at all and entire premium is borne by the Government.

Various programs at Centre as well as State level have been introduced to act as social security nets. These have been discussed below one by one:

1. Government Welfare Schemes in Health Segment

- ***Yeshaswini Cooperative Farmers Health Care*** scheme was first introduced in the State of Karnataka in the year 2003. It was meant for farmers who were members of cooperative societies. The scheme was launched on 1st June, 2003 and enrolled more than 43 lakh members by the end of FY 2017[5].
- ***Health Insurance Scheme for Handloom Weavers*** was implemented by Ministry of Textiles to provide health care facility to the handloom weavers from 2006 till 2014. All weavers (male & female) earning atleast 50% of their income from handloom weaving were eligible for the said scheme.
- ***Arogyasri, Andhra Pradesh*** was introduced in the year 2007. The Aarogyasri scheme was started in 2007 in United Andhra Pradesh as the Rajiv Aarogyasri Scheme.[6] The scheme was targeted to cover BPL families in the State so as to provide financial security against catastrophic health expenditures.[7]
- ***Health insurance scheme for handicraft workers*** was introduced in 2007. In collaboration with ICICI Lombard to provide health insurance coverage for up to four members of an artisan's family.
- ***Rashtriya Swasthya Bima Yojana*** was a pan India scheme introduced in the year 2008 by the Central Government. The scheme was a cashless health

[3] IRDAI Annual Report 2020-21

[4] IRDAI Annual Report 2020-21

[5] https://sahakara.kar.gov.in/yashasivini.html

[6] https://www.downtoearth.org.in/news/health/how-effective-has-andhra-pradesh-s-aarogyasri-scheme-been-81839

[7] https://www.ysraarogyasri.ap.gov.in/web/guest/ysr-aarogyasri-scheme

insurance scheme implemented on insurance mode. While the scheme was started by Ministry of Labor & Employment, it later shifted under the Ministry of Health and Family Welfare.

- ***Employee State Insurance Scheme*** provides insurance to employees as defined in the Employees' State Insurance Act, 1948.[8] The scheme applies to workers of factories and other establishments such as Road Transport, Hotels, Cinemas, Restaurants, etc. wherever 10 or more persons are employed. In some States, this limit is 20. Employees drawing wages upto Rs. 21,000 a month are eligible under the scheme. ***While the scheme started in only two industrial centres, namely Delhi and Kanpur, today it covers workers all across the country and has increased insurance penetration multifold.***
- ***Central Government Health Scheme*** has been in existence since more than 50 years and has been instrumental in providing comprehensive medical care to Central Government employees and pensioners. The scheme covers outpatient as well as inpatient care, specialist consultations, diagnostics at empaneled diagnostic centers and well as hospitals.

All these schemes initiated by the Government have played a major role in increasing the role of insurance. Apart from Central Government, various State Governments have started their own versions of Rashtriya Swasthya Bima Yojana (health insurance) such as:

- ***Chief Minister's Comprehensive Health Insurance Scheme, Tamil Nadu*** was initiated by the State Government of Tamil Nadu in the year 2009. It provided coverage for ten lakh families of all employees of Government departments, Local Bodies, State Public Sector undertaking, Statutory Boards and State Government Universities etc. under the control of the Government of Tamil Nadu.
- ***RSBY Plus in Himachal Pradesh***

  It was started in the year 2008, initially covered only two districts – Simla and Kangra, later extended to entire State from 1st of March 2010.[9] It provided cashless health insurance coverage of Rs. 30,000 on family floater basis – offshoot of Rashtriya Swasthya Bima Yojana in Himachal Pradesh
- ***Bhamashah Swasthya Bima Yojana in Rajasthan***

  It was implemented in the year 2015 by the State Government, provided coverage of cashless medical facility for Rs. 30,000 against secondary illnesses and three lakhs against tertiary illness along with a corpus of rupees ten crores. Target beneficiary base included population eligible under National Food Security Act (NFSA).
- ***Deen Dayal Swasthya Sewa Yojana in Goa***

  It was a Cashless health insurance coverage for citizens of Goa rolled out in 2016. It provides a yearly health coverage of rupees 2.5 Lakh to rupees 4 Lakh is provided per family.[10] Citizen of Goa living in the State for the past five years eligible under the scheme.
- ***Bhagat Puran Singh Sehat Bima Yojana in Punjab***

  It was launched in the year 2013 for the BPL population of the State and provided a cashless health insurance coverage of Rs. 50,000 along with personal accident coverage for rupees five lakhs.
- ***Bhai Ghanaiya Sehat Sewa Scheme for Punjab farmers and others***
- ***Mahatma Jyotiba Phule Jan Arogya Yojana, Maharashtra***

  It is a cashless health insurance scheme being implemented in the State in 2012. It provides a

8 https://www.india.gov.in/spotlight/employees-state-insurance-scheme#tab=tab-1

9 http://www.nrhmhp.gov.in/content/rastriya-swasthya-bima-yojna

10 https://www.bajajfinservmarkets.in/insurance/health-insurance/deen-dayal-swasthya-seva-yojana-ddssy.html

coverage of INR 1.5 Lakh per family per year to 2.22 crore families for secondary and tertiary illnesses.

- o ***Swasthya Sathi Bima Yojana, West Bengal***

  The scheme is being implemented by the State Government of West Bengal since 2016. It provides a coverage of Rs. 1,50,000 against secondary and tertiary illnesses to the eligible beneficiaries.

Various other State Government have introduced similar health schemes such as:

- Biju Swasthya Kalyan Yojana, Odisha
- Meghalaya Health Insurance Scheme
- Medical Insurance Scheme for State Employees and Pensioners by Kerala Government, etc.
- States such as Madhya Pradesh, Uttar Pradesh, Bihar are all running similar health programs on Trust mode
- ***Ayushman Bharat – National Health Protection Mission (AB – NHPM)***

  This is the flagship cashless health insurance scheme of our Hon'ble Prime Minister introduced in 2018 flagged off from the State of Jharkhand. Details of Ayushman Bharat are listed below:

Scheme Clause	Details
Beneficiaries covered	10.74 crore families – approx. 50 crore families
Basis of beneficiary entitlement	Socio Economic Caste Census Data
Sum insured	Rupees 5 lakhs
Type of illnesses covered	Secondary & Tertiary ailments
Implementation Model	States can choose between insurance and trust model for scheme implementation
Number of packages covered	1,354 packages
Centre: State funds sharing	60:40

- o This is a massive scheme which has taken health insurance coverage to another level
- o Ayushman Bharat 2.0 now aims to digitize health records under the Digital Mission

2. Government Welfare Schemes in Crop Segment

Various pilot schemes have been introduced by the Government to provide insurance coverage to farmers including Pilot Crop Insurance scheme, Comprehensive Crop Insurance Scheme, Farm Revenue Scheme, etc, Weather Based Crop Insurance Scheme, Area Based, Index Based parametric scheme, etc.

Initial schemes were optional for all farmers viz. loanee as well as non-loanee. Later, as per experience, some were made compulsory for loanee farmers and optional for non – loanee farmers.

Pradhan Mantri Fasal Bima Yojana was approved by the Union Cabinet in 2016. This scheme was introduced as a "One Nation – One Scheme", with an aim to provide financial support to farmers suffering crop loss/damage arising out of unforeseen events. The scheme was introduced to replace the multiple existing schemes and has some improvised added features over and above the existing schemes:

a. **Higher coverage at a lower premium contribution from the farmers** compared to the previous schemes.

b. **Use of technology** under PMFBY has been encouraged, which would not only assist in quicker settlement of claims but also in reduction of crop cutting experiments.

c. **Awareness activities** have been made an essential part of this scheme, with an aim to double the coverage to 50%.

d. **Coverage for post-harvest losses**, which was earlier restricted for the coastal areas, has now been extended to cover all parts of India

e. **Cap on insurance amount cover has been removed**. The earlier

capping was done to limit the Government outgo on premium subsidy. However removal of such capping would now enable farmers to get claims against full sum insured without any reduction.

Thus, the scheme has been implemented after careful deliberation on earlier clauses, with an aim to overcome all previous shortcomings. Due to the improved features of the new scheme and efforts made by the Government, coverage under PMFBY has increased substantially over that of the erstwhile schemes.

Even though the scheme suffers some shortcomings and has scope for improvement, it provides crop insurance coverage to millions of farmers across the country on insurance mode. It has helped in increasing insurance penetration multi-fold in the crop segment.

