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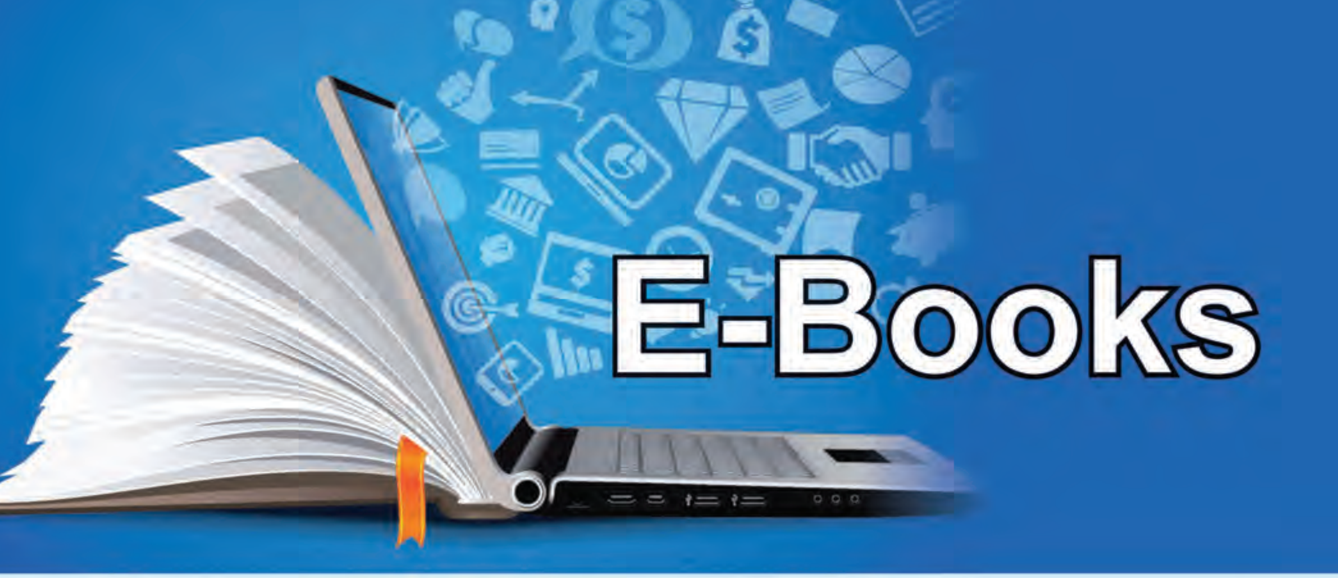
'Changes in Insurance Business Post Covid 19'



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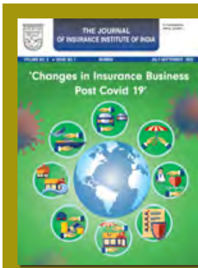

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EDITORIAL

The First World War had almost come to a conclusion. The geopolitical scenario had undergone a change and it appeared that there would be possibility of lasting peace. Then came the hit. A silent enemy emerged from nowhere and attacked humans in Europe. As soldiers started going back to their respective countries this silent killer went along with them, and multiplied in those countries and continents. This killer was termed as Spanish flu. It created havoc, killing a large number of people. The world was not ready to handle it and waited for it to withdraw on its own. But economic activity was not paralysed and continued, though with some disruptions.

A century later, yet another silent killer emerged out of China. It was identified to be a variant of a known virus called Coronavirus. Soon the World Health Organization (WHO) named it COVID-19. As the virus spread, the world panicked. Country after country sealed their borders and we became familiar with the word lockdown. But fortunately, this time the world was better prepared technologically. Forceful efforts were made to develop a vaccine in the shortest possible time. The efforts bore fruit and vaccines were developed and quickly produced in large volumes. Sizeable populations were vaccinated rapidly. But the hit to the global economy was tremendous and perhaps unparalleled in history.

With vaccinations in place, countries and economies started opening up. Yet COVID-19 continues to have a significant impact on society, business and the global economy. The insurance industry has also faced challenges during the pandemic and the global insurance market has completely changed. Keeping in mind the changes that have taken place, the July –September 2022 issue of The Journal focuses on the very important topic 'Changes in Insurance Business Post COVID-19'. Thought provoking and insightful articles have been received on this subject.

Mr. Y. Krishnamohan, Faculty, College of Insurance in his article 'Changes in Insurance Business Post COVID-19' focuses on impact of the pandemic on Indian Insurance industry and how the industry is adjusting itself to the new normal and the outlook of this Industry for coming years.

Mr. Sanjay Singh in his article titled 'COVID -19 and the Mutability of Insurance Business' talks about impact of COVID-19 and changes in the world's economy and also insurance business. Mr. Jagendra Kumar in his article titled 'Post Pandemic, says Insurers quickly adapted to the New Operating Environment and talks about how insurance business changed with insurers adapting to new technologies after COVID-19.

Dr. Jharna Tolani focuses on the past and current situations in the insurance sector with reference to the travel services industry in the article titled 'After Effects of COVID-19 on Travel Insurance Business'. Ms. Nimisha Rastogi talks about customer behavior, digitization, omnichannel agility, business ecosystem during and post covid 19 in her article titled 'Changes in Insurance Business Post COVID-19'. Ms. Farzanah Chowdhury's article 'New-normal non-life insurance business in Bangladesh' discusses negative attributes in the sectoral growth of Bangladesh due to pandemic and how insurance companies of Bangladesh have started to emphasize on insurtech and digital insurance.

Included also are a few articles away from the theme this issue. 'An Analytical Study On Awareness Of Insurance Policies Among Labour Class In City Like Mumbai' by Ms. Aparna Sanjay Ger and Dr. Riddhi Tambi, 'Addressing The Risks Faced By Msmes Through Bespoke Insurance Solutions' by Ms. Srinidhi Venkatesh, 'Growing need for insurance education in B-schools' by Mr. Venkatesh Ganapathy, 'Insurtech: The game-changer for the Life Insurance Industry' by Vineet Saxena, "Proposed Property Title Insurance in India"- The Three-Edged Balanced Driver of the Economy: GDP, Wealth and Welfare by Dr Kalyan Mukherjee and 'Role of Blockchain in facilitating Insurance Business: A way forward' by Dr. Rajesh Verma and Ms. Harshita Katyal.

The next issue of the journal will be mainly devoted to Prize Winning Articles of the various essay writing competitions conducted by the Institute for the year 2022. Articles that are rich in content and of high interest may also be considered.

The theme for January – March 2023 is **'Demographics and Insurance'** and for July – September 2023 is **'Vision Zero- Role of Insurance'**.

Happy reading.

Editorial Team

Changes in Insurance Business Post Covid-19

Abstract

According to India Brand Equity Foundation's Insurance Industry Report, the life insurance industry is likely to grow at a CAGR (Compound Annual Growth Rate) of 5.3% between 2019 and 2023. The situation, although, was a little different a year back. The Coronavirus outbreak had brought the whole world to its knees. It's been more than two years since the Covid-19 pandemic disrupted the world economy, yet the insurance industry is still experiencing its aftershocks.

The implications of the pandemic on the insurance industry were severe as the world markets were undergoing VUCA (Volatility, Uncertainty, Complexity and Ambiguity). Capital market volatility, asset risks had weakened the premium growth prospects. This article studies the impact of the pandemic on Indian Insurance industry and how the industry is adjusting itself to the new normal and the outlook of this Industry for coming 5 to 7 years with the help of qualitative and quantitative data and the opinions expressed by consultants, surveys, and the prominent magazines and personalities related to insurance industry and commerce. In my study I focused more on the qualitative changes in that have been into the new Normal and the behavioral changes of the customers, the employees, those have been taking place aftermath of Covid-19 and the growth drivers for the industry to move on.

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Keywords

Insurance Industry, Life Insurance Industry, Coronavirus, Covid-19, Covid-19 Pandemic, Coronavirus Outbreak. New Normal.

Abbreviations

CAGR (Compound Annual Growth Rate), IRDAI (Insurance Regulatory and Development Authority of India), WHO (World Health Organization), GI (General Insurance), L&P (Life and Pension), IoT (Internet of Things), WFH (Work from Home), APE (Annual Premium Equivalent).

1. Introduction

It is difficult to get hold of something singular and specific when everything else is falling apart. And this is exactly what everyone was feeling two years ago. The time was uncertain, and the future was unpredictable. Every business and industry in the world was somehow trying to survive through the pandemic day after day and counting the days to come for relief. The insurance industry was no exception to it either. But, in a potentially encouraging direction, I now believe the time has come to call it a day. As intense and ruthless as it was two years ago, the pandemic now seems less vibrant and lethal. From surviving through it to thriving after it, businesses have come a long way and no exception to insurance industry.

On March 11, 2020, The WHO (World Health Organization) declared Covid-19 a pandemic after recording cases in over 110 countries around the world. At a media briefing, Dr Tedros Adhanom Ghebreyesus, director-general of WHO, said that the crisis will touch every sector and all of them should be involved to fight it tooth and nail. In order to hold the proliferation of the pandemic cases further globally, a total lockdown followed in almost all the counties including our country with a ban on travel domestic and international, closure of offices and public gatherings. Businesses and industries were closed across the nation. Many lost their lives and many more lost their jobs.. As the days were passing by, the situation turned from bad to worse. The number of infected people was rapidly increasing which was significantly greater than the recovery of infected people. Soon, the situation overwhelmed governments and impacted badly the Economy of the country. Manufacturing and service sector are the worst affected as the entire country is Lock down.

Impact on domestic Insurance Industry

As days passed and the condition worsened, the insurance industry found itself at the center of the unsettling storm that was intensifying with seconds on the clock. Although the insurance industry is designed to sustain risks that are on hand, response to a crisis as acute as Covid-19 can never be even thought of, leaving aside planning in advance. The insurance industry is itself driven by risk analysis and crisis planning, but the event of such extent could have never been pre-analyzed by the industry as it is not predicted at all as the Pandemic Covid-19 is the worst of all 20 major endemics and Pandemics of last century. All policyholders, including individuals and businesses, were experiencing the extremities of the crisis. Everyone expected insurance companies to commit fully and live up to their responsibilities. The industry was taking calls about business interruption policies, changing coverage and appeals to pay claims for life and health. There was a severe stress on the industry from two facets.

One was that there would be lot of health claims over and above the expected number. Second is that if, the claims were not duly settled in time, there would be a reputational risk to the companies, which was even more threating as trust and reputation were the foundations of Insurance companies who deals with contracts and businesses of long term in nature.

The pandemic has put the whole industry in a vulnerable position. Unmasked risks and economic instability made the matter even worse. The multi-faceted nature of Covid-19 affected almost every sector of the industry involving insurance coverage. It includes trade credit insurance where cover is provided to businesses if customers who owe money for goods or services postpone or refuse to pay. It also enclosed business interruption, cyber liability because of the increased WFM (work from home) and event cancellation. For instance, due to the cancellation of Wimbledon, the world's oldest tennis championship that was held in London every June, had expected insurance coverage of £114 million because of event cancellation (Brodies LLP, 2020). Another example of an event postponement insurance coverage is of Olympic Games that were held in Tokyo. Analysts of Jefferies estimated the insured coverage was $2 billion (Insurance Journal, 2020).

1.1. Indian Insurance industry before pandemic

LIC (Life Insurance Corporation) was India's only life insurance provider two decades ago. National Insurance, Oriental Insurance, United India Insurance and New India Insurance were also part of the list and they provided general (non-life) insurance. The sector gained momentum after the new private sector companies were introduced in the year 2000.

The Number of Registered Insurance Companies in India as at 31st March 2021:

type of Insurance	Public Sector	Private Sector	Total
Life	1	23	24
Non-Life	4	21	25
Standalone Health		5	5
Specialized Insurers	2		2
Reinsurance	1	10	11
TOTAL	**8**	**59**	**67**

Table No 1.1

*Data extracted from IRDAI Annual Report 20-21 Page No 29.

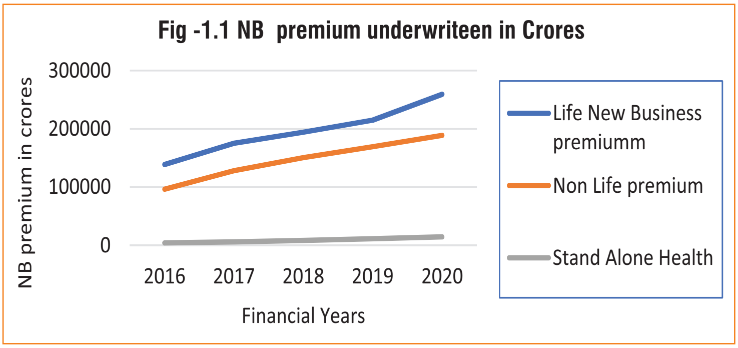
India's share in global insurance market was 1.69 per cent during 2019 (1.58 per cent in 2018). However, during 2019, the total insurance premium (Life and Non-Life) in India increased by 9.21 per cent (6.9 per cent inflation adjusted real growth) whereas global total insurance premium increased by 2.34 per cent (2.9 per cent inflation adjusted real growth) (source: Swiss Re, Sigma No. 4/2020).

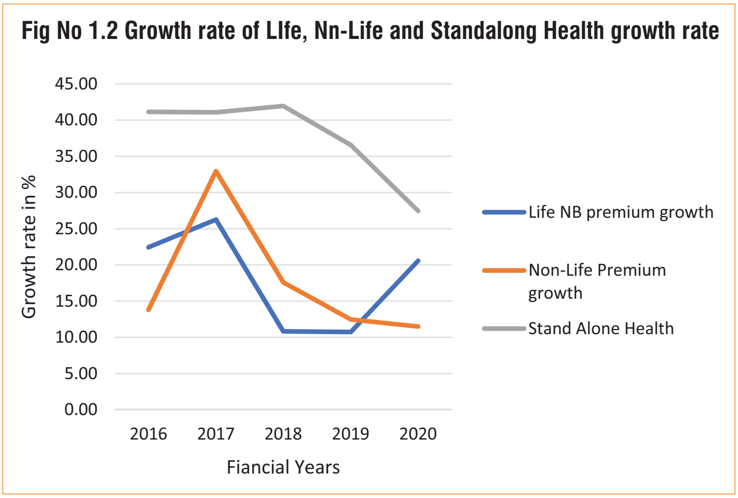
During the first decade of insurance sector liberalization, the sector has reported increase in insurance penetration from 2.71 per cent in 2001 to 5.20 per cent in 2009. Since then the level of penetration was declining and reached 3.30 per cent in 2014. However, the insurance penetration started again increasing from 2015 and in 2019, penetration was 3.76 per cent. The level of insurance density has reported consistent increase from USD 11.5 in 2001 to USD 64.4 in the year 2010. Since then the level of density was declining up to 2016. But, it started increasing from 2017 and in the year 2019, the insurance density was USD 78.

Sector wise premium collected in the Insurance from FY 2016 to FY 2020 is shown in Table No 1.2 and the corresponding growth rates are shown in Table No 1.3.The New Business Premium underwritten is shown in plotted line graph in Fig 1.1and growth trajectory for the corresponding figures is shown in Fig No 1.2.

Growth trend of Insurance Sector from FY16 to FY20 just before Pandemic lockdown

New Business Premium Underwritten in crores				New Business Premium growth			
FY	Life	Non-Life	Standalone Health Insurance	FY	Life	Non-Life	Standalone Health Insurance
2016	138765	96379	4152	2016	22.45	13.81	41.13
2017	175202	128128	5857	2017	26.26	32.94	41.06
2018	194153	150662	8314	2018	10.82	17.59	41.95
2019	215003	169448	11354	2019	10.74	12.47	36.56
2020	259262	188916	14472	2020	20.59	11.49	27.46
Table 1.2				Table1.3			





All sectors registered positive growth over the last 5 yea period. Life Insurance industry was going at a good growth and also sharp. The trend is very much encouraging.

2. Impact of Covid-19 on Individual Insurance Sectors

The Covid-19 pandemic has significantly impacted every individual, business, industry and global economy. The insurance industry couldn't escape from it either but because of the insurers' quick response to the pandemic, they were able to escape from cataclysmic events. Within the industry, the pandemic showed different impacts on different sectors. Some are intense and others are moderate. In all of these sectors, the insurance industry will face new challenges but will also see new opportunities in long term.

As per article "COVID-19: Implications for business," April 2020, McKinsey.com.

The outbreak has already heavily affected the global insurance sector; the insurance index decreased by 22.6 percent between December 31, 2019, and April 9, 2020, and this impact will likely last until Q4 2020. In India, share prices in the insurance sector dropped by 25.9 percent during the same period. This sharp decline in the insurance sector has been largely due to the operational and balance-sheet challenges posed by the crisis, including disruption in new business and policy servicing as well as drops in interest rates and pressure on in-force blocks with rate-sensitive guarantees.

2.1. Impact on General Insurance

The impact on general insurers varied based on the types of products and coverage offered on those products by the insurance company. As the Covid-19 pandemic has taken a toll on every line of business, including travel, events and trade credit insurance, the losses in coverage in these lines were significant. The government has imposed a complete lockdown restricting people to travel out of their homes. People were homebound and that's why motor and home lines stayed stable during the crisis. Motor insurance offers vehicle insurance protection from incurring financial losses caused due to damage or theft of the vehicle. As there were only a few vehicles carrying out the only essential operations, claims of personal and motor lines decreased greatly. On the other hand, business continuity perspectives were initiating a large volume of claims. In this line, insurers faced unhealthy losses and had to be kept aware of potential policy exclusions as well as government expectations for a non-legalistic, pro-consumer approach to claim evaluation.

There were some prominent cases when GI (General Insurance) insurers provided rebates and credits to individual and business policyholders due to restrictions. In the initial phase, GI insurers responded admirably as the maximum workforce was working remotely from the home. During this time, the insurers also faced lag in work, especially with contact center operations and third-party service providers. Over the period and as time demanded of it, the insurers made their digital presence to respond to customer service and engagement needs. In terms of investing, financial market volatility didn't impact GI insurers, particularly because government bonds have been relatively unscathed by the crisis. General insurers faced several challenges during the pandemic but also see many new opportunities in the medium to long term.

Figure 4. Gross Incurred Claims (2010-2020)

2.2. Impact on Life and Pensions

The consumer spending power after the Covid-19 pandemic reduced significantly. It also affected employment and economic activities. Its adverse effect on the Life and Pension Insurance Sector was vibrant and serious. To prevent a significant number of defaults, insurers are offering payment breaks. The influence of market volatility and general uncertainty on consumer confidence resulted in a fall in consumer spending power. Life insurers anticipate that this will result in considerably reduced new business volumes for an indefinite period. Other than the lower new business volume and increasing lapses, the industry also noted a significant drop in market values and interest rates. This then spread more concern and panic in the industry, resulting in financial strain and expense cuts. Many of those who succumbed to the disease was of the age that was not covered in the policy, the insurers didn't see a large volume of life claims. However, the anxiety of seeking hospital or medical assistance, as well as the general stress of self-isolation, may raise mortality for other groups.

Similar to the general insurance companies, the life and pension insurance sector managed to do well during the crisis. As self-isolation was promoted around the world, the L&P insurance sector was made to adapt to digital assistance due to the nature of its products and dependency on agents and other intermediaries. The life insurance industry actually accounted for the 3.2% penetration in FY21.

2.3. Impact on Health Insurance

To know and calculate the precise impact of the Covid-19 pandemic on health insurance is a little difficult. Even if it was, it won't be uniform. The world has diverse health systems. In a few, the government mandated private hospitals to redirect their support to the Covid-19 outbreak, whereas, in others, they volunteer their support. This resulted in lesser claim volumes in the short term. Some may expect credits or rebates as they paid for the private hospital but were not distinguished from a public patient. The government in the country themselves treated infected patients which takes stress off healthy insurers. Growing clusters of disease and mortality in nursing homes, on the other hand, is a troubling trend, and insurers' potential liability is unclear. Operationally, healthy insurers have experienced a few of the same resilience challenges that GI and L&P did. As with both, the health insurance sector will experience enhanced digital capabilities and follow the remote support and medical cancellation due to self-isolation rules. In light of the crisis, medium-term governmental spending is expected to grow significantly. In the long run, it is supposed to drive higher penetration of private health insurance.

2.4. Impact on Reinsurance

The impact of the Covid-19 outbreak on the reinsurance sector is entangled and hard to quote. There was increased demand in some areas whereas the few were pulling in more claims and losses. Sometime before the pandemic, reinsurers had strategically invested in riskier and more illiquid assets. This investment strategy helped the insurers generate an additional return in a low-interest environment. This later helped them manage the economic impact of the Covid-19 outbreak on the industry. The pandemic has same effects on the reinsurers it has on the insurers. Their impact is mostly dependent on the demographic side of heavily reinsured business lines. On Life & Pension business, the reinsurer's loss is loosely dependent on the mortality rates. Loss in GI, on the other hand, will be measured by clearly stating the event that has driven the most losses. The loss in individual reinsurance will be based on whether Covid-19 is covered by them as an event. Reinsurers may have to pay certain claims due to pressure from the government, society and regulations. The health insurance sector will be an exception to certain cases. Rebates will be expected and decided between the insurer and reinsurer.

The reinsurance sector is still bearing the ongoing damages presented by the pandemic. They also have a large role in managing the effects of pandemic. The market is likely to change significantly in the future. The insurance business in India will bring rising trends like as product innovation, multi-distribution, improved claims management, and regulatory changes in the Indian market as income rises and purchasing power and family savings expand exponentially.

3. Impact on Different Aspects of Insurance Industry

Soon after the pandemic, various aspects of the insurance industry started crumbling under its pressure. Customer, claims, strategy, service delivery, workforce and everything else were devastated under the impressions of pandemic. The situation has presented the insurance sector with both immediate and potential challenges in the near future.

3.1. Customer, Financial and Business impacts

The industry experienced a major transition in its operation. It materially impacted or were curtailed due to official government policies on certain customer channel. The face-to-face interaction was closed as both customers and the workforce were home-bound. They were re-directed to digital channels for information, updates, service and queries. Agents, financial advisors and intermediaries were also experiencing the same practical challenges.