3. Government Welfare Schemes in Personal Accident Segment

- People in the age group 18 to 70 years are eligible for Personal Accident coverage under ***Pradhan Mantri Suraksha Bima Yojana (PMSBY)***.
- This scheme was introduced in the year 2015
- The risk coverage under the scheme is Rs.2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability.[11]
- Premium: rupees twelve per annum per member deducted from the account holder's savings bank account through 'auto debit' facility.[12]
- Premium rate for Suraksha Bima Yojana has been hiked for the first time since inception from 1st of June 2022. The rate increased from Rs. 12 p.a. to Rs. 20 p.a. with effect from 1st June 2022.
- **Till 27th October 2021, a total of approximately 26 crore beneficiaries were enrolled under this scheme thus increasing the penetration further.[13]**

4. Government Welfare Schemes in Life Segment

- ***Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)*** was rolled out by the Government in the year 2015 to provide insurance coverage against death due to any reason
- It is a one-year renewable cover
- Scheme is administered via LIC and other Life Insurance companies willing to offer the product on similar terms[14]
- All individual account holders in the age group 18 to 50 years are eligible under the scheme
- Coverage of Rs. two lakhs is available on member's death due to any cause
- Premium for the scheme recently got revised from Rs. 330 to Rs. 436 per annum per member
- Cover would get terminated once the beneficiary attains 55 years of age, close of bank account or funds insufficiency[15]
- Premium is auto – debited from beneficiary's bank account

Rs. 436 is a highly subsidized premium under this Government welfare scheme for a life cover of Rs. two lakhs. This ensures that life insurance coverage reaches a large section of the population at affordable rates.

As on 27th October 2021, more than 11 crore beneficiaries were covered under the Pradhan Mantri Jeevan Jyoti Bima Yojana.[16]

5. Government Welfare Schemes for Pension

- ***Atal Pension Yojana (APY)*** was launched in the year 2015 to create a universal social security system for all Indians, especially

[11] https://financialservices.gov.in/insurance-divisions/Government-Sponsored-Socially-Oriented-Insurance-Schemes/Pradhan-Mantri-Suraksha-Bima-Yojana(PMSBY)

[12] https://www.indiapost.gov.in/Financial/DOP_PDFFiles/Rules%20PMSBY.pdf

[13] https://static.pib.gov.in/WriteReadData/specificdocs/documents/2021/dec/doc2021122081.pdf

[14] https://jansuraksha.gov.in/Files/PMJJBY/English/Rules.pdf

[15] https://jansuraksha.gov.in/Files/PMJJBY/English/Rules.pdf

[16] https://static.pib.gov.in/WriteReadData/specificdocs/documents/2021/dec/doc2021122081.pdf

the poor, the under-privileged and the workers in the unorganized sector.[17]

- This Yojana is administered by Pension Fund Regulatory and Development Authority (PFRDA).
- All bank holders in the age group 18 to 40 years are eligible under the scheme.

As on 7th March 2022, 3.89 crore subscribers were enrolled under Atal Pension Yojana.[18]

These Government schemes have played a massive role in increasing the reach of insurance across segments to the entire population however still insurance penetration stays at a dismal rate of 4.2% with general insurance contributing only one% to this penetration.

Apart from these schemes, motor third party liability is compulsory and contributes massively to increasing general insurance penetration.

There is still a long way to go for India to match the global levels if insurance penetration.

Why is Penetration Still Low?

Penetration in life insurance increased upto 2009–10 post which it started falling drastically. This was due to fall of ULIPs. These were insurance linked with savings plans and were highly priced in comparison to term plans which provide a much larger coverage at lower premiums.

With the bust of ULIPs, demand slowed down and instead increased for term plans. Increase in sale for policies with lower premiums reduced the overall insurance penetration which is a factor of premium to Gross Domestic Product (GDP).

General insurance penetration has been increasing steadily. It has gone up from 0.56 in 2001–02 to 1.00 in 2020–21 owing to a major role played by the Government welfare schemes.

However, penetration still remains low due to various reasons:

- People still don't feel the need to buy insurance
- Insurance products are mostly standard and not customized to suit individual needs
- Mis–selling is prevalent in the industry which erodes consumer confidence
- Customer first is not an approach followed by the industry – there is a lot of stress on sale of insurance however, no follow up or feedback calls
- Very slow claim processing, adjudication and payment process
- Time consuming KYC and enrollment process
- Claim payments are not always transparent and lot of documents are demanded form the policyholder – the process is cumbersome and time taking

New age consumer who is provided with so many two-minute options across various segments of service, hates insurance for the sole reason that the industry has not kept pace with times and has failed to match the excellent customer experience that other market players in various industries provide.

A "Lemonade" revolution is required in the industry. Lemonade and Toffee are few new age insurance companies which resonate with the

[17] https://financialservices.gov.in/pension-reforms-divisions/Atal-Pension-Yojana

[18] https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1805997

millennial consumer by offering short term or byte sized products. These offer policy purchase with just few clicks. Products offered resonate with the new lifestyle for instance bicycle insurance, short term plans for adventure sports like hiking, cycling tour, etc.

Another major overhaul that is required is simplification of the offering. Most of the consumers don't understand what their policy covers and what it does not. There are lot of hidden terms and conditions which usually come out only when a claim is lodged. Refusal to pay insurance amount at that moment irks the consumer and creates further distrust for insurance.

Impact of Pandemic on Insurance

The COVID pandemic wreaked havoc for millions of families whereby people were left either jobless or had to face pay cuts.

A lot of people underwent financial hardship when they were struck with huge amount of hospital bills without any health insurance to back them. It led to a financial catastrophe for many who were hospitalized for their own treatments or had to pay bills for hospitalization of their family members.

This is when the importance of life and health insurance was realized at the retail level.

- Share of health insurance in the entire general insurance segment increased from 30.10% to 32.08%.[19]
- Due to heavy payout of claims during COVID, incurred claims ratio of health segment increased drastically from 85.70% in 2019–20 to 89.51% in 2020–21.[20]
- Health insurance premium collected in India grew 25% during peak COVID year.[21]

The pandemic while increased the demand for life and health insurance on one hand, reduced the demand for motor insurance on the other. While a major chunk of population was working from home, need of renewing motor insurance was not felt and hence people who were not driving to office did not renew their Own Damage insurance. Also, a lot of cabs went off road during the lock down period and majorly impact sales and renewals of motor insurance.

IRDAI issued advisories to insurers during the pandemic to protect policyholder's interests and to provide better services:

- Insurers were directed to settle death claims expeditiously by developing quicker claim settlement processes
- Health insurance policies had to include coverage for COVID treatment
- Insurers were allowed to issue policy documents in electronic forms without the mandatory need for physical forms
- Customer's consent on new proposals allowed via electronic forms or mobile phone One Time Password
- Two standard Corona covers were introduced to provide coverage against hospitalization for COVID
- A new motor insurance product which requires you to pay premium as you drive in proportion to kilometres driven was introduced to persuade people not to skip renewals while cars were parked at home during the "work from home" period.

Various innovations and changes were made and need to be continuously made to meet the changing consumer needs. In this fast-paced world of ever increasing consumer demands and daily evolving tech, insurance sector cannot afford to be left behind to ride merely on the back on Government welfare schemes or as tax saving products.

The industry evolved and adapted to changing times and these are the steps and measures which would enable insurers to garner consumer confidence and trust

[19] IRDAI Annual report 2020 – 21

[20] IRDAI Annual report 2020 – 21

[21] https://www.moneycontrol.com/news/trends/health-trends/health-insurance-premium-collected-in-india-grew-25-during-peak-covid-year-8486261.html

These are some small steps which are quint essential to increase insurance penetration.

Insuretech Boom

This is the age of ever evolving developments and innovations on the technology side and pandemic has accelerated this boom more than ever when entire working moved online be it office meetings, school or college lectures or online fitness sessions with trainers – the list has been endless.

In the midst of this, insuretechs have boomed. Though it was in the offing since long, pandemic accelerated the need to develop this further.

Insurance industry is considered as "data rich but information poor". While millions of policies are issued and serviced, there is no analysis of data to gauge consumer expectations, feedback or demand.

Insuretechs can bring this revolution firstly by digitizing and fastening the entire process of KYC, policy issuance, claims adjudication, claims investigation, claims processing, claims payout, customer feedback and of grievance redressal.

What the new age customer wants is two-minute processes rather than long engagements on phone or physical meetings with agents and brokers.

Lesser documentations and more digitalization is the way forward.

Insuretechs have gained prominence given the new trends in the industry including newer consumer segments viz. MSMEs emerging as key growth engines, growing importance of increasing the distribution and reach of insurance products, demand for enhanced customer experience, importance of data analytics and mining to study trends and consumer demands.

The changing trends include the following as per BCG Report:[22]

- More emphasis on creating experiences than on value creation. The new age customer spends more on creating memories than on building assets
- Increased spend on healthy activities, food and services as compared to mere focus on exercise and managing food
- Personalization is emphasized with greater demand for customized products vis a vis mass or standard products
- Convenience is emphasized with consumers of today willing to pay to increase convenience
- Females taking the decision-making seat rather than males
- Renting is the new phenomenon – the new age generation is asset lite and prefers renting over owning assets
- Shopping for maintaining lifestyle rather than for mere utility

Insurance industry thus needs to keep pace with the above changes.

A deep understanding of data and consumer behavior is required to first develop a product to match those needs and then position it in a manner that meets the demand and then sell through appropriate channels to gain maximum traction.

Artificial intelligence can be leveraged to study purchase patterns, consumer needs, buying trends, lifestyle etc. to accordingly tailor make or customize insurance offering to suit the consumer's specific lifestyle needs.