Insurers who had already invested in their digital capabilities were in a position of communication and service as compared to the ones who didn't. The pandemic significantly diminished the bancassurance channel customer. In comparison to personal lines business, corporate insurance communication appears to be reasonably steady. Insurers have had to restructure resources across the board to adjust to changes in client interactions via digital channels. Accepting cash deposits and payments was still difficult in environment. The industry was undergoing a large volume of claims in certain areas. The business trends and indications also show that these would ramp up more in the coming years. All of these posed a greater thread to customer interaction, financial transactions and business communication.

3.2. Brand, Perception and Strategy

The customer perception and expectations shifted during the pandemic and may further shift in the medium-to-long term. The pandemic also changed the means of workplace and liabilities may soon start changing after it the workforce gets back to the offices. In some areas, there is a notion that insurers are avoiding paying legitimate business continuity claims by enforcing extensive terms and conditions that prevent claims from being accepted and paid. The industry also experienced the change in private health services which will ripple the effect on customers' perception of the private health insurance sector. Many insurers are now looking beyond the current epidemic and evaluating how their approach should be reshaped in light of Covid-19's impact and lessons learnt during the catastrophe.

3.3. Operational Resilience, Service Delivery and Workforce

Put forward by Deloitte, much evidence suggests that resilience and business continuity hasn't contemplated the full extent of disruption Covid-19 caused. They are now being contemplated in real-time. Many insurers managed to contact centre staff but for others, workarounds have been put in place. They also set cross-functional crisis and task forces and command centers for evaluation of the situation. Controls and governance over operational processes were strained, so procedures and controls may not be applied consistently under crisis situations. During this time, insurers also had to consider their internal operations, not just interaction with intermediaries. Given the extremely sensitive nature of information maintained by insurers, there is a greater emphasis on cybersecurity and client information handling. Its infrastructure may make it difficult to respond quickly to a disaster. Data storage and access by distant employees, in particular, can be difficult; system workarounds to make operations easier have been necessary.

3.4. Risk, Control and Governance

Post pandemic, the industry has undergone many challenges which created the need for a post-financial crisis regulatory framework. Regulators are continuing to require data, reports and financial analysis in addition to frequent calls to better understand the impact on the financial services sector as a whole, as well as the impact on the businesses themselves. Regulators have increased their expectations on insurers to maintain capital by preserving dividends, buybacks and bonuses, and this trend is expected to continue. The issue is expected to hasten regulators' demands for insurers to develop recovery and resolution strategies.

4. Shaping up of the Industry Post Covid-19

The Covid-19 pandemic has created a global health emergency and economic instability that hasn't been seen in generations. It has hit the insurance industry faster than any other previous pandemics and continues to do so. Crisis management has significantly increased the costs of operations while the premiums are shrinking in many lines of the business. The return on investment is also under performing because of volatility in financial markets. Few sectors are over performing while the few are under. The new variants are still threatening to disrupt economic and financial activities as we are progressing through the Covid-19 pandemic. To stand strong now and in future, the industry is shaping up suitable to new normalcy and the trends and adapt to practices that promise strength and stability.

4.1. Stabilizing Remote Work

The foremost thing that the insurance industry needs to pursue is stabilizing the remote, hybrid work. While the crisis is not permanent and neither is the remote work, the pandemic calls for it at the time. And so, tells us that there will undoubtedly be a need for one in case a situation like this poses threat in future. The industry needs to follow automation and digitalization. Many companies are relying on virtual meetings and conferences, and so far, they have realized that it is working well more than expected in the trying circumstances. We are of the opinion that remote work is likely to continue to be the in businesses wherever possible. Virtual interactions may present new chances for customer service, sales, and relationship development. It also shows prominence that the customers supported by technology will result in increased efficiency, better-informed decisions, and better results for both the buyer and the seller.

4.2. Accelerate Digital Transformation

Before the crisis, several insurance firms were working on a digital roadmap, but the pandemic forced them to prioritize it, which is like making the best use of bad bargain. The attitude of every customer with respect to "in-person interaction" also changed due to the fear of Covid-19 transmission and health concerns. Now insurance industry is trying to accelerate the process of digital transformation. In future years, the industry must capitalize on this trend by moving to digital documents, utilizing Artificial intelligence, implementing other bionic capabilities to assist people in making better-informed decisions and focusing on work of higher-value.

Adaptability has become a required business skill across all industries, and rapid change has become the norm. The insurance industry needs to adopt it as well. The trend analysis by Google shows that more people are searching for life insurance policies online. In this environment, digital enterprises that engage in SEO and content marketing will attract a wider audience. The insurance industry, too, needs to leverage this for driving more sales, and attention and reaching a wider audience. It will also provide an opportunity to access untapped audiences and communities. Most of all, it will help build trust, loyalty and talk to your existing and customers more effectively.

4.3. Going Paperless

It is one of the most significant trends that the insurance industry is experiencing. In simpler and direct words, it was the issue that the pandemic has resolved for the insurance industry. Covid-19 has created a necessity to provide detail and policies in digital format. In a pre-pandemic era, one of the reasons used to delay the claim is the loss or locating the physical copy of the document. The IRDAI (Insurance Regulatory and Development Authority of India) has recently granted special clearance for digitally produced term insurance. To facilitate a smooth claim procedure, it's best if all policies are available in digital format.

4.4. Workforce Training

Because of long work from home practices, it won't be easy for the employees to return to the office in their previous function. Besides that, not everyone will feel comfortable with new digital ways of working. It's new for them and will demand more time and training to adapt. Insurance businesses will need to give technological training to their employees in order to maintain efficiency. This comprises those who are involved in delivery, servicing, and operation. The key to stability is to recruit more tech-savvy employees. Ellen Walsh, a PwC US insurance advisory leader, recommended insurance company board members to be more realistic about skill gaps and understand how management teams balance personnel demands.

4.4. Data Analytics and Protection

The way insurance products are offered, maintained, and consumer data is used will probably undergo the most substantial changes. These improvements will result in considerably more personalization, which will alter the consumer experience and value proposition. This will also pose a greater threat of theft and security risks. It will make the customers consider protection as a whole and strive to comprehend life goals that necessitate financial stability. People will think about establishing a secondary source of income, setting aside emergency savings, and ensuring economic security for their loved ones. These customers' demands will be met in large part by life insurance products. And for all, protection will the top priority for customers.

5. The Outlook of the Industry the Growth Prospects Post Covid-19

The Insurance industry sector wise new business from FY2016 to FY2022 are shown in table No 5.1 and the corresponding growth rates are shown in Table No 5.2. The Business Figures and the corresponding growth rates are plotted on line graph in Fig 5.1 and 5.2.

Business growth (%) story from FY16 to FY20 and From FY20 to FY22.

New Business Premium Underwritten in crores				New Business Premium growth			
FY	Life	Non-Life	Standalone Health Insurance	FY	Life	Non-Life	Standalone Health Insurance
2016	138765	96379	4152	2016	22.45	13.81	41.13
2017	175202	128128	5857	2017	26.26	32.94	41.06
2018	194153	150662	8314	2018	10.82	17.59	41.95
2019	215003	169448	11354	2019	10.74	12.47	36.56
2020	259262	188916	14472	2020	20.59	11.49	27.46
2021	278699	198714	15755	2021	7.50	5.19	8.87
2022	314263	220634	20880	2022	12.76	11.03	32.53
Table No 5.1				Table No 5.2			

Fig No 5.1 NB premium underwrteen in crores

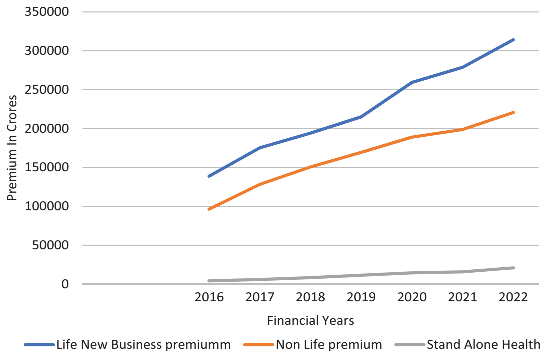
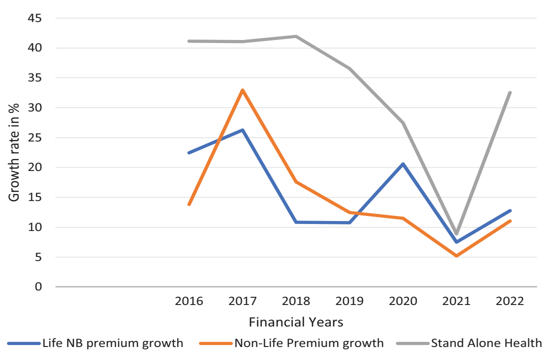


Fig No 5.2 New Business premium growth rate



As we can clearly see that the growth phase has started again after there is a sudden dip in the growth rates of Life, Nonlife, and Standalone Health Insurance sectors. There is a sharp dip in all sectors of insurance during the Pandemic period, which can be seen in the figure. All sectors had a sharp decline in growth over previous five years period, though not registered negative growth.

Non-Life growth is a affected by Specialized Insurance premium growth. The specialized Insurance premium has sharply rose in FY 2017 at a growth rate of 70.33 and there after @ 10.75% during FY2018 and touched a negative growth of 10.75 during 2019. There after the growth rose to 28% and 25.66 % in FY 2020 &2021 respectively.

Standalone Health Insurers has posted a sharp growth rate in FY2022, which is the immediate year after the Pandemic and the Lockdown norms are relaxed.

Life Insurance sector also is showing sharp growth in the year FY2022,The entire story of growth before and after the Pandemic shows that Insurance Industry in India is Very resolute in its growth path and resilient in facing the Pandemic.

The insurance industry followed many new trends after the pandemic took over the world. Digital presence is just one of those trends, but there are also very significant movements that are following in numbers. By FY31, India's life insurance premiums are estimated to total Rs. 24 lakh crore (US$ 317.98 billion). Between 2021-23, private life insurers' retail APE (Annual Premium Equivalent) is predicted to expand at a CAGR of over 17%, and new retail term premiums are expected to double in the coming 5 years. In FY22 and FY23, the private non-life insurance category is expected to rise by 16%

and 14%, respectively. Due to the growing focus on healthcare, standalone health insurers are predicted to rise by more than 25% in FY22. Over FY14-20, life insurers' new business premium grew at a CAGR of 14%. The financialization of savings and the introduction of new products were the driving forces behind it. The size of the Indian insurance industry is also foreseen to grow at a CAGR rate of 12.5% from 2020 to 2030. Specialized products like protection and annuities, product innovation in Health Insurance will be the growth drivers. Though the previous financial year was a difficult one due to the pandemic, non-life insurers were able to show a moderate increase in gross direct premiums, with a total Gross Direct Premium Income (GDPI) of INR 1.98 trillion ($27 billion) in FY21. Premiums for non-life insurance are likely to rebound in FY22 and FY23, with private insurers and standalone health insurers are holding the baton and leading the growth path.

5.1 Survey conducted by Insurance Institute of India and the report in brief

A survey by the Insurance Institute of India reveals that insurance providers across categories are looking to a positive environment as they gear up to restart operations anew in a post-Covid-19 world.

The survey involved 29 organisations, including 22 insurers, two reinsurers, third party administrators, and academics each, and one ombudsman. The 22 insurance providers included eight life insurance companies, 11 general insurance companies, one health insurer, and two specialised insurance providers. The Survey report was released on 15th April 2022.

The respondents included the senior management of the insurance companies who devise strategies for their companies to tackle the new situation that has arisen because of the Covid-19 crisis. They include, among others, CEOs, CFOs, CMOs and other senior management officials from the respective companies.

As many as two-thirds of the respondents (66 per cents) were positive that the industry was resilient enough about business reviving in the post-Covid-19 world, while 24 per cent were very optimistic about business growth in the post-Covid-19 scenario.

As many as 70 per cent of the respondents suggested a normal growth for the insurance industry as a whole, while 24 per cent of those surveyed said the industry will see exponential business growth.

A vast 90 per cent respondents were of the opinion that the Indian insurance industry was resilient enough to not be greatly affected by the Covid-19 19 crisis. None of those surveyed suggested a negative or a stagnated growth in the post Covid-19 world.

Despite the positive outlook, the insurance providers are still wary that new and emerging variants of Covid-19, such as the XE variant, could adversely hamper their business operations.

An equal majority were divided that the Covid-19 crisis was unpredictable and could well end by the year-end, or could also continue for a few years, but not affect the economy that much.

5.2 Drivers of Growth for the Industry

- Government schemes and financial inclusion initiatives will be instrumental in driving the adoption & penetration across all segments. The government's initiative for crop insurance (PMFBY) has led to significant growth in the premium income for crop insurance, and now covers over 55 million farmer applications year-on-year. Even during the COVID-19 lockdown period, nearly 70 lakh farmers have benefitted from it, and claims worth INR 87.4 bn ($1.2 bn) were transferred to the beneficiaries.
- The insurance regulator IRDAI has also undertaken various initiatives towards boosting the insurance penetration, such as permitting insurers to conduct video-based KYC, launching standardized insurance products and allowing insurers to offer rewards for low-risk behaviour.
- The general insurance companies will be beneficiaries of the opening-up of economies, especially with improved trade activity increasing demand for motor and health insurance. Strong growth in the automotive industry over the next decade is expected to boost the motor insurance market.

- Digital issuance and online channels are expected to witness continued growth, the share of web aggregators within digital insurance has been constantly increasing and web-aggregators currently originate 30-40% of digital insurance.
- The total **mortality protection gap** in India stands at $16.5 tn (as of 2019) with an estimated protection gap of 83% of total protection need. Life Insurance operators can have the opportunity with an estimated additional life premium opportunity of average $78.2 bn annually over 2020-30.
- The growth of the insurance market is being supported by important government initiatives, strong democratic factors, conducive regulatory environment, increased partnerships, product innovations, and vibrant distribution channels.
- The increase in the FDI in Insurance from 49% to 74% announced in the Union Budget (Feb'21) shall further help in driving increased penetration and coverage by enabling additional avenues for capital support required for the expansion of the insurance industry in India.
- The recent pandemic has emphasized the importance of healthcare on the economy, and health insurance would play a critical role in the effort to strengthen the healthcare ecosystem.

6. Conclusion

The Covid-19 pandemic has brought about many changes in the insurance industry. The industry is still in recovering phase and the recovery process is appearing faster. Due to the severe impact of the Pandemic, the industry is witnessing several structural changes at companies' corporate level and behavioral changes at field and workforce level, the future looks promising for the industry. The industry will likely to undergo even more change in area like, the way it operates, engages its customers and conducts its business.

In the Indian insurance industry, the digital transformation and the scope of IoT will take the industry further and beyond in telematics and customer risk assessment. There are currently more than 110 InsurTech start-ups that are operating in India. And the factors such as growing awareness of the need for protection and retirement along with the young insurable population will ensure the steady growth of Indian life insurance.

For growth and sustainability, in the long run, the insurance industry needs to react in real-time. It needs to navigate new environment. The industry also needs to lead, engage and enable the workforce in new ways that are relevant and necessary in order to flourish. From here onward, the industry should adapt to inspirational leadership, support for more flexible work options and prioritize employees' mental health and well-being along with the skills development.

For effortless and faster operation, the Industry needs to apply Artificial Intelligence (AI), automate the jobs wherever feasible. The industry also needs to work on the supply chain resiliency, cybersecurity and digitalization for effective communication and to improve and upgrade service standards. With the help of hybrid cloud and business functions, enhance the operational flexibility and scalability. There is no time for complacency or nostalgia in this New Normal. There's no turning back to the way things used to be. The stakes are higher, and the risks and opportunities are vast. Executives must prepare their companies for mitigating the state of uncertainty, upheaval, and change.

The Challenge today for any company operating in any sector including Insurance is that the world is continuing to evolve and after the Pandemic it is evolving more and more rapidly. The customers now expect that fast digital experience is the New Norm. They are now ready to buy complex financial products also on line as they are now accustomed to buy many other products online. Many businesses are walking on the fine line between need to invest and the concerns around the costs. But here the companies are now recognizing that "Customer already moved". Their customers are walking steadfast and expect that the companies need to follow them. The companies also must run to catch up with their customers and in the fight for survival, the speed matters. TJ

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New-Normal Non-Life Insurance Business in Bangladesh

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Abstract

The article makes an exploration into the impact of COVID-19 on the non-life insurance industry and how it will shape and implement its policies and strategies in the transforming environment to ascertain resiliency and sustainable growth. The pandemic has posited widespread impact on the comprehensive financial spectrum of world economy. Following the holistic economic shock, Global insurance industries have come forward with diverse policies and products with a view to adapting with the new-normal economic array. It is immensely significant to formulate multi-faceted policies, technological advancement and innovation with regard to insurance products and increased customer orientation both in new-normal spectrum and future calamities. Non-life insurance companies have tended to promote InsurTech to increase customer-based services during the COVID-19 period. However, comprehensive digitalization, modernization of health sector, micro-insurance for agricultural sector, competitiveness and sustainability in insurance business is imperative to assure a sound and extensive ambience for the insurance industry.

Keywords

COVID-19, InsurTech, Innovation, Sustainability, Digitalization.

1. Prelude

The emergence of pandemic COVID-19 has brought unforeseen crisis in the global arena regardless to plethora of sectors such as social, economic, political, cultural and others. Several shutdowns coupled with disrupted trade among countries have caused economic downturns with regard to the growth rate of GDP, savings, investment, consumption and expenditure. Sectoral growth has been paused and it is apprehended that another severe recession may arise compared to the great depression of 1929-39. In this circumstance, both life and non-life insurance companies are also confronting challenges currently due to the COVID-19 quandary. The non-life insurance industry plays a pivotal role in shaping and developing the growth and outcome of the insurance industry. Therefore, it is immensely important to go through the challenges and plans of stakeholders of this sector to determine how non-life insurance companies will deal with the upheaval of the economic crisis arising from the pandemic and what strategic decisions they need to take in the new-normal scenario to bring forth resilience and sustainable growth. Moreover, it is also crucial to make prudent preparedness for future catastrophes based on the current experience.

2. Impact of COVID-19 on Insurance Spectrum

2.1 Global scenario

After a strong rebound in 2021, the global economy has faced a pronounced slowdown and a rise in inflation, debt and income inequality that could make the recovery difficult in emerging and developing economies. Global growth is expected to decelerate notably from 5.5% in 2021 to 4.1% in 2022 and 3.2% in 2023 based on dissipation of demand and unwounded fiscal and monetary policy internationally (The World bank, 2022). Albeit most of the industries have been able to cope with the pandemic, insurers are still facing continued impediments to growth and profitability in the year ahead (Deloitte Insight, 2021 Insurance Outlook). Global non-life premiums have plummeted in advanced countries but increased in emerging economies. In 2019, global premiums grew at a slow pace, just below 3% in real terms (Swiss Re, Sigma No. 4/2020).

The impact of COVID-19 on continents has been varied with regard to respective contexts across the world. Having the share of 31% of the global insurance industry, Asian and the pacific countries have been emphasizing on insurtech in the current situation. Insurers of Europe have been making an effort to keep their clients well-apprised by formulating dedicated websites as well as getting involved with targeted outreach (Insurance Europe, 2021). The scenario for Africa is not up to the mark. Moreover, people of African countries have been struggling to recover their losses arising from the mismanagement of insurers and breach of trust. With regard to the Australian non-life insurers, Business Interruption (BI) claims have been the supreme source of pandemic-related claims in spite of the presence of uncertainty about the ultimate cost (Asia Insurance Review, 2021). Being the largest market in the global insurance industry (34%), North American insurers have an assured stable position. Still, negative impacts on the life insurance market have been noticed (Fitch Rating, 2020). South American countries have experienced a decrease in interest rates and bond yields in the context of the COVID-19 pandemic (Fitch Rating, 2020).

With regard to South Asian countries, insurance companies of Bangladesh have started to emphasize on insurtech and digital insurance. Besides, BDT 0.5-1 million have provided as insurance incentives from the prime minister for the COVID-19 frontline workers. India has formulated Corona Kavach and Rakshak policy to bring large portion of population under the coverage of new health insurance policy. Prior to the largest economic breakdown in the history of Sri Lanka, this country had been doing well concerning the insurance sector. Finnfund, a Finnish development financier and professional impact investor has signed an agreement to make its first investment in the insurance sector of Sri Lanka (AIR Team, 2020). In Pakistan, insurance sector has a scope to grow in an inclusive manner. Still, poor women are the worst sufferers in the current pandemic and adoption of insurtech is being hampered due to prevalence of conservative approach (Sadiq, 2020). In Nepal, 20 non-life insurance companies have brought 1 million people under their COVID-19 insurance schemes. Moreover, Insurtech in Nepal has got Swiss backing for COVID-19 products (Jhon, 2020).

2.2 Bangladesh scenario

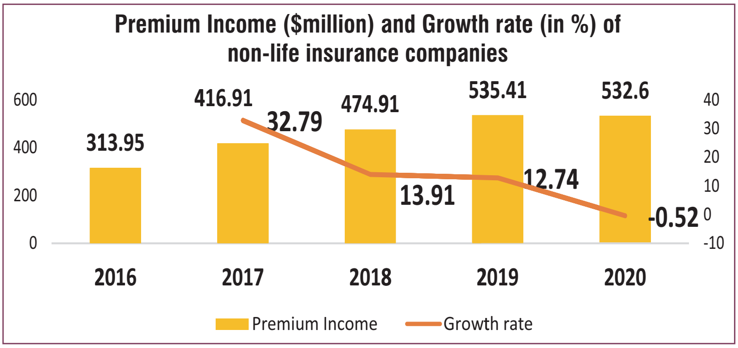
COVID-19 pandemic has caused negative attributes in the sectoral growth of Bangladesh.

Business activities have been disrupted in the changing economic ambiance due to several lockdowns. Production process was plunged for several months and most importantly, people involved in the informal economy have borne the brunt as a consequence.

The insurance industry has also been facing with enhanced challenges due to the pandemic. In 2021, Insurance industry lost a total business of BDT 496.17 crores as compared to 2019, according to Bangladesh Insurance Association (BIA). Although penetration in insurance of Bangladesh is below 1%, insurers have gained sustainability through viable manner by introducing digital payment services, working from remote places and others.