In India, insuretechs are focusing on driving distribution and reach, embedding insurance with services and products, creating a market-place for offerings. Some startups are working towards increasing the reach of group insurance policies, while some are working towards embedded insurance and some on creating a market-place for offerings.

Bajaj Allianz, one of the largest players in the general insurance segment has started focusing on enhancing customer experience by starting its initiative Digi Sampark.

Insuretechs are focusing also on customer feedback which is the key to improving processes, creating customized products to meet customer satisfaction levels.

Many existing insurance players are evolving their offerings to compete with the new age plyers n the insuretechs market.

- Edelweiss General Insurance, Bajaj Allianz and ICICI Lombard

[22] https://indiainsurtech.com/wp-content/uploads/2022/04/IIA-BCG-Annual-Insurtech-Landscape-and-Trends-Report.pdf

have introduced new products such as coverage based on kilometre slabs or daily rates, options to buy top ups for kilometers or days of usage.

- Aditya Birla Health Insurance has shifted its focus from providing mere health insurance towards providing health and wellness together as a bundled offering.

Insurers are now also experimenting with monthly premium payments (installment based premium payments).

These constant experiments are a must to ensure good customer experience and thus to increase insurance penetration.

Regulatory Changes under the New IRDAI Chairman

After a long period of IRDAI remaining without a Chairman, Mr. Debasish Panda took charge of operations in March this year. He has made several announcements which promise a revolution of the entire insurance industry. These announcements evoke a lot of hope for the future of the sector considering that all are in line with meeting expectations of the new age customer, simplifying and fastening up processes, leveraging technology to enhance experience and building more consumer confidence, all of which are the need of the hour.

These announcements are discussed below:

- On 1st of April, IRDAI signed MoU with IFSCA, GIFT City regulator for better coordination.[23]
- Press Release from 8th of April (from IRDAI Press Note):[24]
  - o Simplifying entry of new entities in the sector in India especially global investors to increase FDI inflow
  - o Support entry of standalone micro insurers and regional entities in insurance
  - o Dispensing with renewal of registration for insurance intermediaries
  - o To enhance distribution and increase the reach of insurance, explore launch of Bima Mitras similar to Bank Mitras
  - o Focus on data analytics to identify gaps in coverage, leveraging technology to improve efficiencies in service delivery
  - o Enhance technical competencies of insurance agents and field force of the insurers
  - o Reducing compliance burden on regulated entities by rationalizing regulatory framework
  - o Rationalization of investment norms applicable to insurers
  - o Facilitate lowering operating costs and reviewing commission/ remuneration structure of insurance products with aim of reducing costs to policyholder
  - o Speeding up other regulatory approvals with defined Turn Around Times
  - o Allowing allied and value-added services by insurers
  - o Revamping existing policyholder grievance redressal systems
  - o Reviewing effectiveness of existing insurance ombudsman system
  - o Enhancing insurance awareness for customers
- On 26th of April, the regulator released a circular to ease and fasten up the process of registration of applications of new insurers
- Premium rates for Jeevan Jyoti Bima Yojana, Suraksha Bima Yojana enhanced
- IRDAI extended ‘Use and File’ for insurance products to general as well as life insurers

[23] https://irdai.gov.in/ADMINCMS/cms/frmGeneral_Layout.aspx?page=PageNo4671&flag=1

[24] https://irdai.gov.in/ADMINCMS/cms/frmGeneral_Layout.aspx?page=PageNo4672&flag=1

- Reduction in solvency margin requirement for Insurers doing crop business[25]
- In a step towards ease of doing business, IRDAI has reduced the number of off-line as well as online returns being submitted by Life Insurers as well as general insures”[26]
- IRDAI further discontinued submission of hard copies of any reports[27]

All these are very positive and much awaited steps towards enhancing ease of doing business for the insurance industry.

Leveraging tech and quicker introduction of new and innovative products to the insurance market are steps in the right direction to enhance insurance penetration by the new Chairman.

The fallout or consequence of these positive actions is yet to be seen.

Way Ahead

While Government schemes have played a major role in deepening the market via welfare insurance schemes, this strategy is not a long-term solution and neither the one that would help attract sustainable penetration. The moment the scheme completes its terms, penetration would fall again.

A more long-term and sustainable solution is to support the growth of more and more insuretechs bringing solutions to cater to the problems prevalent in the industry – bringing new age solutions which resonate with the needs of the emerging market.

Easing norms for insurers, attracting more investment in the sector, inviting more foreign investment and new companies would increase the reach of insurance and also options for the consumer.

India is a mixed economy and needs Government to play an active role in ensuring equity, that is, reach of insurance to one and all – to those who can afford and also to those who cannot. Government schemes have played an excellent role so far in subsiding premiums and increasing the reach to the last man stading in the line. Be it in the life segment, health segment, crop, personal accident or any other.

However, new age thinking is the way forward to complement increasing this reach to the millennials and to meet the evolving needs. Improved processes, simpler, quicker, faster processes, more transparency, options, customization of products, tailor made to suit individual needs, customer first approach, enhanced focus on grievance redressal, faster policy purchase, adjudication, claims payout, follow up and customer feedback are the key to increasing insurance penetration.

Government schemes will always be an essential part in this endeavor. However, depending solely on these schemes or on tax saving cannot take the industry ahead to match global penetration levels. TJ

[25] https://irdai.gov.in/ADMINCMS/cms/frmGeneral_Layout.aspx?page=PageNo4738&flag=1

[26] https://irdai.gov.in/ADMINCMS/cms/frmGeneral_Layout.aspx?page=PageNo4737&flag=1

[27] https://irdai.gov.in/ADMINCMS/cms/frmGeneral_Layout.aspx?page=PageNo4737&flag=1

Merit Winner

G.V. Rao Memorial Essay Competition

Deepening the Market Riding on the Prime Minister's Insurance Schemes

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Introduction

Since the outbreak of the Covid pandemic the world has entered in to a condition of complete chaos and in a disordered state that too especially health wise. People are losing their sources of incomes including assets, and the need for insurance has only been felt more than before.

As we all know that Insurance is the subject matter of solicitation, which means that Insurance can only be asked for and it cannot be sold, and the pandemic has witnessed people soliciting insurance more than ever before. Health has never been the subject matter of debate so much as it has been in the past three years. People amidst financial crunch and disparity are more than ready to pay their premiums and seek insurance advices from their known insurance / financial advisors and intermediaries.

To stamp on the above stated facts, the Economic Survey 2021-2022 can be quoted here - according to the report, life insurance penetration rose to 3.2% in the year 2020 alone.

Whether its Health insurance or life, both of these has helped people to sail through the tough period of Covid crises. Covid can be considered as

an awakening call for all those people as well who kept on postponing their decision to get themselves insured against the uncertainties that their own people or they themselves may have to face due to the – world health disorders.

Globalization has not only opened doors of newer larger and better opportunities for people around the world but it has also made all of us subject to bigger problems, calamities and pandemic like the Covid and also economic problems like recession and trade gaps.

Its obvious that the increased demand for the insurance post pandemic and during the crises has helped us know that the claims on the insurance taken, has also seen northward trend. We have ourselves witnessed that the Life Insurance industry settled more claims during this period, these large claims and settlement, has subsequently brought dent to the financial reports of these insurance companies.

The penetration of insurance largely remains limited when it comes to rural part of India. Needless to state that the insured also is either under insured or the insurance policies taken are not appropriate. These policies taken, largely has to examined and reworked to meet the needs of every individual. Having said this it can be said that work ahead for the financial advisors and largely for the insurance advisors is immense and challenges are huge.

Government in any country plays a larger role when it comes to doing public welfare and it has to do a lot more when it comes to implementing things at its core. It starts with people's education and goes on to the ensuring that their mind gets evolved to accept the right against the wrong, to quote the words of Edmund Burke- "Government is a contrivance of human wisdom to provide for human wants."

Starting from immunization of a new born to the pension schemes, government role in the facilitation of these benefits for the larger good to society cannot be discounted. Therefore it really becomes imperative for the government agencies to step in for the expansion of the insurance awareness so that the benefits reaches to the deepest part of the rural India.

In this regard the Government of India has launched several Insurance Schemes in order to ensure that the financial inclusivity is enabled and enhanced. If data are too believed than in the fiscal year 2021 nearly 514 million people across India were covered under Health insurance schemes. And out of this number highest numbers were insured under government sponsored health insurance schemes. This again pushes us to look at slightly different part of the story and that is, 30% or nearly 42 crore of India's population do not have health insurance- this is as per NITI Aayog. Only 3% of the Indians have Life Insurance with them, this is as per the financial year report of 2021. And this states that the larger mass remains uninsured and the insured may not be the one who needed it the most.

There are various Government Sponsored Socially Oriented Insurance Schemes, all of the following socially welfare driven insurance schemes were introduced by **the Prime Minister Narendra Modi to ensure financial inclusivity among poorest of the poor and to help people have their rightful needs in place–**

- Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)
- Pradhan Mantri Suraksha Bima Yojana (PMSBY)
- Life Cover under Pradhan Mantri Jan Dhan Yojana (PMJDY)
- Varishtha Pension Bima Yojana
- Pradhan Mantri Fasal Bima Yojana (PMFBY)
- Pradhan Mantri Vaya Vandana Yojana (PMVVY)
- Restructured Weather Based Crop Insurance Scheme (RWBCIS)

Content in details -

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

Background-

In most of the families in India the bread winner of the family is mostly one and in this condition the financial dependence on that person by other family members becomes extremely high. 90% of the poorest of the poor in India have no insurance. This largely can be attributed to following reasons –

First being lack of awareness about the need of insurance

Second being the inability to pay the large premiums of the private insurance companies.

Third being non willingness to pay anything beyond the immediate and the next day needs. As per the data 988 million Indians do not have life insurance and Health insurance is a dream a far. The poor need insurance more than the rich. The purpose of the insurance is met more when the poorest of the poor is insured against the events. These people's vulnerability is more compared to other section of societies. But due to reasons specified above and due to several other reasons the poor do not have insurance and here in the role of the government comes to play.

Policy details

Under this any citizen who is of the age group of 18 to 50 years can apply to this policy. Under this the applicant will get a life coverage of 2 lakhs and this is not limited to conditions of or the reasons of mortality. The life insured's will get the benefit of life coverage against a premium of Rs 436 payable once in a year. This can be bought from the LIC offices or with the tied up banks across the country. Having said this the life coverage is for one year which is extendable on renewing the policy. Other particulars like a Bank account, being KYC complaint and auto debit options are mandatory and has to be ensured by the applicant. The non-governmental institution / companies willing to offer this scheme to their clients need to have in hand necessary governmental approvals and offer the same under the same terms and conditions as stated and mandated under the policy / scheme. The objective of the scheme launched was to increase the penetration of Insurance in India. No GST is payable under this in the premium. The premium will be auto renewed up till 55 years. As per the reports as on 31st March 2019 around 59 million plus people have already enrolled in this scheme and claim amount to the tune of ₹27,042.24 crore for 135,212 claims were already settled by the Government under this scheme. But during the Covid crises people couldn't comply with the required formalities like cooling off period and documentation due to which this particular insurance scheme, couldn't meet its purpose. Having said that considering the fact that the claims those were settled earlier were huge and large and owing to the benefits that it bestows to its policy holders, it can be concluded that the policy is of great benefit in terms of the features it provides to the policy holders and it should be marketed and preached so that more people can benefit out of such governmental schemes.

Despite the numbers of the claims that it settled there were certain loopholes because of which the policy couldn't do very well. Following reasons limited the scope of reach of the policy among –

The beneficiaries under the policy need to intimate about the casualties within 30 days of the event happening and this being too less, the beneficiaries aren't able to get claims. And any claims received after the 30 days window is rejected.

Since there are no policy documents given to the policy holder so the beneficiaries of the policy documents aren't aware of if such policy existed. The claim policies are procedures aren't laid down anywhere as a result the non awareness of the same has lead to lesser claims.

The documentation post the event are so many that the poor aren't able to arrange those. It includes casualty certificate, if hospitalised than hospital documents, premium paid proofs etc that needs to be submitted within 30 days from the date of the event. All this has made it cumbersome for the policy holder.

The nomination paper aren't filled properly due to which the nominees find it really tough to prove their claims and this sometimes takes ages to prove the relationship and all this acts as a demotivation and the word of mouth feedbacks of the family members in the society to others including relatives goes bad and act as a catalyst that encourages them not to apply to such policies.

The absence of the unified / proper redressal forums has added to the woes of the policy holders at large.

However since the policy has already settled claims to the tune of crores therefore corrective measures should be taken to address the grievances

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

Background

If the publicly available statistics are to be believed that in India per day there are around 1200 plus accidents

those occur in India. Out of these 25% of the accidents are accounted for two wheelers and the remaining for other than two wheelers. Around 20 chidren aged arond 14 account for the total casualties and 300 plus face casualties every day. There are 50 plus accident every hour and 1 causulty every 4 minutes. Further to the data, out of the total two wheelers in the country only 1% of it are owned by Indians but when compared to the world's two wheeler accidents India accounts for a whopping 6%. Every year around 3 to 5 percent of the India's GDP is invested in road accidents. The highest number of accidents in 2021 alone, occurred in Uttar Pradesh accounting for 27,661casulties followed by Maharashtra (18,524 casulties) followed by Madhya Pradesh (13,497 casulties) these 3 States accounted for 15.3%, 10.2% and 7.5% of total casulties in traffic accidents respectively in India. If disabilities are to be considered than India is ahead in the race, in an year on an average around 2.5 million hospitalizations occur, around 9 million injuries and India per year suffers an economic loss of around 3% of the Gross Domestic Product (GDP), with the ever increasing population India's total number of casualties and injuries including the partial and complete disability due to road accidents will increase and as a result of which the financial loss in terms of GDP will further go up. Out of the total accidents 30% accounts for disability and from which a majority of the people facing fatal accidents are men from age 15 to 44 years, those who have to suffer different sort of physical disability both partial and complete. Being the sole bread earner of their family their financial status hits a setback and as a result of which they have to face major social stigma. A major part of the population those who face fatal accidents are below poverty line and non riders of two wheelers people which includes pedestrians, bicyclists, but these also includes bike riders. Sometimes over confidence and sometimes carelessness has resulted in the mishaps on roads resulting in two major problems.

First being the financial loss to the immediate family members of the person who met with the unfortunate event and Second being the GDP loss of the Nation as a whole. For all this and more it becomes imperative to have a comprehensive plan that will take care of the families and get them some sort of financial help. And an insurance plan in these conditions comes handy. Considering the fact that the financially weaker section of the society may not be able to pay a very large premium at the same time their financial needs may not be too huge, looking in to all the matters the PMJJBY suits the need perfectly and meets the minimum requirement that needs to be adhered to by the applicant to avail the benefits under the policy.

Policy details

Unlike Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) the age group of applying is 18 to 70 years, anyone who is a citizen of India can apply to this insurance scheme. Aadhar is mandatory as a document for KYCN purpose and the risk coverage is 2 lakhs for accidental death and full disability and Rs. 1 lakh for partial disability. The premium payable is Rs20/- along with a minimum premium of Rs 12/- per annum this policy will suit the need of the poorest of the poor in the society. Under this policy features like Bank account and Auto debit is mandatory thing that needs to be there with the applicant. As noted the scheme can be offered by Public sector general insurance company or any other General Insurance company. The non-governmental General Insurance Companies willing to offer this scheme to their clients need to have in hand necessary governmental approvals and offer the same under the same terms and conditions as stated and mandated under the policy / scheme. With this the overall spread of the insurance has increased with Government policies like this and has ensured the objective of insurance deepening and larger penetration of insurance in the Indian market especially the rural part of the country. As an exception the government of Haryana has announced that all of its Haryana residents will be covered under the plan that come under the age group of 18 to 7-0 years, and the state government has claimed to pay the premium of the beneficiaries. Under this policy the definition of complete disability is includes loss of both eyes hands or feet, the partial disability includes the loss of one eye, hand or foot. However the rising claim ratio compared to the rising claims the

companies have requested the government to reconsider their decision about the insurance premium that is payable under the policy. This policy was mentioned in the 2015 Budget Speech and formally launched by the Prime Minister Narendra Modi on 8th May 2015 in Kolkata. It has been 7 years since it was initiated for the benefit of the poor and the needy.

15 crore plus citizens were enrolled of which 32000 plus claim amounting to 6 billion rupee plus claims were settled, this is as on 31st March 2019.

It has benefited 15 crores plus citizens of the country that represents almost 12% of the total population of the country. Therefore the data are only prompting us to laud the work done by the government so far and with the existing pace of insuring people it can be expected that in the near future may be in a decade or so the country will be better insured as compared today.

Life Cover under Pradhan Mantri Jan Dhan Yojana (PMJDY)

Background

The need of financial tools like saving accounts, pension schemes, credit, and insurance among others is felt by all. It's not that the need of financial products and tools are felt by the rich and the affluent. Of alte due to Covid and the demonetization people have opted for doing online transactions, that too majorly. Online applications like Google pe and Phonepe are common thing to find these days even with the vegetable vendors and the fruit sellers. If data are to be believed- "The volume of digital payments in India has increased by 33% year-on-year (YoY) during the financial year (FY) 2021-2022. A total of 7,422 crore digital payment transactions were recorded during this period, up from 5,554 crore transactions seen in FY 2020-21," said the Ministry of Electronics and IT (MeitY).23-Mar-2022. With the increased number of online transactions more and more people are wanting to get connected online. With paying Rs10 over the online transaction app, to lakhs and crores over RTGS people have become net savvy and are comfortable on the go in making and accepting the currency over online medium. In financial year 2021 alone 40 billion plus digital payments were done in the country.