3. Status of Non-Life Insurance Business in Bangladesh in the Pre-COVID Period

At present, 78 insurance companies are serving in Bangladesh. Among them 47 are non-life insurance companies (EBLSL Annual Report, 2019). The non-life insurance market is highly competitive, with the top five businesses, Green Delta Insurance Company Limited, Pioneer Insurance Company Limited, Reliance Insurance Limited, Pragati Insurance Limited, and Eastland Insurance Company Ltd, accounting for 47% of the industry's gross premium revenues (Bangladesh Insurance Association (BIA), 2017-18). Since 2010, the sector's growth has slowed. The gradual fall of the growth rate can be attributed to excessive concentration in a relatively narrow market, weaker product innovation standards, and a reluctance to confront and alleviate issues proactively.



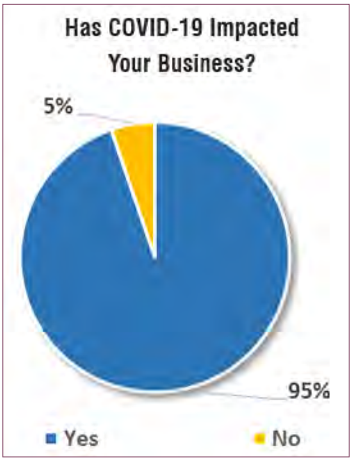
Source: Bangladesh Insurance Association, 2021

Growth rate of premium earnings reduced since 2017. Premium income lessened from $535.41 million in 2019 to $532.6 million in 2020. The significant decline in non-life premium earnings growth after 2012 can be attributed to significant challenges like more intense competition, agency commissions, lack of rigorous governance standards, regulatory and supervisory issues, lack of adequate rules, and shortage of competent labor (EBLSL Annual Report, 2019).

4. Findings From Surveys on the Backdrop of COVID-19 Situation in Bangladesh

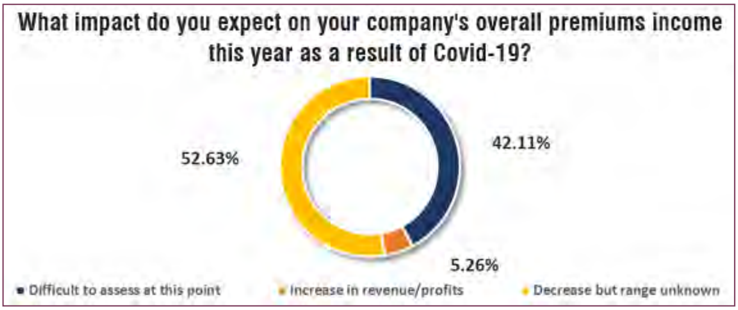
A domestic market survey by Professional Advancement Bangladesh (PABL) and K.A. Pandit was conducted to acquire primary data from the market on the extent of impact, techniques used to overcome barriers, and long-term reforms implemented as a strategy to best address the issues of crisis.

According to the survey 95% of respondents expressed that the outbreak of the pandemic affected their trade, whether in terms of premium income, expanded operational costs or business disruption. 5% of the respondents said the pandemic did not affect their trade, which are comparatively smaller companies.



Source: Impact of COVID-19 on the non-life insurance industry of Bangladesh, 2021

A noteworthy interference of business emerged amid 5-months of the lockdown from March to July 2020, indeed as non-life insurance companies are still carrying out abridged operations in the midst of the pandemic, like each other vital constituent of the economy.



Source: Impact of COVID-19 on the non-life insurance industry of Bangladesh, 2021

Since there was a startling business interruption seen during the first two quarters of the year 2020, 53% of companies are expecting that there will be a decrease in premiums winning but they couldn't comprehend the degree of the decrease. Comparatively, smaller companies of the market are figuring it out that there will be a decrease in premiums earning but since the pandemic period isn't over yet, they couldn't assess the degree of drop for this year as well. Moreover, 42% of companies specified that it is troublesome to evaluate at this point of time whether there will be an increase in premiums earning or a decline.

5. Lessons Learned From COVID-19

5.1 Health sector requires a reboot

The impact of the pandemic had a weakening impact around the world, counting within the developed markets of the United States, the United Kingdom, Italy, Spain, etc., which had their exceedingly productive medical infrastructure significantly focused conjointly endured from high death tolls. Besides, Bangladesh, a poverty-stricken South Asian nation, is pursuing a courageous battle against an inadequate healthcare framework. The casualties are rising and public suffering is becoming unfathomable. In this backdrop, we can say that our greatest learning ever is to concentrate on modernizing the healthcare division around the world to provide better wellbeing services to the masses, conjointly guaranteeing readiness against any future pandemics.

5.2 Technological advancement is imperative

When the pandemic began, the primary question on everybody's intellect was if there was a drug to remedy it or an antibody to prevent it. Vaccination ramp-up to moderate the spread of the infection is taking place in numerous parts of the world. In fact, the record time in which vaccines were developed confirms technological modernity in public healthcare. Besides, patients suffering from other illnesses may moreover get online consultation from a burgeoning e-health care administration industry. Furthermore, the role of technology within the education segment guarantees that children, young people and learners might get continuous access to online education. Moreover, the advancement of e-commerce also guaranteed that a wide variety of goods and services could be conveyed at the doorstep, which enormously upgraded client comfort.

5.3 Sustainable business is a must

Sustainability has become a major buzzword in the world. Commerce and industry are a major drive for goods in this domain. Nevertheless, for a business to do viable, it must be financially solid. Doing well and doing good are interlaced, and effective business techniques incorporate both. (Henderson Rebecca, Professor, Harvard Business School). 62% of officials consider a sustainability strategy fundamental to be competitive nowadays, and another 22% think it will be within the future (Knut Haanaes, Professor, Strategy and International Management). The pandemic too made us more compassionate towards humanity. So now, more than ever before, the world ought to underscore on kindness, awareness and sustainability.

5.4 Togetherness is a key towards peace and solidarity

The recent pandemic has changed our lives in unprecedented ways, activating reactions of fear, depression, anxiety and stress. Collaboration is imperative to fight a virus that knows no boundaries and does not separate. Such a collaboration is not as it were about family, but also among institutions as well. If we work together for the development of humanity, we can help solve each other's problems, which will be a shield towards any consequent issues within the future.

6. [1]Future Prospect for Bangladesh in the Future

The insurance industry of Bangladesh has the potential to transform itself into insurtech, particularly with the country seeing rapid development in digitalization, fueled by young digital entrepreneurs, tech-based startups and e-commerce ventures that guarantee openness to funding through associated and well-established digital monetary ecosystems. There is a plethora of paybacks for having a well-established insurtech industry, such as:

- Insurtech assures widespread accessibility of insurance commodities through digital solutions that can minimize the protection deficit for natural calamity and healthcare risks, which is standing at a sharp 5% at present.
- Since greater insurance penetration can be supported by insurtech through augmented alliance and easy access, a reduction of the insurance gap of 2.1% GDP could be made.
- Obstructive technology and innovation based on digitally integrated business models can facilitate a holistic financial ecosystem. It will enable the financial industry to attain sustainable development goals through financial inclusion.
- Insurtech can invigorate transparency and accountability of insurers and help construct a more resilient and effective relationship between the insurers and customers through rigorous communication.
- Insurtech can help build an integrated value chain through which insurers can design and deliver customer-oriented services which are currently unavailable through concomitant insurance products.
- Insurtech can increase control of regulators in the milieu of transparency and well-connectedness, which will help co-ordinate while making decisions. Furthermore, it will nurture integrated policies leading towards comprehensive development and sustainability.

8. Synopsis

The insurance industry has been dealing with a number of crucial challenges such as lack of faith in public affairs, awareness constraints with regard to insurance products, inadequate government support, a resilient legal framework, poor economic status of the dividend, vast claims settlement process and others (Khan, 2019). Industries need to undertake some key initiatives like extension of the market, looking for intervention of the government to reform regulations, boosting micro-level consciousness at mass phase, nurturing technological innovation and diversification in product design, promoting digitalization, and developing a disruptive, vibrant and inclusive business model through enhanced collaborations and partnerships. In spite of the importance of transferring risks of lives, assets and income of the population and penetration of the insurance sector towards the national economy, the predicament of over institutionalization of this industry and the penetration levels are quite poor. The industry can contribute extensively to the national economy and accelerate growth by gaining competitiveness and transformative capacity.

Micro-insurance along with regulatory reforms should be introduced for agriculture and the health sector. To improve the scenario of the non-life insurance industry, government and regulatory bodies should play a pivotal role. A resilient regulatory framework will help reorganize the reinsurance market which will lead to alleviation of monetary burden on insurers emerging from disastrous events. As a result, more opportunities and development will occur than before.

Competitiveness among the market participants will arise from a well-formed market structure which will boost more innovation in terms of designing and promoting insurance products. Furthermore, there will be a strong nexus between insurers in terms of communications and providing better solutions for the products based on global symptoms towards a robust and sustainable insurance sector. A strong insurance industry will ultimately contribute to the economy while facilitating the transfer of risks and obtaining insurance for everyone. As a whole, entrepreneurship and innovation will be fostered and developed across the country. TJ

[1] This portion has been published in a special edition of The Financial Express, titled as *"Instituting InsurTech in Bangladesh"*, on 7th December 2020 (https://today.thefinancialexpress.com.bd/27th-anniversary-issue-3/instituting-insurtech-in-bangladesh-1607241525)

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After Effects of Covid 19 on Travel Insurance Business

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Abstract

My Life should be defined by the visas and immigration stamps on my passport

Halt is the word that can be used for the years 2020 and 2021 as the Covid 19 crisis restricted travelling at the global level. This affected the travel and tourism business which had a cascading effect on the travel insurance domain. Travel Insurance suffered a lot, initially due to a spike in claims and later due to travel restrictions. It was an unforeseen event that no one was prepared to face. Travel and allied industries faced a sharp southward fall and revival was a humungous task. Then too travel insurance sector is still trying to provide the best possible services to clients. This research article focuses on the past and current situations in the insurance sector of the travel services industry section. Naturally, along with the reasons for the fall, strategies for revival and challenges are also being discussed. The major aim of this research is to analyse and study the position of the travel insurance business at the global and national levels. The conclusion of the paper also leaves many questions unanswered as no one in the ecosystem knows about THE END.

Keywords

Covid 19, Travel Insurance, Tourism.

Introduction

Covid-19 has taught us that freedom does not come free of cost. Staying home, lockdown and social distancing have come to be termed as THE NEW NORMAL. But we all were willing and eagerly waiting to get back to our OLD NORMAL. Large-scale vaccination and reduction in infected cases led to a feeling of life getting back on track. It gave the hopes that now is the end of work from home, the beginning of socialising with people, and the one thing which all missed - **travelling**. Whether for work or pleasure, travel connects people and places around the world. Neither online nor virtual meetings could bridge the gap of personal contact which requires business trips across and outside the country. The videos of virtual tours for tourists were just not good enough. Countries across the world opened up international travel as the situation came under control. Considering this, along with travel, there is a ray of hope for the travel insurance business once again. As the pandemic affected travel plans of many and, volatility and uncertainty in easing restrictions persists, it has boosted the importance of travel insurance so much that and it is on the way to becoming an important and inseparable component of the travel industry in the near future.

Travel Insurance Business

In 2020 the market value of global travel insurance was US$ 21 billion and was expected to grow at a CAGR of 12.2% during 2021-26[1]. Post pandemic waves led to reduction in travel, but it is estimated that it will grow by US $ 19.75 billion in 2022 and to $ US 44.35 billion by 2027 with a growth of 17.56% CAGR[2]. These estimates are based on the positive expectations of the tourism sector in the coming future. The supply side of the insurance business totally depends on the demand side. Demand in turn will be a function of the price game by the tour companies, fear, and paranoia among people, protocols of corporate travel, and travel restrictions by various countries. Apart from this, performance of the business will differ depending on the demographics of every country.

Table1.1: Overseas Travel Insurance Business Figures (Source: www.irdai.gov.in)

Business under Overseas Travel Insurance						
Insurer	No. of Lives (lakh)		Gross Premium (Rs. crore)		Incurred Claim Ratio (%)	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
Public Sector General Insurers	0.97 (-11.62)	0.24 (-74.83)	28.63 (-6.55)	7.79 (-72.77)	45.68	63.95
Private Sector General Insurers	50.74 (16.50)	7.27 (-85.66)	609.02 (-1.05)	176.81 (-70.97)	49.51	69.36
Stand-alone Health Insurers	5.86 (-0.23)	0.75 (-87.17)	119.92 (7.66)	25.83 (-78.46)	42.78	45.96
Total	**57.58 (13.94)**	**8.27 (-85.64)**	**757.57 (0.01)**	**210.44 (-72.22)**	**48.46**	**66.35**

Note: Figures in bracket are growth in per cent over previous year.

The data does not include the details of overseas travel insurance business carried-out in foreign countries

Table1.2: Domestic Travel Insurance Business Figures (Source: www.irdai.gov.in)

Business under Domestic Travel Insurance						
Insurer	No. of Lives (lakh)		Gross Premium (Rs. crore)		Incurred Claim Ratio (%)	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
Public Sector General Insurers	-	0.02 (-)	-	7.20 (-)	-	-
Private Sector General Insurers	4129.90 (59.62)	2037.66 (-50.66)	187.57 (61.44)	75.49 (-59.75)	16.62	-0.74
Stand-alone Health Insurers	0.27 (123.29)	0.05 (-81.47)	0.33 (521.61)	0.16 (-51.54)	0.00	0.00
Total	**4,130.16 (59.62)**	**2,037.73 (-50.66)**	**187.89 (61.64)**	**82.85 (-55.90)**	**16.58**	**-0.74**

Note: Figures in bracket are growth in per cent over previous year.

As per The IRDAI (The Insurance Regulatory and Development Authority of India) report, the performance of travel insurance suffered a lot in the year 2020-21 due to Covid-19[3]. Post the third wave Policy Bazaar mentioned that there is a jump of 40% in overseas travel insurance in Feb and March 2022. Even companies like Bajaj Allianz and ICICI Lombard have shown good numbers compared to the last year[4]. Thus the coming years seem to be good for the Insurance sector but the ambiguity due to Covid-19 is going to stay.

Causes of Downfall

- **Imposing restrictions:** Covid-19 made travelling very difficult. The growing travel industry worldwide came to a standstill when the governments of different countries imposed restrictions on travelling. This being a global health emergency this was one of the initial steps taken to stop the transmission of the virus.
- **Characteristics of travel insurance**: Travel Insurance is not like health or life insurance. It is an attached by-product of travel and tourism. If there is no travel there is no need for such insurance. Thus Covid-19 not only impeded the growth of the travel and tourism industry but also the section of insurance sector lost business.
- **Non Coverage of Covid-19**: The realisation of the severity of Covid-19 not only came as a shock to travel and tourism as there was an imposition of a ban on domestic and international travelling, it also threw new challenges to the travel insurance business. There were a large number of cancellations of trips and, rising claims for overseas hospitalization claims due to a sudden increase in infections. This was absolutely unexpected and unforeseen for the insurance companies, so they denied these claims. As per their explanation, their plans didn't cover Covid-19 claims.
- **Uncertainty of travelling**: Though the cases today are not as aggressively rising or as serious as in the past 2 years, Covid persists. In spite of large vaccination numbers, the world has seen the Delta and Omicron variants which hint us towards future uncertainties. To make matters more complicated, different countries have different rules about Covid vaccination, testing procedures, masks and, quarantine. Due to this many people are still reluctant to visit distant places. Currently, the local railways or roads seem to be the preferred ways to ensure carefree travel.
- **Digital presence as a substitute**: Travel insurance lost numbers in terms of business trips also. The world, corporate, and the industry realised that in spite of social distancing, we can get connected through technology. The formal discussions and meetings which earlier needed people travelling nationally and internationally and visiting each other now are possible with the help of technology. Virtual and online meeting apps and technologies got developed and in spite of being away from each other work could be done quite well. This brought a realisation to the corporates that this not only works, but also cuts down the operating cost of sending employees to travel on business trips.

Revival Reasons

- **Revenge Tourism**: After being confined to their homes, people are now in the revenge tourism mode[5]. After lifting travel restrictions on the domestic and international levels, a certain set of population who frequently travel internationally started reaching out to the same kind of places. The top choice for such travellers has been the Maldives among others. Later, after restrictions were lifted by the Asian and Western countries, the number of tourists showed a good increase.
- **Mandatory travel insurance policies**: There are many countries where it is compulsory for the travellers not only to enter with a valid passport and VISA but also an overseas travel insurance policy. Countries like the USA, Schengen countries and the UAE have strict rules about such policies.
- **High Medical Cost:** Pleasure or work; for whatever purpose one is travelling, one would never want to have a bad health

episode at the place of travel. But uncertainties never knock on your door before coming. There might be a chance that a person may face some health issues leading to high hospitalization and treatment costs. Especially post Covid, the hesitations and attitude towards travel insurance have had a complete turnaround. People prefer paying more in the domestic currency for such insurance instead shelling a large amount of money for treatment in some other country.

- **Proactive Travellers:** This is the category of travellers who are well aware of travel risks or have experienced them some time, and so always believe in purchasing travel insurance irrespective of the destination, pandemic or no pandemic. They just do not want to take any chance which can spoil their journey.

Suggestive Strategies

- **Supportive initiatives by governments and Global Organisations:** Various Governments individually and together can boost the growth of tourism and thereby of travel insurance. For instance, United Nations World Tourism Organization (UNWTO) and International Air Transport Association (IATA) have developed a dashboard on travel restrictions and health-related travel requirements[6]. The objective is to support the recovery of travel and tourism business keeping in mind the health of visitors.

- **Attractive Customization**: It is important that the insurance companies give importance to customising insurance services as per the clients' requirements. Apart from services like multi trip, single trip and extended trip products, it is important they should provide an assurance to the clients that all the possible risk has been covered by insurance policy and they do not have to worry while travelling.

- **Importance of Health Coverage and Cost**: Life does not stop forever despite pandemic or epidemic. It is already accepted universally that Covid 19 is here to stay and will be the part of our eco-system. But travelling for multiple reasons can't be stopped forever. Thus people have started realising the importance of travel insurance specially when it comes with the Covid 19 coverage. With this, one gets the benefit of health coverage if they get infected in a different land and, cancellation benefit if they are suffering from the virus. Thus the insurance covers different types of possible financial losses one may face due to Covid-19.

- **Marketing Aspect**: It is important that insurance companies work on marketing strategies to promote the importance of the service specially Post -Covid 19. Tie-ups with tour companies, air lines or travel blogs or websites could be helpful for them to boost their business.

- **Domestic Travel Insurance**: As most of the travellers are preferring local tourism it is important that companies give enough attention to domestic travel insurance. This section of travellers should not ignored. Convincing these people to get insurance for domestic destinations may be difficult but if done properly it can bring a good amount of business.

Challenges Ahead

1. **Unnecessary cost**: Even Covid has not changed the attitude of some set of people. They may still consider travel insurance as an unnecessary cost[7]. Thus changing the perception of such people and making them potential insurance buyers will be a difficult task.

2. **Realisation of domestic tourism**: Major business of travel insurance comes from overseas travel. People have started realising the importance of Incredible India and strong road infrastructure has opened road ways as one of the important modes of travelling.

3. **Possibilities of Covid waves in the future**: The course of Covid 19 is still uncertain. After the 3rd wave we are still unsure about what may come next. Thus this type of insurance may again face a deep decline if something similar happens.

4. **Awareness among people:** Most of the travellers buy such insurance as they are asked to

buy it by the tour companies or to fulfil mandatory legal requirements for getting visa of a specific country. Wherever these criteria are absent, they do not buy it as they don't understand the importance of the same. Though Covid-19 has taught about the importance of travel insurance, most of us still are not completely aware of the same.

Conclusion

Closed borders, lockdowns, travel bubble, a virtual halt across the globe - these terms were alien to us before 2020 and today are a part of our life and no longer surprise or shock us. But Covid-19 has changed the perspective of people about travel insurance. It is said 'expect the best and be prepared for the worst'. Today when we step out our homes we do exactly that. This thing will definitely change the perception of people towards travel insurance. Today people look forward to take vacations often which has increased the market of travel insurance length and breadth wises. Companies should also create the policies which should not be heavy on pockets of buyers and should provide the maximum possible services[8]. TJ

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Post Pandemic, Insurers Quickly Adapted to the New Operating Environment

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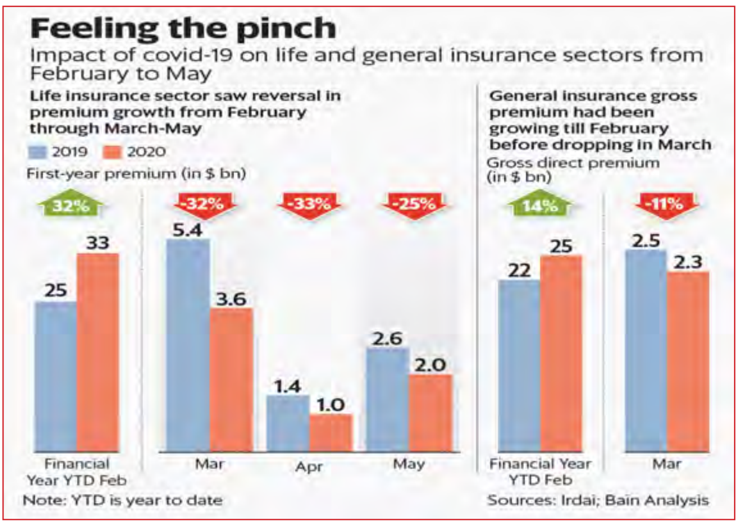
The pandemic brought potential risks to one's life and income to the fore. While there was already an increasing awareness and demand for income solutions before 2020, the pandemic has amplified the need for protecting one's income and create an alternate source. The severity of the pandemic has changed the user perception about insurance as more individuals felt the need to have financial backup to meet unforeseen medical expenditures. The Covid-19 pandemic has significantly dented operations across industries and impacted the overall economy. The pandemic has been a cataclysmic event, one that has fundamentally changed people's beliefs and behaviors. It made potential risks to human life and business starkly visible, forcing the entire civilisation and economies to reorient their way of living. The pandemic made people relook at their lives through a new lens and compelled them to financially secure important life events, build alternate avenues for income, and plan for contingencies. The COVID-19 pandemic has created havoc in everyone's life. But it has also led to some major changes in the insurance industry, which have worked in the favour of the general public. Despite the positive outlook, the insurance providers are still wary that new and emerging variants of COVID, such as the XE variant, could adversely hamper their business operations. Overall, insurers quickly adapted to the new operating environment and we have seen the impact of Covid-19 become less significant over time. The crisis had a minimal impact on the capitalisation of insurers; the COVID-19 crisis continues to have a significant impact on individuals, society, business and the wider economy across the globe.

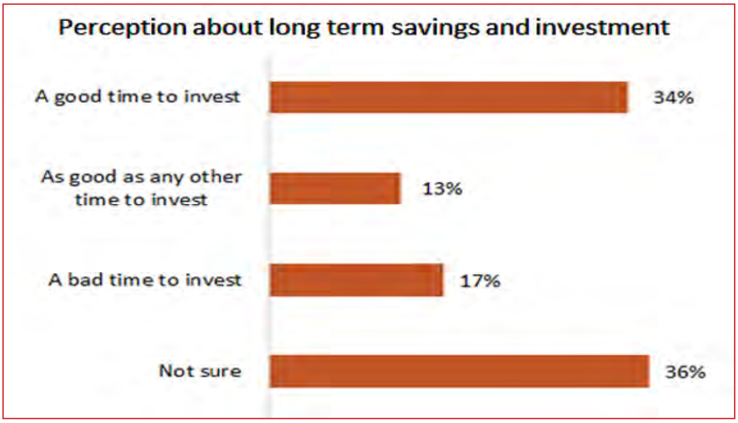
The agile strategy was already in the works for most companies before the pandemic. Preserving wellbeing and supporting the community became mainstream, which in turn made insurance advisory a lucrative employment opportunity. The insurance sector added significant number of advisors in the year gone, supported by an improvement in pride and dignity of the role. While the sector has been on the journey to customer centricity, the digital ecosystem has opened more opportunities to make existing processes agile to evolve with the changing customer expectations. One key element that the sector will work towards is grooming distribution partners to shift to holistic advisory approach instead of a product-specific one. The regulator has also pivoted their guidance to the sector, in line with this increasing digital adoption in India, promoting need-based selling. Insurance remains structured in a poor interaction model that is not well suited for the post-COVID-19 future, with highly complex and intangible products that often are mismatched to need. For example, business interruption insurance is making news as customers have discovered their coverage was not what they thought. Insurers need to reshape and improve the customer experience, using new risk products and deep advice at the point of risk consideration to inform, tailor, and elicit action. The insurance industry has not escaped its impact but insurers have responded quickly to the crisis. As the broader economy recovers and responds to the pandemic, insurers will face a number of challenges but also see many new opportunities in the medium to long term. India is an under-penetrated market for financial services like insurance. The aggressive methods used by new-age consumer technology firms could help bring a larger section of the country's population under the ambit of life insurance.



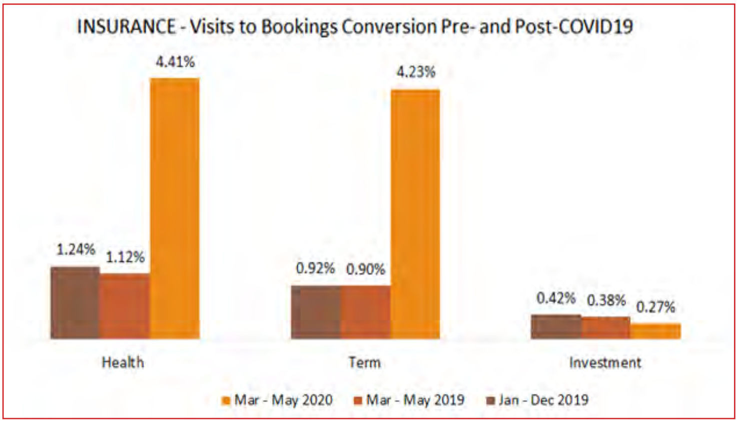
Life Insurance Business

The life insurance sector has witnessed a couple of turbulent years ever since the pandemic began, with growth rates plummeting the first year because of supply-side issues, and just when they were stabilising from the initial impact of Covid, the second wave hit insurers hard as a flurry of death claims ate into their profitability. After the second wave of the pandemic, growth for the sector has picked up. Insurers have shown remarkable resilience in the face of the Covid-19 pandemic. Since the privatisation of the insurance industry two decades ago, the fallout of COVID-19 pandemic has possibly been the most epochal for the industry. Adversity has brought out the best in the life insurance business and created a slew of innovations. The need for life insurance has gained significant visibility since the pandemic struck, as the uncertainties of life have become starkly visible. Life insurers concentrate their efforts on solutions that address these consumer concerns over income fulfillment and other goal-linked requirements like retirement. The Life segment struggled the most due to adverse mortality results. The results of Life were more significantly impacted due to the following factors:

- The figure below indicates increased investment literacy among Indians as usually, the stock market's rebound strongly after a fall during the times of a widespread health crisis or pandemic. Both term life and health insurance starting to become a cornerstone of personal financial planning in times of the Covid-19. The pandemic has definitely accelerated awareness about insurance in India where insurance penetration remains low even today.



- Companies will look for newer strategic partnerships to significantly smoothen the life insurance purchase journey for customers.
- Life insurers will continue building multi-channel capabilities to assist and provide information to the customers, wherever, and however they want. Simply put, easing access to insurance will be an important business objective.
- In the immediate term, life insurers will continue to seek opportunities to reimagine their product propositions, customer experience, and business strategies to support innovation and faster growth.In the years to come, insurers will work consistently to improve the service experience by investing in Omni-channel capabilities over time.
- There is one good thing that has happened due to the pandemic. More and more people are now becoming aware of the importance of having



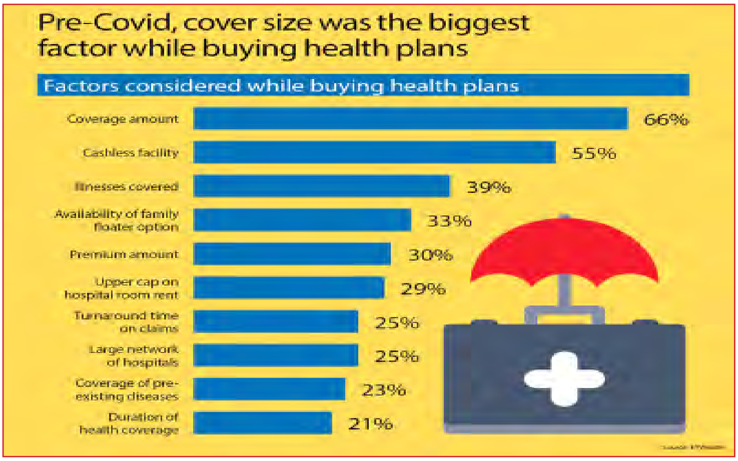
insurance -- be it health or life insurance. After the second wave of the pandemic, growth for the sector has picked up, with the easing of supply-side issues.

Health Insurance Business

Broadly, health insurers operationally have experienced some of the resilience challenges that General insurers have faced. Expectations are that digital capabilities to support remote medical consultations will gain further investment in light of self-isolation rules. Medium-term governmental spending on health is expected to greatly increase in light of the crisis, and the fears experienced across society may drive higher penetration of private health insurance in the long run. Health and wellbeing of self and loved ones have become a priority, which has made financial protection a crucial task. Quite naturally, protection solutions including life and health insurance have become an essential requirement in every financial portfolio. It is in the interest of insurance companies to nudge policyholders and potential customers towards a healthy lifestyle. There are companies which are already encouraging the use of smart wearables. In FY2023, one can expect insurance companies to develop extensive engagement on health and wellness. It could perhaps start a new relationship between insurers and customers.There has been an increase of 12.3% year-on-year in FY22 which points towards its increasing demand in the personal accident and health segments.Here are some notable changes observed in the Indian health insurance sector since the onset of the pandemic:

- As the demand for health insurance rises, insurance companies customise their offerings and leverage technology to speed up the end-to-end process of issuing as well as claim settlement of health insurance policies.
- The health insurance sector has reshaped operations since the pandemic to consistently provide insurance services while ensuring the safety of their employees.
- Modernizing their legacy systems, life insurers are putting a higher emphasis on product innovation. The goal is to provide enhanced customer experience by creating personalized solutions throughout the customer lifecycle including the onboarding and after-sales services.
- The personalized solutions will account for each customer's profile and attempt to customize the applicable premium as per the risk profile.
- Data will play a pivotal role in making that aspiration a reality and machine learning/artificial intelligence can help in taking personalization to the next level with the help of robust analytical tools required to use the data available from multiple sources.
- The COVID-19 pandemic paved way for specific coronavirus health insurance plans. In India, two such plans were launched by health insurers on the direction of the IRDAI i.e. Corona Rakshak and Corona Kavach policy. These plans provide coverage for all medical expenses incurred due to contracting COVID-19.
- Unlike regular health insurance plans, both Corona Rakshak and Corona Kavach policy covers the cost of consumables, such as PPE kits, masks, gloves, etc used during the treatment of coronavirus.
- In a welcoming change, health insurance plans have now started covering the medical costs incurred on telemedicine. For the unversed, telemedicine refers to medical consultations taken over telephone, chat messages, video calls, etc. where the patient does not have to physically meet the doctor. Normally, health plans do not cover the cost of telemedicine consultations.
- The COVID-19 pandemic has also led to the introduction of the installment option for paying health insurance premiums. This move not only makes health plans more affordable at a time when it is of utmost need but also enables people to opt for a higher sum insured that covers their health insurance needs optimally.
- The Insurance Regulator directed health insurers to streamline the online sale of insurance products to ensure ease of buying. Insurers now do sale and renewal of health insurance policies, KYC verification online through video calls and ask applicants to upload the documents required for KYC.
- People are no longer required to put their physical signatures on a proposal form at the time of buying a policy.
- Insurers in India have paid around INR250bn ($3.28bn) of COVID-related health claims in the two years of the pandemic,
- As the Covid-19 pandemic threatens to rear its head again, health insurance costs are shooting up, with an increase of 10-15 percent in premiums on several new policies as well as existing ones that come up for renewal. Many non-life insurers have already raised premiums on their health offers.
- Since the commencement of Covid, health insurance premiums have been the main driver of the non-life insurance industry. In spite of a long nationwide lockdown, the health segment grew significantly by 34.2 per cent in YTD (year-to-date) July 2022 in comparison to a growth of 9.9 per cent witnessed in YTD July FY21.

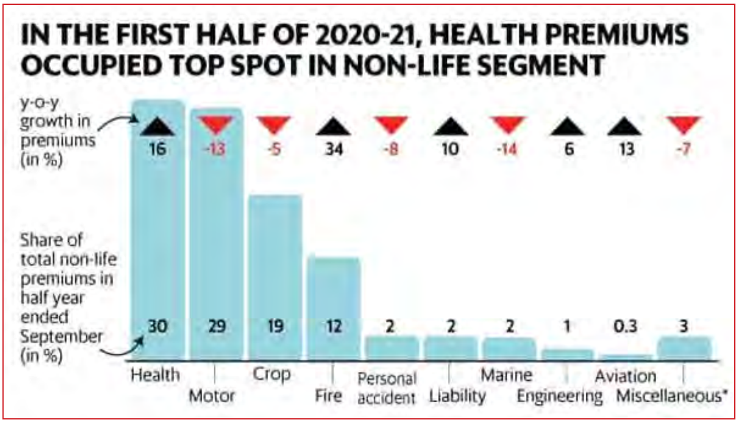
Post covid the scenario of Health insurance has changed. As per a report of NITI Aayog (Health Insurance for India's Missing Middle), the Ayushman Bharat or the Pradhan Mantri Jan Arogya Yojana (AB-PMJAY), launched in September 2018, and state government extension schemes, provide comprehensive hospitalization cover to the bottom 50% of the population or 70 crore individuals while around 20% of the population or 25 crore individuals are covered through social health insurance, and private voluntary health insurance. The remaining 30% of the population is devoid of health insurance. The report said that the actual uncovered population is higher due to existing coverage gaps in PMJAY and overlap between schemes.



Non-life Insurance

There is a big gap in the market currently that is waiting to be filled with innovative and customised products. There is a growing opportunity for the industry to come up with new and innovative product offerings that fulfil the unmet needs of the customer. A large part of the customer segments still doesn't have specialized policies for them. Non-Life business has shown better results, despite additional pressure on the Health sector. This was largely due to factors such as:

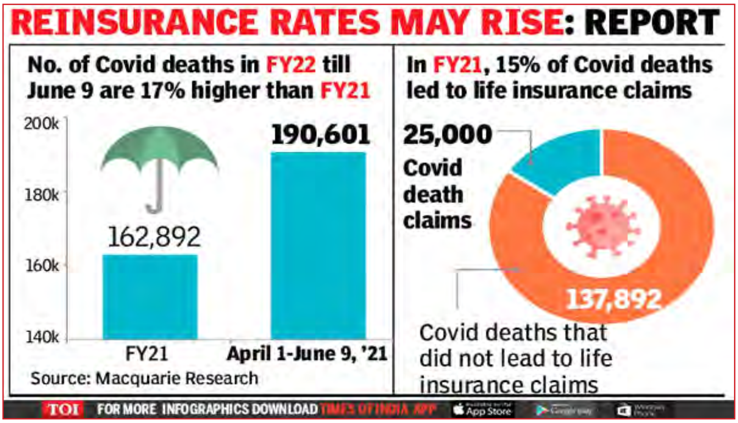
- Lower claims for instance, given that people were working from home and travelling less, there have been fewer claims in many categories and lower demand for elective health care due to the postponement of non-emergency medical treatment);
- The creation of digital tools allowed a significant degree of personalization that has helped customer both identify and fulfill their unique needs.
- Sandbox experiments are likely to increase as insurers try out new and innovative products.
- India's four public-sector general insurers saw their combined market share dip by 2.10 percentage points in terms of gross direct premiums underwritten for the financial year ended 31 March 2022.
- The non-life market (comprising general, standalone health and specialised insurers) as a whole posted an 11.03% increase in gross direct premiums to INR2.206tn ($28.9bn) in FY2022, compared to FY2021.
- Among the 25 general insurers operating in India, only three posted lower gross direct premiums in FY2022. They were United India and National as well as the privately-held Shriram General Insurance.
- Listed private-sector insurer ICICI Lombard overtook public-sector United India to become the second largest general insurance company in the country. ICICI Lombard reported gross direct premiums of almost INR180bn in FY2022 compared to United India's INR157bn. New India Assurance retains its pole position as the biggest general insurer in the nation.
- Online insurer Go Digit showed the fastest growth among the 25 general insurers, nearly doubling its gross direct premium to INR46.7bn. Its performance allowed it to leapfrog to the ranks of the top 10 general insurers in the country in FY2022, compared to the 17th position in FY2021.
- While the property line of business has seen some amount of stability in terms of pricing, the advantages have been largely neutralised by a cut-throat competition among the re-insurers to grab the huge SME business.
- The government has also come up with efforts to provide insurance for individuals below the poverty line (BPL) through various campaigns like Pradhan Mantri Suraksha BimaYojana (PMSBY), Pradhan Mantri Jeevan JyotiBimaYojana (PMJJBY), and RashtriyaSwasthyaBimaYojana (RSBY). The IRDAI has announced the issuance, through Digi locker, of digital insurance policies by insurance firms.



Other Impacts

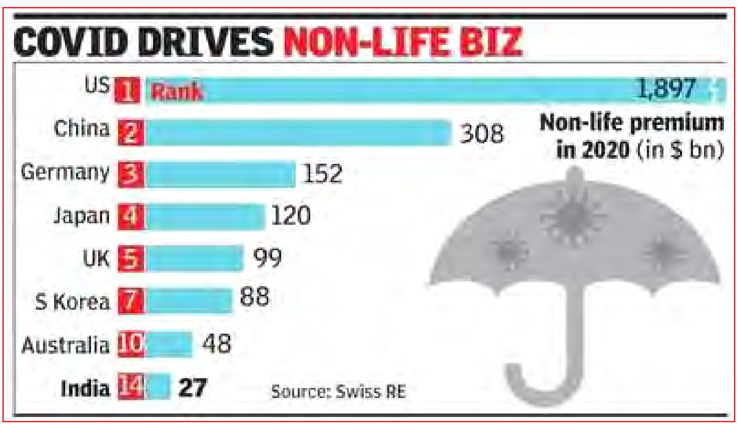
As the COVID-19 pandemic spread from region to region, it has drawn attention to a hitherto unnoticed protection gap in insured and noninsured property/casualty (P/C) risks.The preferred methods of insurance buying are also undergoing changed. Customers are not only comfortable buying digitally, but also interacting digitally with advisors on various platforms. Post covid following impact could be seen:

- It has been decided by the government to extend the Pradhan Mantri GaribKalyan Package (PMGKP), insurance scheme for Health Care Workers Fighting COVID-19 so as to continue to provide the safety net to the dependents of health workers who are deputed to take care of COVID-19 patients. The scheme covers loss of life due to pandemic and accidental death on account of pandemic related duty. In case of an eventuality, an amount of Rs 50 lakhs is payable to the claimant of the insured person.
- The introduction of the Rashtriya Swasthya Bima Yojana (RSBY) hugely improved the access of those living below the poverty line to health insurance. Launched in 2008, the RSBY beneficiary with a biometric smart card could avail free in-patient care of up to Rs 30,000. While the RSBY was applauded for this innovation in the sector, many challenges with the enrolment of beneficiaries, low uptake of services and no significant reduction in out-of-pocket expenditure along with inadequate coverage emerged.
- In some relief to customers, insurers are hopeful that reinsurance support will now come back for products like term insurance and group insurance with the Covid-19 pandemic showing signs of easing. While there is no action on the ground as of now, there is expectation that the stricter underwriting/ exposure norms will now be reviewed.
- Following high claims in the second wave of the Covid-19 pandemic, reinsurers had called for stricter underwriting norms and many life insurers now require medical tests and checks on education and income of prospective customers for term policies.
- Death claims paid by the life insurance industry increased by 40.8 per cent to ₹41,958 crore in 2020-21. The rise in death claims seems due to the increased deaths during Covid-19. Most life insurers had reported elevated claims even in their first and second quarter results for 2021-22.
- In a significant development, automation of faster claims processing, adoption of artificial intelligence, the internet of things, cloud computing, blockchain and digital platform solutions, including DigiLocker have helped India's insurance sector to grow faster, reshaping the future of insurance.
- The most pivotal, defining moment of the insurance experience for any policyholder is claim settlement. Traditionally, claim settlement could turn out to be tedious. It would require the policyholder to invest a considerable amount of time and effort in paperwork. Now, the average claim settlement time has been reduced to as less as 30 minutes by InsurTechs. This new, time-efficient and user-friendly process is in line with the latest IRDAI regulations against the backdrop of the pandemic. The need for visiting the insurer's office physically has been eliminated.



Buoyant Cyber Insurance Business

Insurance companies are seeing growth in cyber insurance business in both the individual and corporate segments due to a rise in the number of cyber attacks. The cyber insurance market is expected to grow globally at a CAGR of 27% from 2017 to 2024. The cyber security insurance was introduced as a standalone product in India in 2014 and since then it continues to grow with researches reporting that the nation is expected to spend up to $3 billion on cyber security in 2022. While Bajaj Allianz General Insurance has witnessed a 30% increase in the number of corporate cyber policies since 2018, Tata AIG General Insurance has been seeing commercial cyber insurance grow by double digits since the product was launched in 2014. For ICICI Lombard, corporate cyber liability insurance is one of the most sought after products during the COVID pandemic due to the spike in the number of cyber attacks in India and globally. Cyber security insurance policies cover a range of areas including cyber bullying and extortion/ransomware, legal expenses, data restoration cost, identity theft and phishing. A major reason for the increase in cyber insurance is the high costs involved in efforts to recover from a cyber attack.The demand from individuals for cyber insurance has also surged, seeking coverage for protection against risks including cyber fraud, social media liability, malware attacks and spoofing.



New Aviation Policy

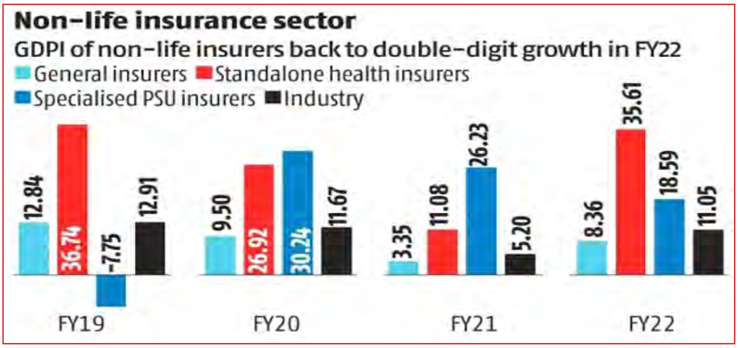
India's flag carrier, Air India, under its new Tata management, has taken a INR608bn ($8bn) cover, costing it a premium of INR2.66bn to a syndicate of insurance companies, including Tata AIG General Insurance. The airline's new management held extensive negotiations – both in India and London – to obtain the cover in a market that is seeing rising aviation insurance premiums due to the ongoing Russia-Ukraine war, reported Business Standard. As per the new policy, Air India will not be able to fly over Russian and Ukrainian airspace due to the conflict. The premium for the new cover, which took effect on 1 April for a year, will be marginally higher than INR2.58bn paid in the last financial year by the airline under its previous owner, the Indian government, said a source close to the development. In the last financial year, the airline had purchased coverage of INR760bn. The policy also includes passenger liability cover. At present, Air India has a fleet of 117 aircraft while Air India Express operates a fleet of 24 narrow-body aircraft. Tata AIG General Insurance has for the first time received a 30% share in the cover while one of its parents, AIG, continues to be the reinsurance leader. New India Assurance has the highest share of 40% while ICICI Lombard has a 6% share. The insurance syndicate will reinsure 95% of this policy with foreign reinsurers to transfer risk. Tata Group took over control of Air

India in January 2022 after emerging in October last year as the winning bidder for 100% of Air India, including the airline's 100% stake in budget airline Air India Express. The aviation class is presently facing uncertainty due to major claims on leased aircraft and this will certainly impact the aviation class. However, market-wide impact is not expected to be significant.