According to a latest survey report–"75% and above of the India households uses some or the other kind of digital payment modes to do their day to day transactions. To add to all these facts to quote a data available in public space–"At 48 billion, India accounted for the largest number of worldwide real-time transactions in 2021, almost three times that of nearest challenger China(18 billion), and 6.5 times greater than the US, Canada, UK, France and Germany combined, according to a report by ACI Worldwide.25-Apr-2022".

About the policy

This helps any Indian citizen starting from age 10 to have a Bank account. Since they can have the bank account so they can use remittances, credit, insurances, and pensions and avail allied services. For minor the guardian can open their account and help them access the above stated benefits. On the day of the inauguration of this scheme a total of 15 million bank accounts were successfully opened. This led to another landmark achievement for the Government India achieved the Guinness Book of world record, it stated in its comment, to quote–"The most bank accounts opened in one week as a part of the financial inclusion campaign is 18,096,130 and was achieved by the Government of India from August 23 to 29, 2014".

The inauguration day achievements lead to more accounts opening as the day passed by a total of 300 million plus accounts were opened with a deposit those were made in to these accounts exceeded 790 plus billion Indian rupees. This was a landmark achievement amidst all limitations those were persistent.

The participation of all Banks were seen whether Public, State or the Private Banks. State Bank of India leaded the Banks with a total of around 3 million accounts, followed by Canara Bank, Central Bank of India and Bank of Baroda with around 1.6 to 1.4 million accounts opened by them respectively. All these accounts were opened over a weeks' time period and the same led to an achievement and this got recorded in the Guinness Book of World Records as stated above.

The achievements of the journey of the financial inclusion were not just

restricted here, Close to May 2016 around 2 million households were able to avail an overdraft facility total amounting to an amount to over Rupees 2.5 plus billion, both rural and the urban participation was seen. A total of 176 plus million accounts were opened from the rural and the urban part of the country. Not just this to boost the cashless transaction a total of 220 million plus RuPay cards were issued to these account holders which were monitored and regulated by the National Payments Corporation of India. There was no looking back as the deposits those were majorly contributed by states like Uttar Pradesh and West Bangal followed by Kerala and Goa rose to a staggering 656 plus billion rupees. Around 300 million newer families were provided with Jana Dhan account and the purpose of financial inclusion was largely accomplished around these households. As on January 2021 400 plus million accounts were opened and out of which 359 plus million accounts were made operative under this scheme.

The limiting factors were also seen , some of the roadblocks those restricted these schemes from further getting to the rural areas were – non affective policy communications by the Financial institutions involved in the spreading of the talks among the beneficiaries , incentivization can also motivate the field workers to further talk about these policies in the local language to the beneficiaries.

Later on around 20% of the accounts went in to the dormant state and the RBI policies of charging fees more than the minimal number of ATM transactions allowed, acted as a deterring factor and discouraged the account holders from acceding their own account.

Varishtha Pension Bima Yojana

Background

Old age pension recently have seen several changes, the fixed component has, moved in to variable and the earlier pension scheme of the government has changed in to National Pension Scheme. Out of the total population of the country there are around 138 million elderly persons. This number is further going to increase by around 56 million elderly by the year 2031. The percentage of elderly population to the total population is said to rise by 10 percent from around 8.6 percent. This incremental data only shows that with the increase in the population of the country the elderly population is also steeply rising and with more and more people getting in to non-governmental jobs that do not have pension provision, the need for an organised pension scheme is only largely felt and seen to be really important among the masses. It is said that Indian elderly population is expected to 41% in over a decade.

Old age also attracts several other expenses like medical and other basic expenses on amenities that are essentials to lead a comfortable life. The need of the financial help continuity can hardly be discounted. There are several pension plans in the market, and they largely cater to the need of the rich and the affluent . Generally there was always a need for an affordable pension plan that can take care of the financial need of the people who largely cannot pay the large premiums of these private limited companies. For all these the government Varishta Pension Bima Yojana (VPBY) comes to the rescue of the people.

Policy details

The policy can be taken by anyone aged 60 years and above. This get distanced from the market uncertain returns and provides an assured return of 8% per annum for a period of 10 years. These policies can be taken from the Life insurance Corporation of India. The benefits in terms of payout can be availed in terms of monthly / quarterly / half yearly or yearly payouts. The payouts will be given through ECS or NEFT only, this is to encourage the accountability and the Banking channels transactions. Under this plan the Minimum sum assured is 66,665 Rs./- and the Maximum Sum Assured Amount is 6,66,665 Rs./-. The plan can be purchased by payment of a lump sum Purchase Price. The pensioner has an option to choose either the amount of pension or the Purchase Price. 9.38% per annum approximately.

Reiterating the fact that the regular source of income is essential during ones old age and retirement corpus is essential for financial safety. Therefore each one of us need a source of income that is regular guaranteed and consistent in rerturns. Therefore this governmental policy comes handy and also it being a government backed policy, it

maintains its interest among the people for them to invest and secure their pension in old age.

Pradhan Mantri Fasal Bima Yojana (PMFBY)

Background

Being an agrarian society where in the contribution of the agri produce to the total GDP is substantial, it becomes imperative for the stakeholders especially the Governmental bodies to make arrangements whereby the producers of the farm are safeguarded against the uncertainties that may hit them at the most unduly time.

The dependence of the farmers over the rainfall has remained huge and climate over years and decades has remained uneven and uncertain. Changes in Ozone, climate change and Greenhouse gases has impacted the farmers negatively and relatively have ensured that their produce are of either low quality or had to bear the losses in totality. Thereupon the condition of the farmers are further impacted negatively since the per hectare land that they cultivate upon is less and that further goes less due to the division of the ownership of the land among their family members this makes 80% of the farmers who have marginalised farm lands of less than one hectare and the farmers have to further lent out the farm lands to make it bigger patches of land , the economics here doesn't really work as the cost to the return further goes southward since the cost of rent is added to the returns on produce. Therefore to enable farmers by, means of providing them security in terms of financial stability on certain conditions, is the need of the day. Pradhan Mantri Fasal Bima Yojana (PMFBY) exactly does the same.

Pradhan Mantri Fasal Bima Yojana (PMFBY)

This was launched broadly with two objectives, first to help in the earlier settlement of the farmer's produce through government mandis, those were insured under the scheme and to reduce the premium burden on farmers thereby giving them the financially backed security and freedom.

This scheme was launched by quashing the earlier two schemes under the same line called the National Agricultural Insurance Scheme (NAIS) and the Modified National Agricultural Insurance Scheme (MNAIS). Considering the loopholes that these two schemes had Pradhan Mantri Fasal Bima Yojana (PMFBY) was launched. This scheme comes under the Ministry of Agriculture and Farmers Welfare. This scheme provides a comprehensive insurance to the farmers against the failure of the crop.

This scheme was earlier compulsory for the farmers taking loans like Crop loans / KCC but it was not a compulsory thing for other section of the farmers. It provides insurance against almost all the crops, be it food or the oilseeds, also against the Annual Commercial/Horticultural Crops. It ensures regular flow of credit to the farmers that will contribute to the food security of the nation, the farmers can also go for crop diversification increase competitiveness since this scheme will ensure that the crop covered under insurance if fails are made good. It claims to monitor maintain and thereby equalise the income of the farmers in order to help them continue farming. Today's farmers need to employ modern equipments to ensure the effectiveness of the farm produce and also to ensure increased and timely productivity, use of the modern day equipments also ensure that the work takes less efforts and the farmer, therefore is able to devote more of his effort elsewhere in farming, this scheme incentives farmers to adopt and use most modern, scientific and innovative agricultural practices.

The list of crops that can be covered under this scheme is long that includes perennial crops, commercial and horticulture crops, Crop Oil seed, normal food crop. From 2020 farmers willing to get under this scheme can apply independently.

Altough this covers most of the losses and damages but it does not cover the losses arising out of malicious practices, war, or nuclear risk. It also does not cover the risk and damages those which could have been prevented with necessary steps by the insured, any false claim also will not be covered.

There are various insurance companies those which can participate to ensure the distribution of the scheme. Under this pretext the Department of Agriculture Cooperation & Farmers Welfare has ensured that the empanelled Agriculture Insurance Company of India(AIC) along with the following

companies are engaged in the activity, depending on the manpower and capacity of distribution by the independent companies . These include Agriculture Insurance Company of India, IFFCO-Tokio General Insurance Company Ltd., SBI General Insurance Company Ltd., HDFC ERGO General Insurance Company, ICICI Lombard General Insurance Company Limited, TATA AIG General Insurance Company limited, Bajaj Allainz General Insurance Company, Future Generali India Insurance Company Limited, Universal Sompo General Insurance Company limited, and Reliance General Insurance Company Limited.

There were many reasons those inflicted the insurance scheme that resulted in the overall less coverage among the farmers. Few among those problems are delays in the settlement of the claims, Claim rejections and / if the claims were accepted than the claim amount disbursed were too less and fewer. Though the insurance companies are said to have benefited from the scheme, the farmers were the sufferer lots.