Digital Technology

Technology companies are disrupting businesses across sectors. Insurance business is no exception. The distribution of financial services is witnessing a dramatic change already. For insurers, it is a time like never before. There is a need to embrace technology that transforms how you do business or engage with policyholders. With prolonged lockdowns, businesses have adapted to a new work life. Those who work in financial services distribution are no exception. Insurers have invested in resources to provide online training to their distribution network. Digital technologies will continue to see significant investments. Life insurers will leverage digital technologies to help customers purchase complex products in a simple way and fulfil service requests in a seamless manner. Accustomed to an e-commerce-like experience online, an efficient onboarding process will be a key expectation of customers from the insurance world. Insurers will therefore invest considerable resources in reimagining the consumer journeys across the lifecycle of a policy. From AI-enabled Chatbots to easy and quick fulfilment of service requests, life insurers will focus on delivering a delightful experience to the customer. Artificial Intelligence and Machine Learning will help get a deeper insight into customer personas and therefore offer newer avenues to cater to their needs. ML will also play an important role in optimizing other processes like risk prevention, customer retention, advisor activation, etc. Protecting customer information by applying appropriate security measures and access controls to information and application will be among the top technology-led priorities for businesses. India has 1.18 billion mobile connections, 700 million Internet users, 600 million smartphones, and a population that has the highest data consumption in the world—about 12 GB per person a month (National Health Authority of India, 2021). Today, being digitally versatile is central to every decision and every interaction made by both individuals and companies. The insurance industry was among the first to recognise this and made the best possible use of technology, investing early in collaborative tools like social media, WhatsApp, Zoom, Microsoft Teams, and so on—as well as digital technology assets such as mobile apps for insurance, chatbots, and tools that allow processes like faster KYC verification and onboarding, automated underwriting, virtual claims adjusting, and so on. Digital technology that is cheap, scalable, functional, and replicable is here to stay. With the insurance experience becoming comforting and enabling, a larger number of customers are likely to get insured – and for the right reasons.

The impact of COVID-19 on global insurance markets is largely felt through asset risks, notably capital markets volatility, and weaker premium growth prospects. Higher mortality rates due to the coronavirus pandemic are affecting the bottom lines of many life insurers, but long-term care businesses are also seeing lower claims levels as individuals shy away from assisted living facilities.India's health system is unwell. Insurers are at risk of declining profitability as squeezed margins undermine their ability to pay claims in the long term, and consumers are being turned off by climbing premium costs. As millennials continue to become a larger part of our economy, this trend is likely to become even stronger, prompting insurers to relook at the customer experience through various distribution channels. Over the next couple of years, companies will also look at ways to deeply integrate their customer acquisition and service capabilities with that of their distribution partners to deliver a unified experience to the customer. These technology initiatives will be critical to encourage innovation, achieve customer-focused business objectives, and drive future growth. The industry has tremendous responsibility especially for a nation like India to offer protection and just not assume that people will not take insurance. There has to be aggressive probably, more sort of forcefully selling insurance because it is no longer an option.



Before coronavirus, sustainability strategies were largely centered on environmental issues: the risks to planetary health from pollution, climate change, and the like. Consumers were increasingly choosing products and brands that demonstrated authenticity in these areas, inspiring passion and allegiance. Regulators were echoing those concerns and priorities as well. The pandemic was a wake-up call that the unexpected and the unlikely are more tangible and plausible than anyone previously anticipated. Executives must accept that pandemic-induced changes in strategy, management, operations, and budgetary priorities are here to stay. Accelerated investment is coming in digital tech, transformation, and cloud adoption. It is a whole new world due to the pandemic. New financial year will lead the way in setting out a path of significant investments and innovation across the insurance industry that will play over the next three to five years. As we head into the new financial year, there is no end yet to the anxiety as variants of the Covid-19 virus continue to emerge. Given improved economic sentiments, greater appreciation for its need and increased vaccinations, life insurance companies are expected to do a lot more in the new Financial Year. Organizations will continue building a seamless and integrated multi-channel experience to customers to drive business growth. As a larger population becomes aware of life insurance and the business opportunity expands, insurers will look to expand their reach through existing and new strategic partnerships. The sector will also continue to be among the largest employment generators in 2022 as it looks to maximise its reach through advisors. We are on the leading edge of a self-reinforcing process, promising even greater acceleration ahead. This presents an enticing opportunity for executives who can manage complexity and drive competitiveness by tying digital transformation to business priorities—while others are still waiting for things to "go back to normal." The future looks promising for the insurance industry with several changes in the regulatory framework which will lead to further change in the way the industry conducts its business and engages with its customers. TJ

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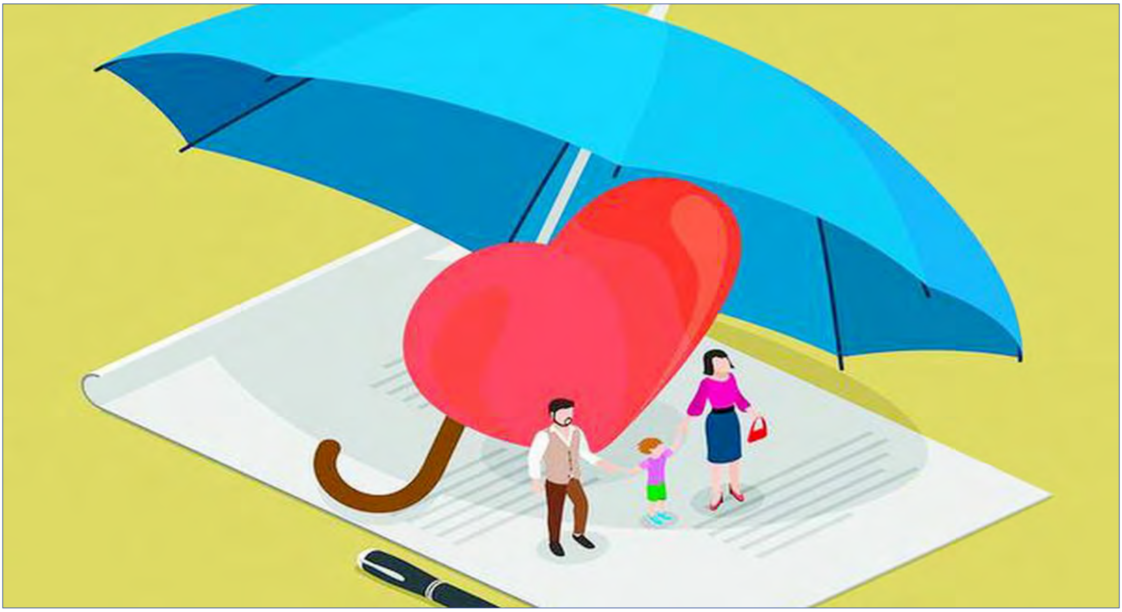
Changes in Insurance Business Post Covid 19



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Abstract

The covid-19 pandemic is serving as a catalyst for digitization and business model innovation, enabling insurance firms to engage with and support their customers in new ways. The insurance sector is on the cusp of a new paradigm as a result of digitization. The natural effect of digitalization is the emergence of ecosystems. Adaptable organizations will be able to take use of it if it is built into their design and strategy. Today's clients, according to trends, seek a mix of digital and emotional connection with their insurance.

Keywords

Customer Behavior, Digitization, Omnichannel Agility, Business Ecosystem.

Natural disasters and various emerging risks such as COVID-19 pandemic have become severe and more frequent worldwide, making consumers more "insurance conscious." As leaders try to make sense of the post-COVID business landscape, many find themselves leading to a place of uncertainty. Within few days companies had to make arrangements to take their business fully into the online mode. Meanwhile also handling the customer grievances and paying the increased claims simultaneously. Insurance companies had so far handled the crisis situation well but pandemic has exposed the gaps and vulnerabilities that the company is currently facing. There is dire need of more and more technological investments in the insurance sector.

Companies that are investing in their competencies and strengthening their client relationships today have a better chance of surviving the crisis. Customers' requirements and behavior are changing. They now expect 'best digital experience' to be normal, irrespective of industry. It simply implies that insurers are competing against a wide range of customer digital experiences rather than other insurers. Digitalization would not only help in creating the better customer touch points but also help in saving costs. The prospect of cost savings excites company owners more than anything else which is the basic necessity in post pandemic era.

The most significant change the coronavirus pandemic has brought is in the structure and relationship between businesses and the protection products they are seeking from the insurance industry. It may mean the insurance industry creates a closer risk partnership with their policyholders, acting as risk advisors rather than simply writing a check after the event.

The pandemic is serving as a catalyst for digitization and business model innovation, enabling insurance firms to engage with and support their customers in new ways. As per consumer surveys and sales figures this year, the pandemic has piqued public interest in both health risk and insurance in India, and insurance purchasing has begun to shift to online channels, according to Swiss Re study. And according to research, government laws and a covid enforced spike in digitization have aided customers in their ambition to acquire insurance plans online. Covid has brought permanent changes in the buying behavior of the customer.

With the changing landscape customers have also become more aware about their insurance product and now they are willing to reconsider all the options available to them. Due to the advent of the pandemic the customers were forced to buy the products even financially complicated one. But now they have become more comfortable in buying policies/plan online. "Today's customers expect interacting with their insurers to be easy, and providers need to ensure their channels enable a convenient and seamless customer experience. By investing in the right technologies, insurers can win and retain customers while empowering their agents and brokers to deepen relationships."

Previously, insurers' channel options were limited. Captive or independent agents were the most common options, with a few organizations also offering contact center communications. The Internet and more sophisticated market segmentation were two factors that transformed how insurers communicated with the outside world in the 1990s. With the rise of e-commerce and digital wallet apps, insurers and digital platforms have the opportunity to develop creative partnerships to reduce India's $369 billion health insurance gap.

The insurance sector is on the cusp of a new paradigm as a result of digitization. Due to massive increases in the volume of electronic data, the usage of mobile interfaces, and the expanding capability of artificial intelligence, the rate of change has increased. There can be reach to the customers 24/7, ease of updating information and better search results. But there is still some gap in providing personalized advice to customers. But with the integration of technology consumers can contact the agents and brokers beyond the typical office hours thereby providing them further assistance. As complex products like retirement plan, annuities need agents and brokers assistance.

Digitization has now infiltrated every aspect of the competitive scene. The increasing reliance on digital technology is altering customer expectations as well as expanding industry boundaries. Insurers cannot avoid this phenomenon: as old business boundaries dissolve, platforms and ecosystems will have a significant impact on the future of insurance. Insurers now have the chance to increase the sales by targeting on the digital traffic and by focusing on the hyper- personalised virtual experience.

The agents and brokers need digital collaboration and engagement tools, such as screen-sharing platforms and digital document-signing tools, to assist customers effectively. This aligns to insurance customer demands for ease and speed of access to information. Hence if there is more investment in the technological sector it would not only help in digitizing the insurance channel but also help in enhancing the user journey in the whole process.

The natural effect of digitalization is the emergence of ecosystems.

Adaptable organisations will be able to take use of it if it is built into their design and strategy. Evolution has taught us that the species that are most adaptable to change are the ones that survive.

The Swiss Re Institute surveyed 1,800 people in India, Indonesia, and Malaysia in June 2020, titled "Going Digital - Insights to Optimise Consumer Appetite for Online Insurance," to better understand their views about digital platforms and perceptions of buying insurance online. The results of the survey show that Indian clients use digital platforms extensively, and that they prefer to buy insurance through them.

Using the Internet of Things, for instance, insurance digitization might help the industry expand the bounds of insurability. Insurers may take advantage of consumer acceptance of IoT to increase productivity and provide potential for better and more frequent client contacts (for example, through wearables) and improve efficiency through sensor-based automation (such as trigger-based claims payments and apps). Digitalization has the potential to change the way insurance companies engage with their clients.

The channel choices of clients have shifted dramatically. For years, policyholders depended on conventional contact points for guidance regarding coverage, purchases, and assistance — their branch, a call centre, or an agent/broker/financial adviser. Nowadays, instead of blindly accepting an agent or broker's recommendation, individuals investigate insurance options and then choose a policy that they feel is the best match for them.

In recent years, there has been a shift in the world of business, from a focus on transactions to an emphasis on relationships. Today's companies no longer shortsightedly prioritize profits over everything else but are instead increasingly concerned with earning their consumers' trust. Instead of simply selling consumers products, they market themselves as companies to believe in and make part of one's life.

While this trend is evident across the business spectrum, from banking to footwear, there are some industries that should be particularly attentive to such changes and become especially in tune with the needs and wants of its customers—such as insurance. Insurance, after all, represents a relationship with policyholders and their beneficiaries, a sustained commitment to supporting them through tough times.

It is clear, however, that the financial support provided by insurance payouts, while an incredibly important lifeline to so many families, is not nearly enough in today's relationships-centered marketplace. If insurers want to address the true needs of their customers, they need to think outside the box and provide added value.

Insurers' customers are not just case numbers; they are human beings. And, when insurance companies acknowledge the unique needs and challenges of those they serve, often at some of the hardest times in their lives, the companies benefit themselves, as well.

So what can insurers do to establish trust with and care for those they support?

In treating their interactions with customers not as sales but as sustained relationships, insurance companies can go beyond payouts to provide beneficiaries with real peace of mind. For example, Sensa, a car insurance company, automatically calls emergency services so that their customers have one less thing to worry about. Some car insurers have also begun offering rental reimbursement coverage, going an extra step to make sure the customer isn't stuck without transport while waiting for claims or repairs.

Other insurance companies have incorporated clear social impact goals directly into their offerings, showing customers that their beliefs and commitments are as important to them as their financial security. Insurer Lemonade has implemented a giveback program, charging a flat fee and then giving the leftover money from claims to a charity of the customer's choice.

Out of the various insurance verticals, however, the one that most needs to implement such policies is life insurance. Life insurance establishes a relationship over the long term, with a promise to be there for the policyholder's beneficiaries when they need it the most, when they are experiencing the repercussions of great loss.

Consumers that are technologically aware will do pre-purchase research like this in 2020: They look up information online, read user reviews, seeks advices from social media contacts, family, and friends, and communicate with agents or brokers about coverage specifics and needs.

- They search for competitive prices and value-added services from a range of insurers using comparison websites.
- They look for first-hand information from the insurance company's website.

According to a consumer study published in the latest World Insurance Report, more than 60% of policyholders depend on online reviews and recommendations from friends, and more than 50% use policy comparison websites and corporate websites for their preliminary research. Moreover, over 53% of the poll respondents indicated they prefer to contact with agents and brokers in order to obtain extra information or insight.

Today's clients, according to trends, seek a mix of digital and emotional connection with their insurance. The distinctive qualities of COVID-19 emphasise the need of both digital and emotional communication. The crisis highlighted the need of trustworthy digital channels for keeping policyholders connected in a seamless and simple manner 24 hours a day, seven days a week, and for conveying personalised reassurance that minimizes alarm and develops an emotional bond. Customers continue to appreciate personal connection, as evidenced by their preference for omnichannel experiences (which incorporate both conventional and digital channels).

As a result, it's no surprise to us that, Insurers are stressing omnichannel agility to gain and keep consumers. Acting now can help one to develop future-proofing measures. Traditional channels should be supplemented with digital technologies in the future. Emotional intelligence modules, on the other hand, must be integrated into digital channels (self-awareness, self-management, social awareness, and relationship management)

Challenges it faces!

In today's dynamic economy, where technology and laws are always evolving, enterprises must be flexible in order to adapt rapidly to changing consumer requirements and meet their huge expectations while lowering costs, which the traditional and monolithic solution strategy is unable to do. After recognising this, the General Insurance business set out to change its communications delivery system. A lot of obstacles have to be overcome in order to attain this goal. The major challenges are summarized below:

- Inability to adapt quickly to change, in order to be compliant with the latest technologies adequate training has to be given to staff members, which to be quick and simple
- The generation of a single invoice picture of services purchased across product lines is complicated by organisational silos and old technological infrastructure.
- Changes in the market or from regulators were difficult for businesses to adapt to and reflect. Quick decisions and strategies need to be imposed.
- Statement template management is a major problem in the never-ending struggle between compliance and security.
- There isn't a system in place to generate statements automatically.
- It was challenging to automate the statement generating process since it included several disconnected systems.
- The development of an automated workflow is a tedious and time-consuming procedure.
- Managing statement document templates and integrating corporate processes

Solutions

- By overcoming process silos and giving insurance service providers more authority.

  A seamless and hassle-free Omni-channel customer experience is achieved through an adaptable manner of delivering messages based on business and regulatory demands.

  The solution has made it simple to unify the whole enterprise's technology in order to handle and organise client conversations across all channels.

- Hassle free compliance with the new requirements

  The technology allowed insurance service providers to send statements that complied with regulatory requirements. The company is now more adaptable and can cope with any new regulatory changes with ease.

- Enhanced customer satisfaction

  Statements are delivered more quickly. With the provided information, a PDF is generated instantly.

- Business-specific template

  Meeting the requirements of local customers and their business by creating templates and generating documents. Changing management system with less amount of waiting period.

- Cost and time savings

  By using the automated process the manual staff- requirement is less, thereby helping in the cost reduction. Also, by upgrading the systems to the new regulations there is less amount of cost required. Implication and updating of regulations and systems should be done in every 6 months.

Omnichannel Data as a Game-Changer of the Life Insurance Industry!

Omnichannel is a strategy that allows life insurers to deliver a consistent, integrated experience to their customers throughout the value chain, from engagement through claims. Internal and external users might get benefit from fluid and seamless encounters using various channels.

Life insurance sector has undergone significant transformations. They used to think that low-frequency conversations about policy renewals were enough to keep customer connections alive and serve consumers. However, it has been evident over time that this business has been shaped by other industries as well, such as retail and omnichannel servicing.

Through seamlessly shared information, highly automated procedures, well-designed technological environments, unified data, and powerful analytics tools, omnichannel data servicing combines and synchronises all channels. It's also worth noting that demographic shifts are causing this trend. Millennials are the face of life insurance in the future, and they are used to a completely new world where they can buy and get service digitally through any channel or device.

As a result of this intimate interaction, customers are more engaged, processes are more efficient, and expenses are lower. In order to keep up with future innovative trends in the industry, it's critical to think about the following top investment areas

- Process and workflow automation
- Management and governance of information assets to help maintain accuracy and integrity
- Tracking, mining, and reporting capabilities;

Ability to quickly and securely make the right data available anywhere and anytime. Insurance carriers must overcome their historic aversion to change and embrace broad-based transformation to maintain their competitive advantage. Insurers that can build more sophisticated omnichannel service capabilities will have a clear competitive advantage. The process begins with a review of current capabilities and the identification and prioritisation of opportunities to develop new omnichannel data servicing capabilities.The good news is that insurers already have the ability to combine data from numerous sources to build stronger client connections and increase efficiency. TJ

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The Mutability of Insurance business in Covid 19

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Introduction

The word Mutability means changeability. Change can come to us in any manner and from any directions. So one of the change catalysts that stroke the human kind in almost a century years is CORONA VIRUS. A novel coronavirus (CoV) named '2019-nCoV' or '2019 novel coronavirus' or 'COVID-19' by the World Health Organization (WHO) is in the charge of the devastating current outbreak of pandemic that began at the beginning of December 2019 near in Wuhan City, Hubei Province, China. COVID-19 is a pathogenic virus. From the phylogenetic analysis carried out with obtainable full genome sequences, bats occur to be the COVID-19 virus reservoir, but the intermediate host has not been detected till now. COVID-19 is spread by dust particles and fomites while close unsafe touch between the infector and the infected individual. Airborne distribution has not been recorded for COVID-19 and is not known to be a significant transmission engine based on empirical evidence; although it can be imagined if such aerosol-generating practices are carried out in medical facilities. However, there are already many concerns regarding the latest coronavirus. Although it seems to be transferred to humans by animals, it is important to recognize individual animals and other sources, the path of transmission, the incubation cycle, and the features of the susceptible community and the survival rate. Nonetheless, very little clinical knowledge on COVID-19 disease is currently accessible and details on age span, the animal origin of the virus, incubation time, outbreak curve, viral spectroscopy, dissemination pathogenesis, autopsy observations, and any clinical responses to antiviral are lacking among the serious cases.COVID-19 pandemic as a risk to domestic growth is more than any other factor, as they have in every other survey since early 2020.

Impact and Changes on world's Economy

The coronavirus pandemic has reached almost every country in the world. Its spread has left national economies and businesses counting the costs, as government struggled with new lockdown measures to tackle the spread of the virus. Despite the development of new vaccines, many are still wondering what recovery could look like. Big shifts in stock markets, where shares in companies are bought and sold, can affect the value of pensions or individual savings accounts. The FTSE, Dow Jones Industrial Average and the Nikkei all saw huge falls as the number of Covid-19 cases grew in the first months of the crisis. The major Asian and US stock markets have recovered following the announcement of the first vaccine in November, but the FTSE is still in negative territory. In response, central banks in many countries, including the UK, have slashed interest rates. That should, in theory, make borrowing cheaper and encourage spending to boost the economy. Some markets recovered ground in January this year, but this is a normal tendency known as the "January effect". Analysts were worried that the possibility of further worsening of cases and delays in proper vaccination programmes might trigger more market volatility this year. In the United States, the proportion of people out of work hit a yearly total of 8.9%, according to the International Monetary Fund (IMF), signalling an end to a decade of jobs expansion. Millions of workers have also been put on government-supported job retention schemes as parts of the economy. Industries such as tourism and hospitality, have come to a near standstill. The numbers of new job opportunities is still very low in many countries. Job vacancies in Australia have returned to the same level of 2019, they are lagging in France, Spain, the UK and several other countries. The IMF estimated that the global economy shrunk by 4.4% in 2020. The organisation described the decline as the worst since the Great Depression of the 1930sthe travel industry has been badly damaged, with airlines cutting flights and customers cancelling business trips and holidays. New variants of the virus - discovered in recent months - have forced many countries to introduce tighter travel restrictions. Data from the flight tracking service Flight Radar 24 shows that the number of flights globally took a huge hit in 2020 and it is still a long way from recovery. The hospitality sector was hit hard, with millions of jobs lost and many companies were throne to bankrupt. Data on a leading company that covers over 35 million hotel and rental listings worldwide -registered a fall in reservations in all the top travel destinations. Billions of dollars have been lost in 2020 and although the forecast for 2021 is better, many analysts believe that international travel and tourism won't return to the normal pre-pandemic levels until around 2025.

Impact on Indian Economy

As with the global economy, the Indian economy also faced multiple constraints when the pandemic emerged. The economic impact of the COVID-19 pandemic in India had been largely disruptive. India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% according to the Ministry of Statistics. The impact of corona virus pandemic on India had been largely disruptive in terms of economic activity as well as a loss of human lives. Almost all the sectors had been adversely affected as domestic demand and exports sharply plummeted with some notable exceptions where high growth was observed. The World Bank and rating agencies had initially revised India's growth for financial year 2021 with the lowest figures India had seen in three decades since India's economic liberalization in the 1990s. However, after the announcement of the economic package in mid-May, India's GDP estimates were downgraded further down to negative figures, signalling a deep recession. (The ratings of over 30 countries had been downgraded during this period.) On 26 May, CRISIL announced that this will perhaps be India›s worst recession since independence. State Bank of India research estimates a contraction of over 40% in the GDP in Q1. The contraction will not be uniform, rather it will differ according to various parameters such as state and sector. On 1 September 2020, the Ministry of Statistics released the GDP figures for Q1 (April to June) FY21, which showed a contraction of 24% as compared to the same period the year before. India imposed a national lockdown from 25 March 2020, which crippled economic activities across States. The resultant demand and supply shocks reverberated across the productive sectors of the economy. The economic shutdown after March 2020 led to a major rise in unemployment. The size of the labour force shrank in March and April 2020 was at its lowest level. There was some recovery from May 2020, but the total size of the labour force in October 2020 was still lower than in February 2020 by 13.2 million persons. The health crisis was accompanied by an unprecedented economic crisis, where demand and supply have fallen autonomously and concurrently, even as they depress each other in feedback loops. The intensity of this crisis was exacerbated by the fact that the Indian economy was slowing down over a decade prior to the pandemic. The pandemic-induced economic crisis after March 2020 affected all economic sectors. In agriculture, farmers were faced with broken supply chains, lack of market outlets, poor demand and falling output prices. Our analysis of market arrivals of 15 agricultural commodities between March and September 2020 brought home this reality in the countryside. In industry, micro and small enterprises were the most acutely affected. Surveys showed that about 35% of all MSMEs were likely to shut down permanently. The crisis also led to a major loss of employment; at least 13 million people disappeared from the labour force between February and October 2020.

The Impact of Covid-19 on Other Businesses

The business sector had a significant impact due to occurrences of Covid-19.The badly affected sectors like Hotel, Airlines, Tourism, Railways, Entertainment etc had a drastic downfall but significantly the sectors that got a glorious jumps were the Telecom, Insurance, On-line tele marketing. In industries from healthcare to education to finance to manufacturing, quarantine and extended work-from-home forced companies to use technology to reimagine nearly every facet of their operations. As the world reopens in fits and starts, we analyze the industries poised to thrive in a post-Covid world. In the wake of the outbreak, everything from doctor's appointments to schooling to workouts went online. As more people worked, learned, banked, exercised, relaxed, and even sought medical care from home during Covid-19, they had gone through a crash course in just how much can be accomplished at home.

Almost two years into the pandemic, some countries have resumed normal life, while some have seen resurging cases and renewed lockdowns. As vaccines are doled out, a complete return to normal still remains uncertain for many, but what's certain was the fact that the pandemic had fundamentally impacted several industries.

In some cases, the technological changes inspired by Covid-19came in the form of an acceleration of existing trends — for example, industrial automation and contactless payments. In other cases, like virtual reality, 3D printing, or telehealth, the crisis may change the course of the industry, enabling companies to demonstrate value that, until now, consumers have were unable to see.

The Predominant Impact on Insurance Business by Covid-19

The COVID-19 crisis continues to have a significant impact on individuals, society, business and the wider economy across the globe. The insurance industry has not escaped its impact but insurers have responded quickly to the crisis. As the broader economy recovers and responds to the pandemic, insurers had faced and have been facing a number of challenges but also see many new opportunities in the medium to long term. The impact on general insurers will vary depending on the products and types of coverage offered by the insurers. The pandemic has taken a toll on new premiums on certain lines of business, such as travel, events, and trade credit insurance, and losses from these lines of business may become significant. Other lines of business such as motor and home have remained relatively stable. Claims volumes for personal lines (e.g., motor) have greatly decreased due to the lockdown. This is not true from a business continuity coverage perspective as there has been a large volume of claims initiated; here, insurers need to pay close attention to potential exclusions in the policies and government expectations for a non-legalistic, pro-consumer approach in assessing claims. In some notable cases, GI insurers have offered credits and rebates to policy holders due to restrictions. Operationally, General insurers responded relatively well to the crisis with most workforces working remotely. There were some challenges with contact centre operations and with third-party provider services, although these issues have not been across-the-board. Those insurers who developed digital capability happened to be in a better position to respond to customer. The volatility in financial markets didn't have a pronounced impact on general insurers, as the government bonds were relatively unaffected by the crisis.

The L&P (life and Pension) Sector Has Been Impacted on a Number of Fronts

1. With the significant impact of Covid-19' on economic activity and employment levels at a local, regional and global level, consumer spending power reduced significantly over a short period. Insurers are responding with payment breaks in an effort to stem a potential large level of lapses.
2. Coupled with the reduction in consumer spending power the impact of market volatility and general uncertainty resulted in low consumer confidence, and on the willingness to spend. Life insurers expected that this would translate into downsizing new business volumes for a period of unknown duration.
3. In addition to the expectation of lower new business volumes coupled with increased lapses, there has been a significant drop in market values and interest rates. The impact of this on life assurer income levels in some cases is leading to stress on Financials of the company which in turn leading to unpalatable actions like expense cuts.
4. Although the tragic loss of life will reverberate across society, from an insurance perspective life insurers may not see a large volume of life claims as many of those that succumbed to the disease were of the age cohort that may not have coverage. However, there is a risk that mortality for other cohorts may increase arising from fear of seeking hospital or medical care or the general stress of self-isolation. Operationally, L&P insurers, similar to GI companies, have managed well with the initial crisis. However, with self-isolation rules in place, digital capability is becoming increasingly important due to the nature of L&P products and dependency on agents and other intermediaries.

There is a wide diversity of health systems across the globe, the impact on health insurers may not be uniform. In Ireland, for instance, the government has mandated that private hospital services are redirected to support the COVID-19 surge, while in other countries private health providers have volunteered their services to support the response. This and the enforced self-isolation rules have meant that elective procedures and consultations have been greatly curtailed and subsequently claim volumes have reduced in the short term. However, in the circumstances where customers are paying for private health insurance but are not being distinguished from a public patient, it is possible that some customers will expect credits or rebates. To date, governments have been driving the treatment of infected patients and therefore indications are that the cost to health insurers may be limited. However, the increasing clusters of infection and mortality in nursing homes are a worrying trend, and the potential exposure to insurers is unclear. Broadly, health insurers operationally have experienced some of the resilience challenges that GI and L&P insurers have faced. Expectations are that digital capabilities to support remote medical consultations will gain further investment in light of self-isolation rules. Medium-term governmental spending on health is expected to greatly increase in light of the crisis, and the fears experienced across society may drive higher penetration of private health insurance in the long run.

Reinsurers will be impacted in much the same way as insurers, although their impacts will be more pronounced on the demographic side for those business lines more heavily reinsured. On the Life and Pensions business, reinsurers' expectations of loss will depend on the evolution of mortality rates and how this will impact their respective overall books of business, given annuities potentially a natural hedge against term life covers. On the General Insurance business, one of the key determinants will be the clear definition of the 'event' from which the loss is driven from; in the individual reinsurance contracts and programmes, there will be differing views of the definition(s) and, by extension, liability. Specific clauses and exclusions in reinsurance programmes, and whether COVID-19 as an event is covered by them, will be under close scrutiny. A further complication is that due to societal, governmental or potentially regulatory pressures insurer cedants may accept paying certain claims (e.g., business interruption) but the reinsurer disputes this position. The question becomes whether payment was based on more general, consumer and conduct focused principles and expectations or a clear regulatory obligation to pay. It is expected that such discussions will take a long period of time to fully resolve.

Conclusions

Over the past 12 months, the pandemic has harmed the poor and vulnerable the most, and it is threatening to push millions more into poverty. This year, after decades of steady progress in reducing the number of people living on less than 200/- per day, COVID-19 will usher in the first reversal in the fight against extreme poverty in a generation.

COVID-19 has triggered a global crisis like no other – a global health crisis that, in addition to an enormous human toll, is leading to the deepest global recession since the Second World War." It forecast that the global economy as well as per capita incomes would shrink this year – pushing millions into extreme poverty.

This economic fallout is hampering countries' ability to respond effectively to the pandemic's health and economic effects leaving them with little fiscal room to help the poor and vulnerable who were hit hardest.

For this reason, in April, the World Bank and IMF called for the suspension of debt-service payments for the poorest countries to allow them to focus resources on fighting the pandemic. The Debt Service Suspension Initiative (DSSI) has enabled these countries to free-up billions of dollars for their COVID-19 response. Yet, as the graph below illustrates, debt service outlays to bilateral creditors will impose a heavy burden for years to come, and quick action to reduce debt will be needed to avoid another lost decade.

The current pandemic has brought with it a sense of care, dedication and new commitments in the field of all spheres of life. Even before the crisis began, people in developing countries paid over half-a-trillion dollars out-of-pocket for health care. This costly spending causes financial hardship for more than 900 million people and pushes nearly 90 million people into extreme poverty every year – a dynamic almost certainly exacerbated by the pandemic.

The internet is the gateway to many essential services, such as e-health platforms, digital cash transfers, and e-payment systems.

Unfortunately, access to digital infrastructure and connectivity remains severely limited in the world's poorest countries, which are eligible for grants and concessional lending from the World Bank's International Development Association (IDA with mobile internet penetration rates of 20.4 percent at the end of 2019, compared to 62.5 percent for other countries.

Beyond education, children – male and female – are also vulnerable to the global rise in food insecurity, affecting people in both urban and rural settings. Our World Development Indicators show that even before COVID-19 emerged, the number of people who were undernourished –

an indicator that tracks how many people fail to access sufficient calories – was increasing, after decades of decline.

The Mutations of Insurance Business

The manner in which covid-19 virus was mutating, the same scenario emerged for the Insurance business in India. All most all the Insurer business turned towards a declining mode in the initial days of the pandemic. There was large number of claims striking the Insurers book. The health related premium also took a drastic jump and the term insurance plans were the maximum one which took a good turn in sales. The motor and other lines of business in non-motor segments across the market got a tremendous jolt and all the business figures were in declining mode. There would be a marginal to normal impact on the health insurance portfolio due to COVID-19 related hospitalisation claims. In the health segment, there are two other products, i.e. personal accident insurance and overseas travel insurance. While personal accident policies cover death, disability or hospitalisation following an accident, COVID-19 cannot be interpreted as an accident. Overseas travel policies could see some claims from travellers. This segment forms a very small part of the overall health insurance portfolio. As stated earlier, the impact on insurers would be marginal or less than normal. Property insurance policies provide coverage against fire, loss of profits following fire, interruptions in engineering operations, business interruption, contingent business interruptions, etc. Such policies cover physical damage to the property insured and business interruptions caused due to such events. Business interruption coverage is often a part of a commercial property insurance policy. Therefore, physical damage to the insured property is typically required to claim coverage. Business interruption by itself is not enough to claim coverage. Unless there is a valid claim under the property damage section of the policy, claims under the business interruption section would not be considered. Even for ALOP or contingent business interruption, there is a requirement of insured peril impacting the suppliers of material for projects. Projects would face delays and cost overruns due to a shutdown. Many Industries are either underinsured or uninsured. Loss of income, business interruption coverage or natural peril extensions are not opted for by these firms. There would be a significant impact on revenue/income and profits of corporates due to loss of business. Without physical or material damage, there would be no claims in their ALOP policies. Marine hull and cargo policies mainly cover damages caused by maritime perils. The COVID-19 pandemic cannot be termed as a maritime peril. However, taking a cue from cruise ships that were quarantined in Japan, people might wonder whether the ship-owner or operator is liable to the passengers. The liability towards the passengers in a ship would be covered by the contract of carriage issued by the ship-owner/operator. Liabilities of the ship-owner/operator towards passengers and crew members are insured by protection and indemnity covers. These covers are offered by ship owners' mutual's and are popularly known as protection and indemnity clubs. COVID-19 lockdown or shutdown of cargo loading or unloading as well as release of cargo from bonded warehouses, could cause delay in delivery or some damage during storage to Cargo in Transit. These losses or claims would be handled as per cargo clauses. In the case of airlines, the passenger liability would arise following an air accident. Even if a passenger holds an airline responsible for testing positive for COVID-19, it is for the passenger to prove that he/she contracted the virus on the flight and that the airline was negligent. Such claims would be complicated and could drag for a long time. Causation and losses must be well documented and mitigation efforts should be made wherever possible. COVID-19 is a wakeup call for the general public to practice self-hygiene and change social habits and for the healthcare industry and governments to increase the number of treatment facilities to an excellent state. TJ

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"Proposed Property Title Insurance in India"- The Three-Edged Balanced Driver of the Economy: GDP, Wealth and Welfare

Abstract

The economic development of a nation much depends on the prevalence of land-men proportion. Availability of the inhabitable land being constant, but the population pattern is changing. Explosion of population followed by the environmental pollutions are matter of concern. India's land surface being 3,287,263 Sq. KM and the country's population is 140 billion (as per worldmeters.info/world-population as retrieved on 25-12-2021) which is equivalent to 17.7% of the total world population and that makes India the second largest populous country in the world with her population density being 464 persons per Square Kilometres. This high density of population is putting a constant pressure on the land surface. This situation further aggravates when the real estate market is based on seller's information and the other party hardly able to gather any information input on the property he is going to purchase, followed by the absence of a sound regulatory mechanism to curb multi-dimensional land title irregulatories, which in other words called the prevalence of asymmetrical information-based market. This has paved the way of several market irregularities leading to title disputes of land and property and have adversely affected the governance of the real estate market. The situation is such a grave that as per the World Bank Study, two third of all pending judicial cases in the various courts of India are land title related. The same has been reiterated by one of the studies. "It is estimated that around 2/3rd of the cases pending with the

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Indian judiciary are related to real estate disputes" (roofandfloor. thehindu.com and sitersources. worldbank.org).

Keeping in mind the multi-dimensional land title irregularities, here is an effort to make an academic exercise through observatory study on the subject and to draw some inferences to resolve such a burning issue.

Keywords

Asymmetric Information-Based Market, Multidimensional Land Title Irregularities.

Introduction

The urban demographic pattern of India is being influenced by multi-variant causes: migration, natural reasons, inclusion of new area under civic body etc. As a result, there is an ever-increasing concentration of inhabitation takes place in urban cities and metropolitans due to migration from rural areas. This has also been reflected in the census report (provisional) in 2011, mentioning the fact that ever since 1901 there is a constant increase in the proportion of urban population with that of rural areas. Moreover, changes in landmass and population ratio leads to massive air pollution owing to the discharge of nitrogenous compounds on being released through auto-exhausts during burning of fossil fuels and due to massive presence of "Fire Particles-PM 2.5" the most hazardous pollutants lead to unhealthy-urban life as well as prevalent of chaotic situation with the growth of rapid urbanization in the country. So, the demographic pattern of a society has an impact in its commercial flavor of physical and immovable properties. Likewise, viewing our own nation in the line of the demographic pattern, it will be treated as the second largest populous country in the world with a population of 1.21 billion (2011 Census), comprising more than 1/6th of the world's total population Presently bearing 17.7% of the world's population, and in terms of population growth it is assumed that by 2025, India's population will surpass that of China.

In this background it would be a pertaining one to have a glance on the relationship between the availability of land mass and human population of countries bearing population of more than 100 million is as follows:

Sl No.	Name of Countries	Population in the year 2012 (Million)	Surface area as on 2011 (thousand Sq. K.M.)	Population density (people per Sq. K.M.)	Ranking
1	Bangladesh	155	144	1,174	1
2	Brazil	199	8,515	23	10
3	China	1,351	9,600	144	6
4	India	1,237	3,287	411	2
5	Indonesia	247	1,905	135	7
6	Japan	128	378	351	3
7	Mexico	121	1,964	61	8
8	Nigeria	169	924	180	5
9	Pakistan	179	796	229	4
10	Russian Federation	144	17,098	009	11
11	United states	314	9,832	34	9
12	(UK)	(63)	(244)	(259)	--

Source: Extracts from 2013 world view 1.1 World Development Indicators.

It is discernable from the aforesaid table that India is the country of second densest population (amongst countries of more than one hundred million population) in the world, following Bangladesh. It is obvious that the gap between demand of land and its availability due to high population density results high demand of physical and immovable properties i.e., the real estates, persists, be it in the form of open land, residential house, commercial establishments etc. widening the gap, between the demand and supply of real estate breeds' corruptions. India's urban housing shortage has increased from 18.78 million in 2012 to 29 million in 2018 (Business-standard.com/article/current affairs).

PAN INDIA has been experiencing Real Estate Title Dispute at different magnitude, ever since her independence from the British Rulers. Since the Indian constitution came into being, the subject "Land" was put in the state list, resulting states liberty on framing land laws, in their customized way. Consequently, to that, as per the Hindu Succession Act,1956 states belong to the Dayabhaga Coparcenary system and Mitakshara Coparcenary systems of land title succession. Moreover, the states belong to the schedule of the Article, follow a different systems of land succession as follows:

<u>Different system of coparcenary under Hindu Succession Act. 1956</u>

Dayabhaga	*Mitakshara*
Assam, West Bengal, Tripura And the most part of Orissa	Rest of India

Hence, based on family, social, or commercial events of land title transfer, regulations vary from one event to another. Influence of multiple parameters in different land deals, no uniformity in the land regulation could be maintained. Different land regulations have addressed "Estate" which in legal phraseology meaning an interest in real property i.e., an aggregate of rights over land vested in the individual owning the property. Land cannot be the subject of absolute ownership of any individual, the state is the ultimate owner of land. State laws are not enough to address disputes on various estate issues (Real Estate Title Disputes).

Significance of the Study

"Real Estate Investments" are only investments which can combat with the "inflation index" and invoke the concept of capital gain on land investment increasing the gaps between the demand and supply and as a result there is an increase in the investments in land by all sections including individuals, public and corporate levels. The real estate sector comprises with sections namely housing, retail, hospitality and commercial. The major sectors in terms of direct, indirect, and induced efforts in all sectors of the economy. The level of economic significance of the Real Estate Market can be realized from the following facts:

Highlights on some of the economic facts relating to Indian Real Estate Market

SL No	Economic Facts
1	Indian Real Estate Sector is the second highest employment generated, after agricultural sector.
2	It is expected to reach US $ 650 billion by 2025 and US $ 1 trillion by 2030. By 2025 it would contribute 13% to the country's GDP.
3	Number of Indian livings in urban areas is expected to reach 525 million by 2025 and 600 million by 2036.
4	Construction is the 3rd largest sector in terms of FDI inflow. FDI in this sector (including construction development and activities) stood at UD $ 51.5 billion between April 2000 and June 2021.
5	Government's Housing for All initiative is expected to bring US $ 1.3 trillion investment in the housing sector by 2025.
6	As per ICRA estimates, Indian firms are expected to raise >Rs. 3.5 trillion (UD $ 48 billion) through infrastructure on Real Estate Investment Trust in 2022, as compared with the raised funds worth US $ 29 billion (September 2021).
7	In the first half of 2021, Indian registered investment worth US $ 2.4 billion into real estate assets, a growth of 52%, YoY.
8	The government has allowed FDI of up to 100% for township and settlement development period.
9	The Ministry of Housing & Urban Affairs has recommended all states to consider reducing stamp duty of property transactions in a bid to push real estate activities, generate more revenues and aid economic growth.
10	Green Building Movement: With 6,548 registered green building projects, India is among one of the three countries that have a green building footprint.
11	In 2022, India is projected to get cross-border real estate investment of US $ 2.5 billion.
12	Emergence of nuclear families and growing urbanisation have given rise to several townships that are developed to take care of the elderly. The segment in India can reach US $ 7.7 billion in market size by 2030, according to a study by the Ministry of Commerce & Industry.

Source: www.ibef.org (2021)

It is discernable from the aforesaid facts that the socio-economic significance of real estate sector can never be underestimated. Its socio-economic impact factor is so high that proper regulatory framework would boost up the economy to a new high, even it has the capacity to bypass the US $ 5 trillion economy. The construction industry ranks third among the fourteen major sectors in terms of direct, indirect, and induced effects in all the sectors of economy. According to the Economic Times Housing Finance summit (August 23, 2016), about 3 houses are built per 1000 people per year compared with the required construction rate of 5 houses per 1000 population. The current shortfall of housing in urban areas is estimated to be about 10 million units. An additional 25 million units of affordable housing are required by 2030 to meet the growth of the changing urban population. Mostly owing to the increase in the gaps between the demand and supply of the availability of land, the land disputes became obvious in Indian scenario due to supply deficit to meet the demand for a long time. The NITI Aayog paper suggests that land disputes on an average take about 20 years to be resolved. An estimated 7.7 million population in India are affected by the conflict over 2.5 million hectors of land, threatening investment worth $200 billion (Land Conflict watch).

It is discernible from the aforesaid facts that the gravity of land title disputes is very deeply rooted in the system and its adverse effect on potential GDP contribution, growth of wealth and citizen's welfare is significantly high. Hence both the parameters-Problems & Prospects persists in a very significant way.

Government's Initiatives

The Government of India, in consultation with the respective States Governments, has taken several initiatives to encourage further developments in this sector. The Smart City project, with a plan to build up 100 smart cities which will boost up this sector under the Union budget 2021-22, tax deduction up to Rs.1.5 lakh on interest on housing loan and tax holiday for affordable housing projects have been extended until the end of the fiscal year 2021-22. The Atmanirbhar Bharat 3.0 package announced by the FM Mrs. Nirmala Sitharaman in November 2020 which included income tax relief measures for the real estate developers and buyers for Primary purchase/Sale of residential units of value up to Rs. 2 Crores from November 12, 2020, to June 30, 2021. Moreover, Securities and Exchange Board of India (SEBI) has given its approval for Real Estate Investment Trust (REIT) platform for which it will allow all kinds of investors to invest in the Indian Real Estate Market. It would create an opportunity worth Rs. 1.25 trillion in the Indian Market.

It is discernible form the aforesaid statistical facts that the Real Estate sector in India is going to establish as an economic hotspot zone with high potentiality of bearing a significant stake holding of India's Foreign direct Investment (FDI inflow) too.