As per the financial reports the earning of the insurance companies went up to around 16000 crores, for the three seasons, which lead to the criticism that the scheme ensures that the money that is payable to the farmers are given to these insurance companies. RTI reports further claims that around 3000 crores compensation were not paid to the farmers. The claim settlement turnaround time exceeded much more than what was specified in the policy guidelines. Though there was not so much encouraging response during the time it was launched, over the period of time there were several states which withdrew from this scheme, citing several reasons one of those being the financial drain to the state exchequer, claims not getting settled over time and the high premiums were some of the reasons that the various state stated. Andhra Pradesh, Punjab, Gujarat, Jharkhand, Telangana were some of the states those made and exit in the initial period of the policy initiation.

Pradhan Mantri Vaya Vandana Yojana (PMVVY)

Background

The contribution of women in the Nation building and its development can hardly be discounted. To present some data to enlighten the reason for government intervention for bettering the fate of the pregnant women are – there were around 33000 casulties happening in the year 2016, these casualties were only through maternal related. Though it's said that the casualties went down to around 26000 in the year 2018 but sadly India leads the world in problem afflicting women in maternity related issues. In India over a lakh of women are facing casulties every year on account of complications related to pregnancy and child birth. When compared to developed nations like USA which has a number of about 700, India stands much ahead in this sort of physical atrocities that a woman is made to go through. These are one side of the story but another side of the picture is equally horrific. Under-nutrition is also very high in India. The child born is not healthy enough since the mother was not healthy enough to bear the child. Absence of quality Food and ample food is also a concern that afflicts the mother bearing the child. India's maternal mortality ratio is at 113 per 100,000 live child born, whereas the infant mortality is supposed to be at 32 per 1,000 live births. Moreover, in India every second women suffers from being anaemic, and if the women is the bread earner for the family than she keeps on to going to her work up till the last day of her pregnancy. The financial and socio conditions of these women remains vulnerable and abysmal. India alone accounts for 17% of the maternity casulties of the world, the country that worships women and Goddesses in its various celebrated forms. Their problems do not end here, they have to go to the work immediately after their delivery and therefore do not get enough days to recuperate and get well. To cater to needs of these masses which includes the mother and the child the government intervention is urgently looked after that could affectively use its functionaries and ensure timely help to the distressed.

Policy in Detail

It was originally known as Indira Gandhi Matritva Sahyog Yojana (IGMSY), which was launched by the then Prime Minister in 2010, it was renamed in 2017 by the Prime Minister Narendra Modi in the year 2017. Under this the financial assistance is provided by the Indira Gandhi Matritva Sahyog Yojana (IGMSY).

This scheme comes under the department of Ministry of Women and Child Development. It comes with several benefits like a "conditional cash transfer is provided to the pregnant and lactating women for 19 years of age or above for the first live birth". The woman delivering baby is provided with a partial wage compensation during the child birth for the wage loss of the woman and its considered that this will also provide conditions for safe child delivery and food and nutrition to the mother.

PM Narendra Modi went on to say in his New Year's Evening speech that the plan will cover 650 districts of the country , in 2017 he further went out to speak of the ambitious plan of covering more needy women so that the objective of the scheme could be availed at the earliest. The broad reasons for which this scheme was launched are – To ensure that effective, medically appropriate practices are engaged, proper care is taken and medical services are provided during the entire course of pregnancy delivery and lactation. – After care facility is provided which includes financial assistance like giving cash to the mother so that a proper regime based self care is taken for improved health and nutrition – The financial assistance can also act as an incentive for the woman to stop going on to work for a few days and thereby ensure that the new born child is taken effective care and child's necessity like mother's milk and hygienic environment is provided. All those women who are eligible to receive the benefits will receive the incentive under the scheme given under the Janani Suraksha Yojana (JSY) for Institutional delivery and further the incentive received under JSY would be accounted towards maternity benefits so that on an average a woman gets ₹6,000 (US$79).

Having said that there are certain conditions under which the beneficiary will get the rewards as stated in the scheme of benefits.

The initial transfer of the money at the time of pregnancy amounting to Rs1,000 (US$13) requires the mother to first register their pregnancy at the local Anganwadi centre (AWC) , thereafter the person who has registered need to attend at least one prenatal care session with the Anganwadi centres and administer themselves with Iron-folic acid tablets and TT1 (tetanus toxoid injection). Once this is attend the women mother has to attend at least one counselling session at the Anganwadi or health care centre. The second transfer (six months of conception) of ₹2,000 (US$26) will be given to the mother on attending at least one prenatal care session and TT2 (second tetanus toxoid injection).The third transfer (three and a half months after delivery) of ₹2,000 (US$26) will be given to the mother after registering the birth of the child getting immunization done for the child with OPV and BCG at the time of birth of the child, thereafter at six weeks and at ten weeks of the child birth respectively. Thereupon attend at least two growth monitoring sessions within three months of delivery. Additionally the mother is required to do following things - Completely breastfeed the baby for atleast six months and organise complementary milk feeding as required and specified by the mother, Provide complete immunization of the child with OPV and DPT, thereafter attend atleast two counselling sessions on growth monitoring, and child development. During this period Milk feeding between the third and the sixth month after delivery of the baby is also essential.

Up till the financial year 2020 the government's maternity benefit scheme, or Pradhan Mantri Matru Vandana Yojana (PMMVY), has attained 1.75 crore beneficiaries and these, eligible women have got the total credit of their respective amount. Under this a total sum of Rs. 5,931.95 crore was paid. This was paid to 1.75 crore eligible beneficiaries between the financial year 2018 and 2020.

The scheme has seen many women enrolling themselves as beneficiaries and these women also have availed cash benefits apart from that the essential education that is needed to raise the child, proper immunization needed to ensure the safety of the mother and the child were provided that ensured that the mother though first time do not miss upon the finer details that will ensure that the mother and the child is safe and secure. This scheme has gone to the length of providing basic education to the mother with regards to the medical needs that needs to be administered to the child for the safety and the initial growth of the child. This program need a further boost,

considering the fact that India is a densely populated country and the population of the country is growing every single day and mostly its unregulated ,therefore Governmental schemes like this should be made accessible and even to the remotest of the areas that are not connected with the cities and towns so that women who are in much need of this scheme especially in the Rural areas can get associated with this scheme and get the benefit, the mortality rate has also reduced , but its a long way to go to ensure India is at par with the world's most developed economies.

Restructured Weather Based Crop Insurance Scheme (RWBCIS)

Background

India is an agrarian society, close to 65% of the population are directly or indirectly dependent on agriculture. Since majority of the Indians live in Rural India and it's also said that India resides in their villages, therefore majority of these people are connected to the profession of agriculture, being their core profession. Therefore it will not be wrong to say that farmers are the backbone of the Indian society that we live in and farmers being the spine of the country. In contrast to all this, even though the farmers are considered to be the backbone of the country there are several problems those are inflicting these masses. Not denying the fact that the Indian farmers make 17% of the contribution to the India's economy. Despite all this the life that the farmers in the country lead is abysmal. Since most of their income that they generate is from the farm produce only.

If we go back to the year 1970 India was not a self sufficient country in terms of producing its own food. Rather it was heavily depending on other countries for its basic needs around the food grains and pulses. It has to import large quantities of food grains to meet its people needs. It was only when our importers started using this situation to their advantage that the then Prime Minister Shri Lal Bahadur Shastri with his strong determination and resolve choose to get self reliant in the food grain production. He motivated and directed the Indian farmers to start producing Food grains locally so much that we do not have to be dependent on any countries to meet our local demands. He was the leader ot give the slogan "Jai Jawan Jai Kisan", which is fondly remembered even todate. After this initiative not only India became self reliant in food grains but also became a big exporter of food grains to other countries including developed nations.

Farmers are called as "Anna Daatta" (Food provider) since they feed the entire country but the crux of the matter is ,this only Anna Daatta (Food provider) is unable to meet his two square meal daily. They are financially burdened since there are loans that they have taken on that the farm lands are not big enough to generate enough resources. It has been seen that many of the farmers on look out for new alternatives of jobs have migrated to new town and cities and they have left their villages in order to have a better source of earning. This migration has not solved any ones problems rather it becomes difficult for them to start a new thing after years spending on farm lands.

There are various factors that contribute to a good produce of the farm land, seeds plays a very important role or can be called as a fundamental need in the process of farming. Therefore the prices of the seeds plays a very important role since the better crop produce are from better quality seeds. And if a certain quality seeds those are needed are available than the farmers do not have enough resources to pay for the same. Therefore many of the farmers are forced to use low quality seeds and as a result of which the farm produce are not of the quality that was expected.

There are several other reasons associated to the plight of the farmers to the nearest cities and towns. Another important reason is the uncertain climatic condition that has inflicted the might of the farmers. The monsoon generally hits India in mid-June or in July, but due to the change in the world order climatic condition which has also badly impacted the Indian climatic condition the monsoon hits the country during months that cannot be predicted and calculated. Another issue that creates a problem for the farmers is the lack of irrigation facility.