Objectives of the Study

The study will have the following objectives:

(i) To study the nature of the Real Estate Market of India.

(ii) To identify parameters, based on which market irregularities can be addressed through an economic model.

(iii) To examine the viability of the model in virtual application on four metro cities of India.

(iv) To infer appropriate conclusion (s) to redress such socio-legal complexities.

Research Methodology

(i) Nature of the study: Observatory study has been made on secondary sources of data available in the public domain.

(ii) Sources of data: This study is primarily based on the secondary sources of data available from the different public domains.

(iii) Periodicity: Taking a reference of the birth of Title Insurance in the year 1876 which happened following the verdict pronounced by the Pennsylvania Supreme Court, USA and up to the development of the regulatory provisions in India: Real Estate (Regulation and Development) Act 2016 & its subsequent amendments.

Limitations of the study

This study is based on the secondary data only. So, the inferences drawn, based on this study, may not reveal a true picture of the nation as of a whole but invariably it can exercise a projection of an "economic model" in Indian scenario. To infer more accuracy on the proposed model, a nation-based survey is needed.

Future Scope of Research

The Committee of Financial Sector Reform (FSRC) in 2009 recommended for the moving from presumptive to conclusive titling system. Conclusive titles are state guaranteed titles where the state guarantees the title for its correctness and provides for compensation in case of any disputes (Planning Commission, government of India, 2009). The Central Government's scheme on modernisation of land records - Digital India Land Records Modernisation Programme (DILRMP) also seeks to create a system that will help to move towards conclusive titling. The FSRC had also recommended providing reasonable rules to allocate the liability for any loss or damage caused by an error in the administration of the registration and record search system. Since then, there is not a significant development in the implementation of this recommendations by the states advocating Title Insurance (a Contract of Indemnity) which protects the buyer of a property from any financial loss that he/she may suffer on the purchase of a property with a defective title. A transition from presumptive to conclusive title system along with the implementation of Title Insurance, in a parallel way, would successfully fulfil FRSC recommendations. So, an effective strategy needs to be developed for the successful transition from presumptive to conclusive title system. Appropriate regulatory provisions can only make the recommendations a success. Hence, the important issue which need to be addressed, at this juncture, to go for the intensive research works which will be the most viable options to fulfil the desired objective. Whether such a gigantic objective can be addressed by merely amending the section 16 of Real Estate (Regulation and Development) Act 2016 or by formation of a separate corporate entity in the line of First Title Insurance Company of the US is a matter of intensive research works. Hence, this study bears a significant importance and which have a far reaching consequences on GDP, wealth and welfare of all stake holders.

Analysis of Secondary Data and its Findings

<u>Towards the objective number one</u>: to study the nature of the Real Estate Market of India. It has been observed from the facts mentioned in the domain of several achievements, that India has long traditions of multi-faceted real estate corruptions and most of them are linked with the "title dispute". If we look back into the history of "Fund Flow Irregularities" relating to the real estate, one can easily understand the quantum of fund involved in such irregularities. These types of irregularities are followed by no specific or appropriate regulatory provisions to address, which results an artificial market with asymmetric information base. The ultimate fact could be a harmful situation, or one party can take the advantage over the other party's ignorance and simplicity. Asymmetric information contrasts with the proper information which is a key assumption in the neo-classical economics. In other words, it would be worthwhile to mention here that the Indian real estate market is an asymmetrical with respect to the information supplied/shared with the buyers. There is no specific regulation with respect to price/valuation of a property and of its inherent features. Mismatch between these two parameters results irregularities and which need to be addressed. Prolong constitution of this asymmetric information leads to market uncertainty. To bring such a situation under control, Indian Real Estate Market need to be regulated in a befitting way so that it (irregularities) do not flourish any more.

In this context it would be worthwhile to mention here the standard economic norms for ascertaining a market as a symmetrical information-based market, the following seven basic points are to be followed:

(i) Prevalence of more than one buyer and seller

(ii) Rational behaviour of consumer

(iii) Consumer's sovereignty

(iv) Sellers seeks to maximum profit

(v) Perfect knowledge about the product in question

(vi) Perfect mobility of resources

(vii) Restrictions on the entry of unauthorised sellers.

As out of the aforesaid seven features of Symmetrical Information based Market, the fifth feature i.e., the perfect knowledge about the product in question is absent and hence the Indian Real Estate Market is not a symmetrical but an asymmetrical information-based market.

<u>Towards the objective number two</u>: that is to identify parameters, based on which market irregularities can be addressed through an economic model. About the real estate dealings in India, it has been observed that the market is fully behaving like an entity without having regulations of its own. As a result, proper surveillance to all real estate dealings in the market has

become very difficult and even to sustain itself.

To combat with such uncertainties, an attempt has been made to pinpoint the specific parameters, based on which the whole gamut of "Real Estate Market Irregularities" can be addressed. Accordingly, the following two parameters have been identified:

(i) Real Estate Title Insurance and

(ii) Asymmetric Information based market.

The combination of these two important parameters would bring a significant outcome over the century old title disputes on the real estate related issues. Let us now discuss both the parameters one by one as follows:

(i) Real Estate Title Insurance:

It stands for the indemnity insurance against the financial losses from defects in the title or real estates (property) and from the invalidity or enforceability of mortgage loans. It's a contractual arrangement entered to indemnify the losses or damages resulting from defects or problem relating to the ownership title of real estate property. The ground reality is that no specific regulation guarantees or assures the protection of the "Title of the Real Estate" of the true owner. It simply acts as evidence of the transfer with respect to the "transfer of owner" from one person to another and in the event of any dispute, the matter can be resolved with the help of judiciary. In connection with this it would be worthwhile to mention here the observation made by Hon'ble Supreme Court of India on 16th of January 2021 with reference to the case: Smt Bhimabai Madadeo Kembekar (D) Yh. LR Vs Arthur Import and Export Co. that "mutation entries on revenue records do not confer title".

The Real Estate Title Insurance is predominantly found in the USA, Canada, Australia, UK, Mexico, New Zealand, Japan, China, Korea and in some European countries. Basically, this concept of "Title Insurance" was discounted way back in 1874, in the US. In connection with one legal issue-Waston Vs Muirhead which was heard by the Pennsylvania Supreme Court wherein the plaintiff Watson had lost his investment in a real estate transaction because of a prior lien on the property. The defendant Muirhead had discovered the lien prior to the sale and it was clear after the lawyer had (erroneously) determined that the lien was not valid. The court ruled that the defendant was not liable for mistakes based on the professional opinion. That setback compelled the Pennsylvania legislature to give a second thought to strengthen the regulation relating to real estate and accordingly they passed an Act in 1874 allowing the incorporation of "Title Insurance Companies". Accordingly, Joshu Marris of Philadelphia, for the first time, incorporated a Title Insurance Company on 28th March 1876. American Land Title Association (ALTA) is a national non-profit trade association representing the interest of 4500 title Insurance Companies in the US. For the first time, the title insurance company came into being in the US by the name of "First Title Insurance Company".

(ii) Asymmetric Information Based Market:

The information asymmetry contrasts with perfect information which is a key assumption in neoclassical economics. Asymmetric market is a situation in which one party in a transaction, has more or superior information over the other and the market regulation to deal with such unscrupulous transaction is absent. Under such a situation, the resultant fact could be harmful as one party, can take advantage over the other's ignorance while the regulation is silent over the issue.

Now the question arises about the regulations relating to the real estate business in India. Sound regulations never give such thing to happen in the real estate market. So, it is the high time to address the relevant regulatory aspects and to identify the gaps or flaws, if any, in the system. To address the issue, it would be worthwhile to identify those principal regulations responsible to act as a watchdog or regulator. An attempt has been made to highlight those regulations as follows:

1. Indian Contract Act. 1872
2. Transfer of Property Act. 1882
3. Registration Act. 1908
4. Special Relief Act. 1963
5. Urban Land (Celling & Regulation) Act. 1976
6. Indian Evidence Act. 1872
7. Indian Stamp Act. 1899
8. Income Tax Act. 1961
9. Respective State Laws Governing Real Estates

10. Rent Control Act.
11. Real Estate (Regulation and Development) Act. 2016 (RERA)

Under section 16 of the Real Estate (Regulation and Development) Act. 2016 provided for the mandatory purchases of the title insurance by real estate developer (Promoter) for new projects shoes geographical area exceeds 500 square meters and contains 08 or more flats. Later, in the month of October 2016 an IRDA working committee submitted a report- "Title Insurance in India" which made recommendations on issues which and as scope of coverage and policy underwriting rules. Further, in September 2021, as mentioned in the IRDA Circular, that another working committee recommended the following two types of title insurance policies:

(i) Promoter Legal Expenses Policy: Under this policy the insurer will indemnify the insured (Promoter) against the legal defence cost in case of suits challenging the title of the project.

(ii) Allottee Retail Project: Under this policy the cover designed to indemnify the insured (an individual buyer) against losses sustained from the defective title of the property. The policy may be opted for by the individual buyer and financer of the property at the time of possession.

Though these products have similarity with that of the products offered by the First Insurance Company of the US but neither it has taken any steps for improving the documentation practices and its maintenance nor any indication to form a dedicated corporate entity in the line of the US, the First Title Insurance Company. So, it has been observed that only a small segment has been addressed which is a mandatory purchase of the title insurance by real estate developer (Promoter) for new projects whose geographical area exceeds 500 square meters and contains 08 or more flats only and the rest are excluded. Further, regulations have not addressed the accounting part of such properties. When the title of a real estate becomes defective then the property's valuation becomes very difficult. Though the Indian Accounting Standard 7, 8 and 9 deals with the techniques of accounting treatment in connection with the revenue generation on Real Estate but there is no guideline to evaluate a property where the title is defective which in other words can be mentioned as – where the title in question (of a property) is irregular owing to an asymmetric market information, it gives birth to a chaotic situation.

It is discernible from the aforesaid legal provisions and the present-day development of RERA provision's application that no specific regulation (even the section 16 of RERA is not enough for the issue in question) guarantees or assures the protection of "Title of Real Estate" of the true owner. In India, landowner is "Presumptive" and not a government guaranteed title to the property but only a record of the transfer of property and subject to challenge (NSIGHTS).

Therefore, it is a fact that even a registered deed does not assure "Title" of the owner, it simply acts as evidence of the transaction with respect of the transfer of owner from one person to another and in the event of any dispute the matter can be resolved with the help of judiciary. Moreover, in judiciary too the situation is grim, and an attempt has been made to highlight some of the facts as follows:

That, the land disputes have clogged all levels of courts in India and account for the largest set of cases both in terms of absolute numbers and judicial pendency. About 25% of all cases decided by the Supreme Court of India, involve land disputes of which 30% disputes are relating to land acquisition. Again, 66% of Civil Cases in India are related to Land/ Property disputes. (CPRindia.org/ policy challenges, 10th June 2019).

So, considering the ground reality of our own nation, especially regarding real estate title disputes, it has been observed that most of the corruptions are basically involved in title related issues and its numerical cases are so high that it is creating an impact on the system itself and large number of people are suffering directly or indirectly due to lack of proper policy to curb the situation.

Basically, these types of irregularities that are followed by no specific or appropriate regulatory provision to address these issues which relates to artificial market with asymmetric information whereas others do not and this situation leads to a financial chaos and in the context of Economic terminology, as "market with asymmetric information". Asymmetric information that is absence of symmetry, is always known as 'information failure' which occurs when one party to an economic transaction possesses greater material knowledge than the other party. Asymmetric information is seen as a desired outcome of a healthy market economy in terms of skilled labour, where workers specialize in a trade, becoming more productive and provide greater value to workers in term of trades. But when any individual of an economic transaction, taking an advantage of asymmetric information, try to influence other to finalise a commercial transaction, with a malafide intention, then it gives birth to a chaotic market situation. In other words, seller of a good may know more about its true worth than the consumer. As a result, the consumer pays more than the good is worth to them, had they know the full information. Prolonged continuation of this asymmetric information leads to market uncertainty. Hence, this needs to be checked with the appropriate regulatory provisions. A classic example of this is the subprime mortgage crisis of 2007-2008. Here, this concept of "market with asymmetric information" has been taken from the contributions made by three noble laureates namely George Akerlof, Michael Spence and Joseph Stiglitz es in the field of economics in the year 2001 who analysed the US second-hand car market as an Asymmetric Information based market. This concept is identical to Indian Real Estate Market and hence this market has been considered as an Asymmetric Information based market.

Towards the objective number three: that is to examine the viability of the proposed model, a virtual application on four metros cities of India has been attempted. To establish its possible viability or otherwise, in Indian socio-economic scenario, it would be worthwhile to throw some light on the following parameters:

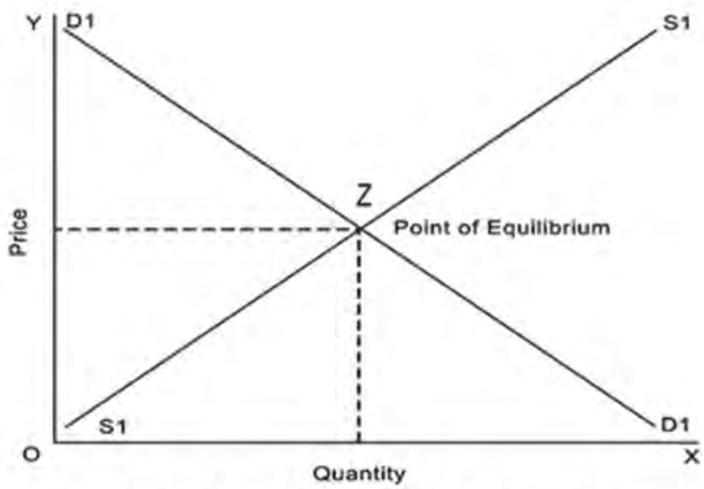
(i) The pricing mechanism at different points of equilibrium at symmetrical information-based market.

(ii) The pricing mechanism at point of equilibrium at asymmetrical information-based market.

On being considered the Indian Real Estate Market as Symmetrical information-based market, the resultant fact is that the market forces influence on the pricing mechanism through the different points of equilibriums resulting of which the demand curve shifts from the 'Perceived Demand Curve' to 'Actual Demand Curve'. This scenario can be diagrammatically under following scenarios:

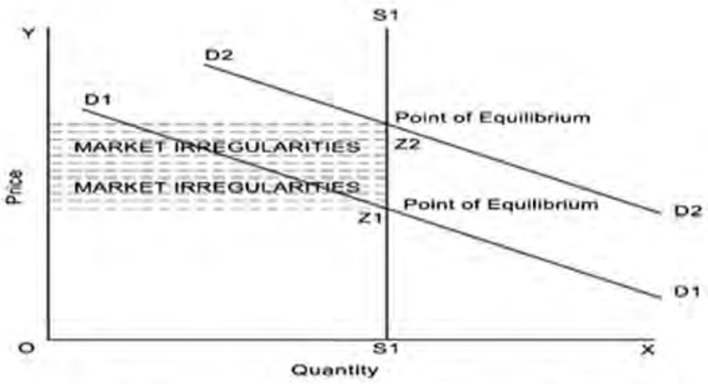
Firstly, the point of equilibrium under a symmetric information-based market (in general circumstances):

Here, under the general circumstances where there is no limitation in the supply curve, the point of intersection of both the demand (D1) and supply (S1) curve is the point of equilibrium.



Here D1: Demand Curve ; S1: Supply Curve
Z: Point of Equilibrium for peice determination

Secondly, the point of equilibrium under asymmetric information-based market showing the gap between the perceived demand curve and actual (in case of real estate):



Here: D1: Perceived Demand Curve; D2: Actual Demand Curve S1: Supply of Real Estates; Z1: Point of Equilibrium under Perceived Demand and Z2: Actual Demand curve
Owing to Changes of Price Equilibrium from Z1 to Z2 different market irregularities takes place.

Here, owing to the limitation of supply of real estates, the curve is parallel to OY axis. The perceived demand curve usually shows lower point under (D1) demand curve. The actual demand curve (D2) usually shows at the higher side of the equilibrium point. Hence the point of equilibrium will be higher than the perceived point of equilibrium. The gap between the two points of equilibriums (Z2 and Z1) is the effect of asymmetric information-based market that is irregularities. It results in price escalations and hike in demand on real estates with indifferent supply position and ultimately several irregularities in the real estate take place.

As the Title Insurance is a contract of indemnity and its liability (towards the insurer) will accrue only when there is an established claim. The insurance business depends, under normal assumptions, on the law of probability and law of large numbers. So, the greater number of exposures to units, is more closure to the expected probability. Title Insurance company shall remain prepared for the Objective Risk (actual outcome minus predicted outcome). It's a combination of something which is certain and something which is uncertain and it's a mix factor of expecting an uncertain risk cover by exchanging a certain premium to the insurance company. So, wider the base of Title Insurance more will be the sustainability of Title Insurance. But, in case of any natural catastrophic events of mass destructions which otherwise termed as "an Act of God" would not cover under such insurance and the law of probability and large numbers will not work. Since it is also a part of uncertainty, it may also be covered by a rider (paying extra premium).

Taking one hypothesis of its mandatory application in metro cities (to begin with) with a Title Insurance premium @ Re 0.50 per square meter (in both the commercial and residential areas) and to examine the application of this concept in virtual mode on four metros cities of India (Kolkata, Chennai, Mumbai, and New Delhi) have been selected as a sample and an attempt has been made to observe the probable outcome as under:

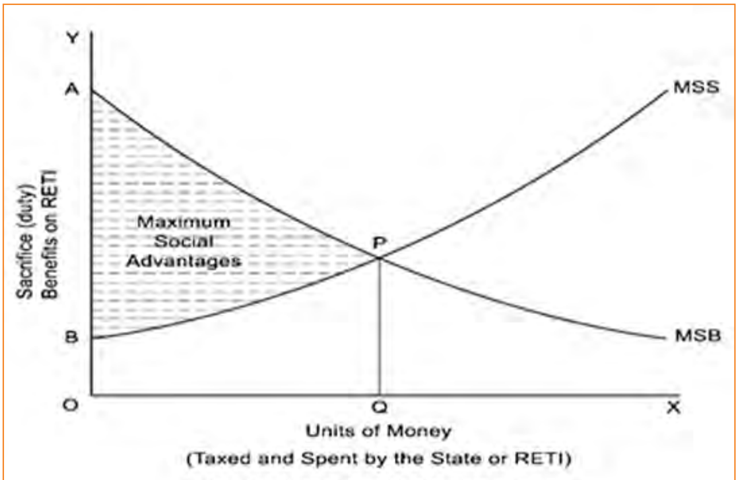
It has been observed here that if this model is applied only on four metro cities in India namely- Kolkata, Chennai, Mumbai, and New Delhi which cover only 0.16% of the available land surface of India that is, 521.64 crore square meter. If (say) @ Re 0.50 per square meter is charged for the initial registration cost, then it would fetch around Rs. 255 Crores. Whereas, as per the IRDA Act. 1999 and its subsequent amendments, it requires to introduce a non-life insurance company in India, a minimum paid up capital of Rs. 100 Crores only for establishing one general insurance company. The revenue collection (through the cost of registration only) from the four metro cities is much more than the required IRDA norm. This hypothetical assessment is based on only 0.16% of the available land surface of India and it does not include premium for the Title Insurance. Then on the application of this concept, throughout the nation(if it is made mandatory), taking into account the law of large numbers, one can easily imagine its potentiality for the huge amount of revenue generation to defend its own stand as insurer of Title Insurance.

To establish the probable viability of this model in India as a whole, we need to incorporate the principle of "Maximum Advantages". Since this concept relates to both the social cost and social advantages, therefore, to justify its applicability and viability in Indian scenario, we need to incorporate the principles of "Maximum Social Advantages". It was introduced by the British Economist- Professor Hug Dalton. It is the most fundamental principle lying at the root of the public finance which secures the maximum social advantage from its fiscal operation.

This principle is based on the following assumptions:

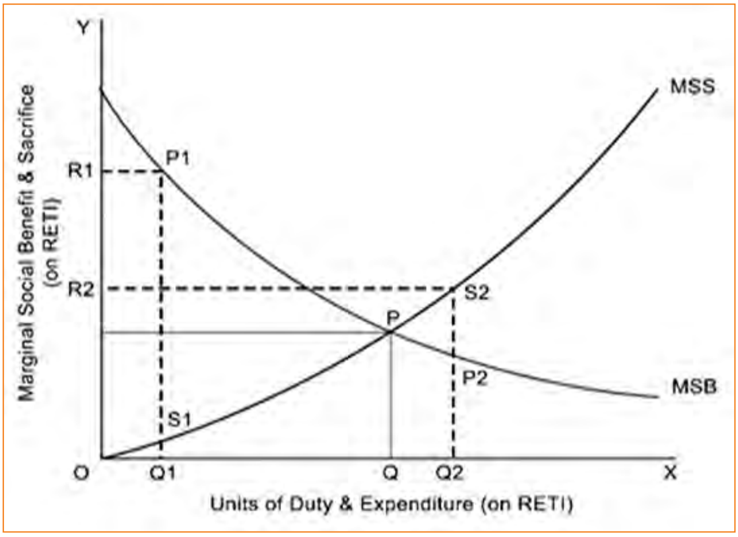
1. All taxes result in sacrifice by the public and all public expenditures lead to benefits the public.
2. Public revenue consists of only taxes.
3. The government has no surplus or deficit budget but only a balanced budget.
4. Public expenditure is subject to increasing marginal social sacrifices. On the contrary, if we consider those nations which have already introduced these-concept, as mentioned earlier, Australia and EU countries shows surplus budget and rest of the nations are having deficit budget. As the regulation of Real Estate Title Insurance is already in practice in those nations, since decades, so the assumption number 3 is not a rational one. Hence, India being a 'Sovereign Socialist Secular Democratic Republic', it justifies implementing the concept in question.

In a hypothetical situation in Indian economy, it also appears that on application of the Principle of Maximum Social Advantage, it becomes socially advantageous and justifying the financial operations. The duty of charges that would be payable by the Real Estate Title holders i.e., the 'Social Sacrifice would be lower than the 'Marginal Utility' or the 'Social Benefits' and hence the Maximum Social Advantages is undoubtable and achievable one in Indian scenario. This can be explained by the following diagram:



The Maximum Social Advantages on Real Estate Title Insurance

Here, MSS represents the Marginal Social Sacrifice showing the upward curve that is the social sacrifice per unit of taxation goes on increasing with every additional unit of money raised and MSB represents Marginal Social Benefits showing the downward sloping curve that is the social benefit per unit diminishes as the public expenditure increases. 'P' being the point of equilibrium between the two that is the maximum social advantages point Triangle ABP is the Marginal social advantage.