One of the most essential needs that a farmer should have with them on their farm is the irrigation facility. Unfortunately out of the total farm land that India has only 1/3rd of it in

India is having the irrigation facility. Among states in India Punjab has the best irrigation facility, although India has the second largest irrigated land in the world but still India faces the scarcity. Though India has rivers but the level of the water in these rivers do not stay same throughout due to which the farmers depend heavily on the irrigation facility.

These reasons has pushed Indian farmers behind and made them less competent in comparison to farmers in the world. They have become less competent since they aren't able to utilise their competencies efficiently due to the limiting factors that is pushing them in to hardships. Over this the size of the land that a single farmer possesses is becoming lesser in size, generation after generation due to the division of the land among themselves. It's not just the patches of land has become smaller but also they have become fragmented. As a result using technology for most of the farmers have become a challenge.

For lot many years now farmers have used extremely few methodologies for protecting their farm lands from the weather inconsistencies. Since decades now farmers have been using traditional and orthodox equipments to plough their fields, even todate the use of animals is a common view employed by farmers to plough their fields. The absence of technologies, irrigation has contributed to the waste of the strengths of the farmers.

Weather conditions like heavy rain, drought, unequal rain, less rain and different weather conditions have contributed to the inconsistencies. This has contributed to 90% of the crop failure. The change in the climatic condition has resulted in migration and increase in the rural population.

In order to help farmers face these uncertain periods and to help the farmers have better produce the Union cabinet that was chaired by the Prime Minister Narendra Modi has approved "Restructured Weather Based Crop Insurance Scheme (RWBCIS)". This scheme was introduced to attain following broad objectives for the insured farmers –

-To fight against and get away with the existing challenges that is acting as a hurdle in the implementation of the Crop Insurance scheme.

-To help farmers fight the possibility of financial and economic losses that may arise on account of the anticipated crop loss that has arisen out of the adverse climatic conditions. This may include the adverse climatic conditions like rainfall, wind, excessive heat, humidity among others.

There are various crops covered under this scheme. Cereals, pulses, oilseed, millets, vegetation of different types are covered under this scheme. The farmers can also share the land and in that condition sharecroppers and the tenant farmers for all the notified crop will be eligible for the compensation in case of the genuine claims. Farmers having the insurable interest in the srop shall be compensated and not other than that. Famers who haven't taken the loan are required to provide the documentary proofs that suffices the ownership.

With these changes it is expected that farmers would be able to manage risk in agriculture production in a better way and will succeed in stabilizing the farm income.

Amidst all the benefits that this policy provides to the insured there are also limitations that inflict the application and sustainability of this scheme – Insurance companies generally wants two things , low risk associated and low correlation in the threats that the policy states . The scope of the danger of weather conditions are pronounced and whenever the bad weather hits the likely hood of the claims to be paid becomes much higher.

Prime Minister various insurance schemes has tried to cover various areas of people's life. These schemes are meant to benefit the larger section of society especially the marginalised and the under privileged , the schemes of insurance has covered areas like, life insurance, old age pension, crop insurance and the insurance against the uncertainties, maternity insurance, life insurance, accident insurance. With that it can also be seen that crores of rupees were disbursed as coverage amount. What is needed now is that the awareness of the schemes should be done in all possible ways by various agencies and it should be ensured that the neediest person is covered and that their claims get settled without much botheration and delays galore. TJ

Thought Provoking Process through Essay Writing Competition

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Just after joining the prestigious learning centre, the temple of GODDESS SARASWATI, as Faculty (Life), was asked to pen a few words on any topic of interest for this Q4 journal, where every year, award winning essays are published. So thought that based on the professional background as Cost & Management Accountant and Company Secretary, instead of bringing out technical topics like Z-Score Analysis and ESG (Environmental, Social and Governance) etc. as my first Article as Faculty, why not throw some light on what finally emerges out of Essay Writing Competition, the winning entries of which are published every year in Q4 journal of The Insurance institute of India.

With the aforesaid thought in mind, penning a few words over here.

As the readers might have witnessed and read the following Essays published in this journal, they might have also been provoked by the very thoughts of the name of the topics itselves :-

1) Listing of Insurance Companies and the effect on functioning and regulatory reporting
2) Will regulation of health service providers (Hospitals) help insurance companies to improve the results?
3) With the advent of technology, how long Insurance Agent will survive in Insurance distribution/ intermediation?
4) Changes in opening model by Non-life insurance Companies in view of Covid-19 pandemic
5) The enabling factors behind success of Ayushman Bharat – PMJAY
6) Deepening the market riding on the Prime Minister's insurance schemes

The very first topic raises thoughts galore in mind as to what, why and how of listing and then what do many terms like relevant IRDAI / SEBI Regulations, DRHP, IEV, APS 10, VNB Margin etc. etc. really mean in a layman's world and then we keep reading the relevant stuff and analyse as to how the so far listed entities are different than those which are not listed.

Here in the light of listing, would like to quote the following words in verbatim by the Honourable FM, when she announced the listing of the mammoth LIC in her Budget speech:-

"Listing of companies on stock exchanges disciplines the company and provides access to financial markets and unlocks its value.

It also gives an opportunity for retail investors to participate in the wealth so created. The Government now proposes to sell a part of its holding in LIC by way of Initial Public Offer (IPO)."

So the opportunity of participation by retail investors in the wealth created through listing is the essence, apart from unlocking value of entity to be listed and disciplining the same in view of compliances with regard to disclosure requirements.

Generally listing is said to be the subject matter of Securities and Exchange Board of India (SEBI), however in case of Insurance Companies, no company can approach SEBI without prior approval of Insurance Regulatory and Development Authority of India (IRDAI) in view of the following two important Regulations :-

a) IRDAI (Issuance of Capital by Indian Insurance Companies transacting Life Insurance Business) Regulations 2015
b) IRDAI (Issuance of Capital by Indian Insurance Companies transacting other than Life Insurance Business) Regulations 2015

As regards SEBI Regulations , the following two Regulations are important to comply, first before listing and second after listing :-

i) SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
ii) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Perhaps readers may be well aware of the term DRHP (Draft Red Herring Prospectus), which is an important Disclosure Document for prospective investors (shareholders) in the company. Interestingly, Red Herring is referred to a sort of fish in red colour. However , there is no fish species called "red herring", rather it is a name given to a particularly strong kipper, made from fish (typically herring) strongly cured in brine or heavily smoked. This process makes the fish particularly pungent smelling and, with strong enough brine, turns its flesh reddish. Thus the term "red herring" is derived from the bold disclaimer in red on the cover page of the preliminary prospectus which states that a registration statement relating to the securities being offered has been filed with the Regulator but has not yet become effective.

Indian Embedded Value (IEV) is another important term during listing process, which represents the present value of shareholders' interests in the earnings distributable from assets allocated to the covered business after sufficient allowance for the aggregate risks in the covered business.

The IEV consists of the following components:

a) The free surplus allocated to the covered business;

b) The required capital identified to support the business; and

c) The value of in-force covered business ("VIF").

The value of future new business is excluded from the IEV. Each of the components of the IEV is defined in Actuarial Practice Standard (APS) 10.

VnB (Value of New Business) is also another important term, which is the additional value to shareholders created through the activity of writing new business. Arising out of that, the term VNB margin is the most important metric that a shareholder must track. VNB margin indicates the profit margin of Life Insurance Company. It is calculated by dividing the Value of New Business by Annualized Premium Equivalent (Regular Premium +10% of Single Premium).

The author of winning entry has brought out aforesaid issues of importance to enable the readers understand basics thereof.

Second topic deals with significance of regulation of health service providers (Hospitals) in improving the results of insurance companies.

While reading the winning entry, the readers might have related the same with the importance of regulation in the context of what was experienced by almost all during Covid Outbreak and how Health Service Providers complied with the same with ultimate objective of reaching the needy one satisfactorily and that too in coordination with Insurance Companies.

In fact, in case of ill health and required treatment therefor, what a mental relief it could be for the one being treated and for all kith and kin around him/her , if entire gamut of treatment of illness is taken care of by insurance companies within these regulatory framework for Health Service Providers. Certainly this leads to better the servicing standards by insurance companies for common man especially in the competitive world.

As stated in the winning entry, expense / claim and solvency ratio play an important role, the insurance being a capital intensive venture. In the process, the insurance companies in coordination with health service providers strive for bigger pie in customer satisfaction index, ensuring that there are least number of un-redressed grievances.

Highlighting healthcare models operating globally, the author of winning entry has covered great inputs for insights to the topic for awareness of the readers.

Third Topic of technological developments and resultant struggle by distribution channels, especially insurance agents, for survival has been dealt with quite well by the author.

As rightly expressed, today's insurance agents are making most of the technology and as a result, are enhancing their servicing standards to compete well with other distribution entities.

Available analytical tools circling around the great prominent research of the day in the popular name of Artificial Intelligence (AI) are helping a lot in not only locating prospective clients but also retaining the clients in best possible manner.

Author has, simultaneously, brought about the limitations of AI as insurance selling by Agents is a

personal emotional connect so blending of Hi-Tech with Hi-touch has beautifully been touched by the author as that creates emotional bondage of the customer with the intermediary.

Highlighting the importance of Technology, author has focussed on how the same is Win-Win for both the agent and the customer as both get important, needed information about each other at their finger's click.

Besides, the technology, being a boon in customer connect in pandemic era, is not a matter of only talk now as the same has been experienced by one and all as to how it helped everyone to connect and discharge functions smoothly, especially in area of insurance services, be it medical /health insurance or claim payments to the insured ones.

Finally, despite technological needs and up-gradation, the author has showcased with data the indispensability of agency channel amongst all other available distribution channels. Reference of LIC's successful app ANANDA for agents has been beautifully brought out to emphasise the importance of technology for Agents in today's digital world of millennials. ANANDA app of LIC is in fact Atma Nirbhar Agents New Business Digital Application where from proposal stage to issuance of insurance policy is done on the app in the shortest possible time.

Author has also touched upon very important regulation on PIVC (Pre Issuance Verification Calls), which is a regulatory compliant digital solution for insurers whereby insurance companies are required to verify that the proposal solicited by insurance Agents matches with the needs of the customer.

Despite winning entry on the subject of survival of insurance agent amid technological development, the conclusion of the author that Insurance is much beyond technology is a great thought provoking confession indeed.

Fourth topic enlightens the readers about changes in operating model by Non-life insurance companies in view of Covid-19 pandemic.

All the nine points mentioned by the author as working models of non-life insurers are quite informative with exhaustive analysis of operating models.

Further management strategies for non-life insurers along with the way ahead are quite interesting to read as the readers can very well relate to them in view of nature arranged experiences faced by almost everyone in the recent Pandemic era.

Fifth topic elaborately discusses the most talked about Ayushman Bharat, which aims at caring for every one's priceless life to let one live as long as possible.

When we hear the advertisement in radios and other media about Ayushman Bharat, we become immensely curious as to what it is. The author has beautifully dealt with all curiosities with regard to that, especially as a fall out of not so successful Rashtriya Swaasthya Bima Yojana.

In fact, wide publicity of Ayushman Bharat in almost all media channels makes it much successful health mission, as the same is coupled with two important related components namely Health and Welfare Centres & Pradhan Mantri Jan Arogya Yojna. Clear definition of rural and urban beneficiaries by National Health Authority and the issuance of Ayushman Card and presence of Arogya Mitra make the scheme more popular and accessible for common man. Review and monitoring mechanism also along with real time MIS are also said to be quite effective under the Ayushman Bharat, which makes it more talked about today.

Finally, two winning entries on quite interesting topic "Deepening the market riding on Prime Minister's insurance schemes" are also much informatively put by both the authors.

All Govt. schemes since opening of sector and also during journey of gradually increasing FDI, have been nicely explained as those increasing insurance penetration with deepening the market on continuing basis. Mention of insuretechs (which refers to the use of technology innovations designed to find cost savings and efficiency from the current insurance industry model) unicorns make reading more interesting one, especially the fact that global funding therein has been increasing over the years.

Background, evolution and growth with data analysis of important indicator like penetration, referring to the Economic Survey, are dealt with quite methodically to make the reader

abreast of these vital information with regard to insurance market. And yes, how multiple state and central govt. schemes, both in life and non-life insurance, are helping to gradual increase in insurance penetration i.e. deepening the market, have been dealt with nicely, simultaneously detailing logical reasons for still low insurance penetration as compared to global level.

Role of new age companies like Lemonade and Toffee in increasing penetration through short term and byte sized products meant for millennials is quite useful information to know about. Besides arising out of Pandemic, how innovations have taken place in meeting out consumer needs by all stakeholders and especially through Govt. schemes suggests as to how all out efforts are being made as per needs of the hour. Finally, the regulatory changes being made by the regulator in the regime of new chairman are nicely touched upon, bringing out the likelihood of way ahead in further deepening of market as a result of aforesaid steps.

Thus with this exercise of winning articles, readers might have got the opportunity to know a lot about different varied topics. In fact, continuous gaining of knowledge is so important in our life to quench the thirst of discovering our ignorance as Lala Har Dayal, renowned revolutionary and freedom fighter said:-

“Had I been gifted immortality like Tithonus, I would have devoted a hundred years to the study of History, a hundred years to the study of Geography and a hundred years to the study of Astronomy and so on and so forth. But Alas ! Our lives are reckoned in months, years and hardly a century and we die before we know that we have learnt nothing.”

So, in stead of saying that we read for knowing, let us keep reading for discovering ignorance as what we do through reading is removering cover from what is said to be known.

III wishes its readers a very happy ongoing reading with varied topics in updating themselves of what is happening around with a request to retain what they have been knowing day in and day out through such reading and try their level best to remain WISE as a poet has mentioned while classifying persons into following four categories :-

One who knows what one knows is a WISE man, follow him.

One who knows what one knows not is a CHILD, teach him.

One who knows not what one knows is ASLEEP, awake him.

One who knows not what one knows not is a FOOL, shun him.

Happy reading…………………..III Journals !! TJ

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   iii. Line spacing: Double

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6. **Tables and Figures:** Diagrams, Tables and Charts cited in the text must be serially numbered and source of the same should be mentioned clearly wherever necessary. All such tables and figures should be titled accurately and all titles should be placed on the top after the number. Example: Table 1: Growth Rate of Insurance Premium in India (1997-2010).

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9. Usage of abbreviations in the text should be avoided as far as possible and if used should be appropriately expanded.

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Sr. No.	Name of the program	Program date	Type of Program	Fees for Residents	Fees for Non-Residents
December 2022					
1	Health Insurance: A Growing Opportunity for Business and Security	1-2 December 2022	Offline-Calendar Programme- Kolkata	Rs 10000 + G.S.T.	Rs 7200 + G.S.T.
2	Health Insurance: A Growing Opportunity for Business and Security	1-2 December 2022	Online-Calendar Programme- Kolkata	Rs.6000/- + 18% GST	
3	Workshop on Soft Skills for Future Leaders	5-6 December 2022	Offline-Calendar Programme- Mumbai	Rs 10000 + G.S.T.	Rs 7200 + G.S.T.
4	Investment Management in General Insurance Companies	8 December 2022	Online-Calendar Programme- Mumbai	Rs.1500/- + 18% GST	
5	Reinsurance Treaty	12-13 December 2022	Offline-Calendar Programme- Mumbai	Rs 10000 + G.S.T.	Rs 7200 + G.S.T.
6	Certified Insurance Anti Fraud Professional (CIAFP)	14-16 December 2022	Offline-Calendar Programme- Mumbai	Rs.7500/- + 18% GST	
7	Mega Risk Project Insurance	19-20 December 2022	Offline-Calendar Programme- Mumbai	Rs 10000 + G.S.T.	Rs 7200 + G.S.T.
8	Liability Insurance - Financial Lines	22-23 December 2022	Offline-Calendar Programme- Mumbai	Rs 10000 + G.S.T.	Rs 7200 + G.S.T.
January 2023					
9	Life Insurance Underwriting: Opportunities and Challenges	3-4 January 2023	Offline-Calendar Programme- Mumbai	Rs 10000 + G.S.T.	Rs 7200 + G.S.T.
10	Bancassurance for General Insurance Managers	6 January 2023	Online-Calendar Programme- Mumbai	Rs.1500/- + 18% GST	
11	AML & KYC for Insurers	9 January 2023	Online-Calendar Programme- Mumbai	Rs.1500/- + 18% GST	
12	Bankers Indemnity Policy with Focus on Cyber Security and Computer Crime	17 January 2023	Online-Calendar Programme- Mumbai	Rs.1500/- + 18% GST	
13	Managing Marine Cargo Underwriting and Claims - Different types of Cargo	23-24 January 2023	Offline-Calendar Programme- Mumbai	Rs 10000 + G.S.T.	Rs 7200 + G.S.T.
14	Aviation Insurance	30-31 January 2023	Offline-Calendar Programme- Kolkata	Rs 10000 + G.S.T.	Rs 7200 + G.S.T.
February 2023					
15	Health Insurance : Medical Management and Fraud Control	6-7 February 2023	Offline-Calendar Programme- Mumbai	Rs 10000 + G.S.T.	Rs 7200 + G.S.T.
16	Reinsurance Treaty and Facultative Underwriting, Designing and Placements	13-15 February 2023	Offline-Calendar Programme- Mumbai	Rs 15000 + G.S.T.	Rs 10800 + G.S.T.
17	Cattle Insurance, Live Stock and Pet Insurance and other forms of Rural Insurance	20-21 February 2023	Offline-Calendar Programme- Mumbai	Rs 10000 + G.S.T.	Rs 7200 + G.S.T.
18	Management of Renewable Energy Insurance-Solar & Wind	23-24 February 2023	Offline-Calendar Programme- Mumbai	Rs 10000 + G.S.T.	Rs 7200 + G.S.T.

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RNI No. MAHENG/2013/50733

ISSN No. 2278-6759

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