Here, at the point 'P' social sacrifice is equal to social benefit and the maximum social advantage is achieved and beyond this point, the social sacrifice will be higher, and the social benefit will be lower. At point 'P1' the marginal social benefit is 'P1Q1' which is greater than the marginal social sacrifice 'S1Q1'. As the benefit is higher than the sacrifice so it induced/encouraged more and more amount of taxes and public expenditure. Again, if we look at point 'P2', here the sacrifice 'S2Q2' is more than the benefit 'P2Q2'. Hence, beyond the point 'P' further increase in the level of taxation and public expenditure may bring down the social advantage.

Towards the objective number four:

Such gigantic and much legal complexities can be addressed by**:**

(i) An appropriate Regulatory Reform by incorporating the Real Estate Title Insurance, in the true sense of the term (by amending the Section 16 of the RERA Act, 2016) with a massive public awareness program which has been covered in the aforesaid discussions.

(ii) Improvement of Land Records through the Centralised Document Depository System (CDSS) or Block Chain Technology (BCT), by widening horizon from the Capital Market to the Real Estate Market. Though the digitalisation of land records has already began but it would give a better result and safety to the real estate buyers if it is routed through CDSS or BCT.

(iii) Revamping the Judiciary system in an appropriate way such that the pressure on the judiciary is reduced to a considerable extent for which aggrieved citizens would get justice without unreasonable delay.

(iv) As civic bodies of all cities are having a data base of all real estates of respective cities with their existing network, so it would be worthwhile to entrust all civic bodies to collect "Real Estate Title Insurance Premium", on behalf of the "Title Insurance Company" along with the property tax in each year. It will be a mandatory to all real estate stake holders. This will be in the line of Insurance Premium collected by Railway, Air travellers etc.

On application of this concept in Indian scenario, the following probable advantages could be identified:

1. The recognition of "Real Estate Market" as an Asymmetric Market will lead to revenue recognition of untapped and unaccounted amount generated from various land and property deals.

2. Declaring it as an asymmetric market, it will inspire the authority to frame appropriate regulations.

3. Recognition/introduction Real Estate Title Insurance as one of the remedial regulatory provisions will lead to multi-dimensional effects in the nation. Some of the positive (prospective) outcomes are as follows:

(i) Introduction of this concept in the regulatory framework will give birth to a third dimension (Life and General Insurances being the 1st and 2nd dimensions) in the insurance industry.

(ii) Introduction of a third dimension in the insurance industry will generate a huge potentiality of employment in the country.

(iii) Mandatory insurance coverage of all real estate, especially at the time of trading, will lead to a huge amount of revenue generation in the Government Exchequer.

(iv) Non-insured real estates would be barred by the authority to register their "sale deed".

(v) Buyers of real estate will be totally free from tension/ disturbances as regards the title of the property is concerned.

(vi) Introduction of this concept will curb substantially the undervalued registration of real estates.

(vii) Revenue mobilizations (insurance premium) through the established network of all civic bodies would boost up insurance premium revenue as well as the property taxes, through such collection mechanisms. As the Title Insurance in India will be a contract of Indemnity for 12 months and subject to its renewals in the following years so, many people will try to continue their indemnity contracts through Title Insurance to protect their title over their properties. This strategy will boost up the collections of the Civic Property Taxes too.

(viii) Introduction of "Real Estate Insurance" will put a break (to a considerable extent) in the accumulation of black money out of the real estate deals.

(ix) Since the whole nation is under exclusion category, introduction of this concept would make all states and union territories at par on "Title Insurance".

(x) Since the insurance company (s) will act as the third-party service provider, so in the event of any dispute, every matter will be taken care by the concerning insurance company(s).

(xi) Introduction of this scheme will restore overall peace and harmony in the real estate deal and every stake holder, sellers, buyers, service providers and government will be in a win-win situation and thereby 'Good Governance in Real Estate market' will prevail.

(xii) Introduction of this scheme would revamp Indian Economy in a new dimension. It is undeniable fact that this would pave the way to achieve the way of $5 trillion economy in a very comfortable way rather it may bypass the targeted scale.

It is discernable from the aforesaid discussions that all the four objectives have been addressed and tried to establish, based on secondary data, the real status of Real Estate Market in India and its established parameters. Further, the viability of the suggested model has also been established based on virtual application on four metro cities in India. The possible viability of the intended model through the formation of a dedicated corporate entity too operate Real Estate Title Insurance has been established. Moreover, mention may be made in this context that a uniform land record system is very much desirable in India to increase its own intrinsic strength. It would strengthen micro and macro level planning and in guaranteeing peaceful/productive cultivation by the holder. However, the acceptability or otherwise of the said model along with a dedicated Real Estate Title Insurance Company in Indian scenery can only be ascertained with the passage of reasonable time. The policy makers' due attention, in this domain is desirable, keeping in mind the general wealth and wellbeing of the citizen in general.

Conclusion

India being the largest democratic nation in the world, it has been observed that there is undermining of importance of Real Estate Title Insurance (RETI) in true sense of the term. It also reveals that RETI having been implemented, with appropriate amendments or through the formation of an exclusive general insurance company for Title Insurance, in India, it would have a highly positive impact on Indian economy and at the same time the proposed scheme would invoke a balance in social justice too. On implementation of this model, it is evident that the pressure on the judiciary system & delay in the justice, in the long run, would fall to a considerable level and all stake holders will be in win-win situation. In a welfare economy like us, the application of 'Maximum Social Advantage' for ascertaining the viability of any proposed scheme is a significant indeed. As more than ten nations of the world have already applied this insurance scheme, keeping in mind the socio-economic significance of this scheme and they are highly satisfied with the outcome. Taking the positive outcomes from those ten nations, think tankers and policy makers should ponder over this thought provoking and high-level potentiality of this multidimensional, socio-economic development scheme and stake holders should seriously develop an indigenous 'Real Estate Title Insurance Company' in India with a distinguishing identity in the Indian Insurance Industry.

The implementation of Real Estate Title Insurance scheme in India with appropriate amendments, in letter and spirit or through the formation of an exclusive general insurance company for Title Insurance, in India, would uphold the interest of both the house buyers and the Government as a whole, the nation's economy will attain a historical high altitude which will boost up nation's GDP, wealth and welfare of the citizens of India and ultimately all stakeholders would be in a win-win situation. TJ

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Growing Need for Insurance Education in B-schools

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Introduction

The quality of education in business schools has truly evolved. Digitalization of businesses calls for an urgent revamp in the academic curriculum. Earlier, students pursuing a post-graduate degree in management (MBA) had an option to do MBA with specialization in Finance, Marketing and HR. After the choice based credit system got introduced, new electives were offered by business schools. Now students are offered the option to acquire a MBA degree with dual specialisation (MBA in Marketing & HR, MBA in Marketing & Finance and MBA in HR & Finance etc.). In the last five years, some business schools across the country have introduced MBA in Analytics, MBA in Retail, MBA in Banking & Insurance etc. Automation, artificial intelligence and robotics are some of the new elective courses being offered. However, the awareness of insurance among business school students is low. Many students are reluctant to accept offers from insurance companies. This article highlights the reasons for such student behaviour and proposes practical solutions to address these issues.

Creating Awareness among Millennials: Need For Insurance Education

Whenever I analyse a case study in the class pertaining to insurance industry, there is a sense of bemusement/ bewilderment among the students. The moment I utter the word insurance, students say that the word insurance conjures up images of LIC and the ubiquitous LIC agent. This indicates the strong positioning of Life insurance among the masses. But students' awareness is solely limited to this. Some students do talk about buying motor insurance for their two-wheelers. Thus, there is a greater need to create awareness among millennial students about insurance. Students have to be educated about the fact that insurance is a one of the risk mitigating tools. Students can be encouraged to attend MOOCS (massive open online courses) on insurance. They can get credits for doing so. The New Education Policy must give a thought about this.

The benefit of creating awareness about insurance is that students who join a life or non-life insurer will have a basic idea about insurance. This will make them well-equipped to add value to the organization when they join the organization. At the minimum, they can understand the basic principles of insurance, how the business model is structured in the insurance industry, what are the different functional disciplines and the roles and responsibilities of insurance professionals. Those in a customer-facing role will find this exposure highly beneficial. Insurance education will also help students in their personal life when they are buying life or non-life insurance covers.

Placement Opportunities

The opening up of the insurance sector in the year 2000 (which was based on Malhotra Committee Recommendations) resulted in job opportunities gradually emerging in the insurance sector. But post graduate students in management are hesitant to take up such opportunities as they seldom realize that there is a lot to learn when you join an insurance organization. A student who has completed MBA and has also an idea of insurance will be a great asset to the organization than a student who has little idea about what the insurance business model is. The insurers have to spend much less time in educating the informed candidate who has joined the organization.

What Can the Regulator Do?

The regulator (IRDAI) must collaborate with Ministry of Education to ensure that insurance education is included in the New Education policy and students get credit for doing so. They must also educate insurance organizations to give preference to those who have studied insurance in the MBA program. Basic insurance education must be made compulsory in a management program. The insurance courses must be very well integrated with other courses in the MBA program. Incentives and scholarships must be offered for those interested in pursuing research in insurance. The conventional mode of selecting candidates for research may not work. There has to be a different parameter for selecting students who may wish to pursue a doctoral program in research. All these aspects may or may not be under the purview of the regulator but the need for insurance research must be communicated to Ministry of Education.

Strategic Tie-Ups/ Alliances

There are a few organizations in India that impart insurance education. Insurance Institute of India is one among them. III has indeed come a long way. Decades ago, getting qualified from III was considered as a requirement only for those in LIC or PSU non-life insurers. But today there has been a complete makeover in the brand image of III. Many youngsters are interested in pursuing insurance education. For example, this writer had the opportunity to teach insurance to students pursuing commerce in Christ University and the feedback from the students was encouraging and phenomenal. The kind of questions that students asked reflected their unique way of relating to insurance as a subject matter.

III has must have a strategic alliance with all the prominent business schools in India. Now that the pandemic has taught us about online classes as an alternate mode of education, classes can be conducted in the online mode. Those having a Fellowship qualification can be recruited as part time trainers in insurance. Students must be allowed to pursue the Licentiate course along with the MBA program. Since the two-year MBA program is quite hectic, it may not be possible for a student to complete all the three levels. But they can certainly acquire a licentiate degree in insurance.

Reaching Out to Millennials

Way back in 1999, I decided to enrol in the Licentiate course from Mumbai Insurance Institute after reading an interview with an official in the College of Insurance that was published in the Indian Express. Today, the proliferation of digital channels has made the job of promoting an insurance course much easier. Social media tools like Facebook, Instagram, Pinterest, Twitter, Linked In and You Tube can be effectively leveraged for creating awareness about the need for insurance education.

At the same time, all the local chapters of III must play a crucial role in supporting the cause of insurance education in India. They must be in touch with local educational institutions that are organising national/ international conferences and use those forums to reach out to the students to influence them to pursue a course in insurance.

It is also important to understand the motivation that drives an individual to pursue a course in management. Students generally pay an annual fee ranging from Rs 5 lacs to Rs 8 lacs to pursue a MBA course from a middle rung business school. Those who clear the entrance exams organized by the government pay anywhere between Rs 1.5 lacs to Rs 3 lacs. Students enrol in the MBA course to secure employment in a good organization and enhance their financial status.

The placement opportunities for MBA students are quite bright. It is this factor that is the greatest motivator for a student to enrol in a MBA program. So, a student who is asked to pursue an insurance course may ask the question – How am I going to benefit from pursuing this? Answering this question is important because if the student believes that there is no correlation between acquiring an insurance qualification and getting a job, then he/she may show scant interest in learning insurance. This is one of the primary reasons why few students opt for a MBA degree in insurance. Aversion towards this has to be addressed by the insurance industry, regulator and the providers who impart insurance education.

There are many ways in which insurance education can be imparted in a business school

1. Offering an elective course in insurance and actuarial science for those opting for a MBA degree in Finance.
2. A core paper on insurance basics (in Semester I or Semester II) which can be classified as an open elective course (with two credits).
3. Offering MBA students (all disciplines) to pursue an online course (Licentiate).
4. Guest lectures can be organized by III by collaborating with academic institutions. These lectures can be imparted by practitioners or academicians.
5. Encouraging students to pursue MOOCS in insurance.

National insurers and private insurers who approach a business school must give first preference to those students who have a basic knowledge of insurance. This is a mandate that has to be given by the Government and insurance regulator.

Conclusion

The business world is facing many challenges today. The Covid-19 pandemic resulted in chaos affecting individuals, societies, communities and businesses alike. Business interruption due to the pandemic added to the dip in the bottom line of many businesses. Individuals became aware of the need for life insurance and health insurance during the pandemic. Risk management has thus become an integral part of a business's strategy and can lead to sustainable competitive advantage. Risks can present themselves in myriad ways. A business needs to have a risk management plan in place along with risk mitigating solutions. Insurance is one of the risk mitigating tools that business and industry can rely on for protecting their interests and surviving in a competing market.

Though awareness about insurance education is growing, it is still inadequate considering our population and the penetration levels of life and non-life insurance. This is the right time for introducing insurance education in business schools. TJ

Awareness of Insurance Policies among the Labour Class in Mumbai - An Analytical Study

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Abstract

Insurance is a form of risk protection. In India, where insurance penetration remains low despite a large population, there is a need to raise insurance awareness among people in rural areas. It has been observed that the rural population has good wealth for a variety of reasons, including the fact that they do not have to pay high taxes, their standard of living is simple, and they have a habit of saving. In such a case, it is necessary to direct these savings toward high-yielding investments. Insurance can be a good source of future investment and can help relax in times of emergency.

Insurance awareness is low in rural areas. If people are educated about the benefits of various insurance policies, they can invest in them. In order to raise insurance knowledge among the rural population, insurance issues must be taught in schools. In this study article, we try to figure out how much the rural population knows about insurance policies and their benefits. The study will use 200 labours as a sample size. These workers can come from a variety of backgrounds, such as construction workers or daily wage labourers. The study's focus is on Mumbai and the labours of the respondents. The goal of the research is to learn how these workers manage their risk and how much they know about insurance benefits. The paper makes an attempt to comprehend the level of awareness among the labour class and also to concentrate on ways to raise awareness among them.

Keywords

Awareness of Insurance policies, Rural India.

Introduction

Structure of labour in India

In India, labour refers to employment in the country's economy. India had over 501 million workers in 2020, making it the world's second-largest economy after China. Agriculture employs 41.19 percent of the workforce, industry employs 26.18 percent, and the service sector employs 32.33 percent of the workforce. Over 94 percent of these people labour in unregistered, unorganised businesses ranging from pushcart merchants to home-based diamond and gem polishing operations.

Workers employed by the government, state-owned firms, and private sector enterprises make up the organised sector. In 2008, the organised sector employed 27.5 million people, 17.3 million of whom worked for the government or for organisations owned by the government. According to the Human Rights Measurement Initiative, India is only performing 43.9 % of what it should be doing for the right to work at its current level of revenue. In a 2008 report, India's Ministry of Labour divided unorganised labour into four categories. The unorganised labour force in India was classified by occupation, nature of employment, extremely distressed categories, and service categories in this categorization. Small and marginal farmers, landless agricultural labourers, sharecroppers, fishermen, animal husbandry workers, beedi rolling, labelling, and packing workers, building and construction workers, leather workers, weavers, artisans, salt workers, workers in brick kilns and stone quarries, workers in saw mills, and workers in oil mills are among the unorganised occupational groups. Attached agricultural labourers, bonded agricultural labourers, migrant workers, contract and casual labourers all fall into a separate group based on the nature of their work.

Need of Insurance among the labour class

Insurance has to be made compulsory for all irrespective of educated people or illiterates. Insurance ought to be a part of our daily routine. It should be made essential in order to ensure the security of our present and future. Despite the fact that India is a densely populated country, insurance penetration remains low. Insurance industries are growing as a result of the insurance sector's privatisation, but they are still unable to persuade the rural population of the numerous insurance products and their benefits. Agents and insurance intermediaries must make reasonable efforts to reach out to individuals living in remote areas. It is necessary to educate them and gain their trust through honest services.

The majority of the working class are illiterate or uneducated. Workers are employed by their proprietors, who are referred to as "SHETH." They have faith in and trust their owners. Workers have a hard time understanding technology. It's really difficult to persuade them to understand and trust financial concerns. However, persuading and covering up these labour classes will be a big step toward insurance knowledge. This knowledge will help their children understand the importance of insurance coverage and its myriad benefits.

Though getting the working class to acquire insurance is difficult, great outcomes can be accomplished if done with sincerity. Workers can be educated about insurance policies and their benefits by their employers. The owners may be the most effective means of raising awareness and helping them comprehend the benefits of insurance in the future. In India, it is usual for businesses to provide insurance policies. The majority of businesses require their employees to get insurance. This type of trend can be followed by the employers of the workers, who can inform them about the benefits of insurance for themselves and their children's future.

The first step in obtaining insurance is to educate you on the benefits of such products. Because the majority of workers do not have a bank account, it is necessary to acquire one in order to proceed with other matters. Again, essential guidelines must be provided in order for them to open a bank account. All of this is possible if the efforts are made honestly. This viewpoint can be initiated and realised by a large number of agents and intermediaries. It will assist each individual in securing their future, as well as the future of their family, with minimal savings. As a researcher, I've decided to target these audiences in order to raise insurance awareness because the wage rate is constantly rising. Workers can save and invest, but they are not informed about insurance policies.

Review of Literature

Madhukumar, Sudeepa & Gaikwad, (2012) the insurance industry was still in its infancy in terms of awareness and perception. Although people are growing more aware of the significance of insurance, this awareness has yet to materialise into actual enrolment in any plans. Rural residents face high delivery costs and a lack of awareness about insurance products. There is a strong need to offer rural households with financial security for the treatment of serious illnesses that necessitate hospitalisation or surgery.

National Insurance, (2020) the company's plan is to use all of the available information channels to raise insurance knowledge and help people develop a better understanding of their financial security. Financial literacy is the ability to make sound financial decisions in the face of difficulty, whether that misfortune is temporary or long-term. When it comes to educating and empowering customers, NIC has always been a leader. In addition, the corporation uses social media as a powerful marketing tool to raise awareness of its insurance products and services.

Organisation for Economic Co-operation and Development. (2008) financial hazards, including those related to retirement, are becoming more prevalent for people. At the same time, public spending in most nations has been cut or severely restricted. These products play a critical role in protecting both social and financial stability. People may be underinsured or under informed when it comes to insurance and private pensions because of a combination of these factors. The book focuses on OECD-approved best practises to raise awareness and educate people about risk, insurance, and private pensions.

Shukla (2018) In order to reduce poverty and create inclusive growth, the new growth paradigm is financial inclusion. People's vulnerability and poverty can be reduced through economic development, and micro insurance can play a significant role in this process. In rural areas, there have been several efforts by succeeding governments to include the underprivileged in the financial system. In rural places, insurance is almost completely unknown, and even fewer people actually utilize it. Since the advent of NABARD and the Pradhan Mantri Jan Dhan Yojana (PMJDY), banks and cooperatives have tried a variety of measures to improve access to credit for small businesses. Micro-insurance in India has been mostly supply-driven, and the results have been disappointing. There's now a huge gap in the country's economic and social development because of this. The term "micro insurance" refers to the supply of low-income individuals with insurance coverage.

Kusuma, Pal & Babu, (2018) A report on the insurance awareness, access, and utilisation among the urban poor in Delhi, India, is presented in this study. Less than one-eighth of the city's residents have access to insurance, and only 9.4% of eligible households have access to RSBY. Insurance awareness was found to be lacking. Medical needs of beneficiaries were better met by ESIS and CGHS than by RSBY's optional health insurance programmes. Residential location, migration era, ration card, household size, and occupation of the head of the household all had a major impact on RSBY possession. It is possible that the RSBY will not be able to make a substantial contribution to attempts to achieve equity in healthcare for the poor among the general public because of its limited role in satisfying healthcare requirements of individuals.

Kala (2015) a survey found that respondents were aware of health insurance coverage, but refused to purchase them. When it comes to purchasing health insurance, the public general insurance firms enjoy a significant advantage over private general insurance businesses due to the public trust they enjoy. Those surveyed were unfamiliar with the terms and conditions of health insurance policies, and they felt that health insurance companies were not open and honest.

Kumar (2020) the purpose of this study is to gather information about people's awareness, issues, and desires surrounding insurance. Everyone needs it, but only a small percentage of people actually like it. Over 80% of people in rural areas do not know about it, making it difficult for them to interact with agents. He is penalised if he decides to take use of the service. Both the state's insurance firms and the state government must make significant changes to their approaches if they are to raise public knowledge about state-sponsored insurance. The state should make insurance mandatory.

Insurance Policies with Minimum Premium

Types of Government Health Insurance Scheme

1. Ayushman Bharat Yojana:

The government of India's Ministry of Health and Family Welfare has launched Ayushman Bharat, a universal health insurance scheme. PMJAY was established to give free healthcare to more than 40% of the country's population. The plan includes Rs 5 lakh health cover. Medicines, diagnostic charges, medical care, and pre-hospitalization costs are all covered under this plan. This healthcare initiative will aid India's poorest families.

2. Pradhan Mantri Suraksha Bima Yojana:

The Pradhan Mantri Suraksha Bima Yojana intends to offer citizens in India with accident insurance coverage. This scheme is available to those between the ages of 18 and 70 who have a bank account. This policy offers a total disability and death benefit of Rs 2 lakh per year, as well as a partial disability benefit of Rs 1 lakh. The policy premium is deducted from the policyholder's bank account automatically.

3. Aam Aadmi Bima Yojana (AABY):

This is one of the most recent National Health Insurance programmes, having been launched in October of 2007. It primarily applies to those between the ages of 18 and 59. All citizens living in the upcountry and rural areas are eligible for the AABY insurance system. It also includes tenants who are landless and live in both urban and rural locations. It also entails providing scholarships to youngsters from low-income families. Essentially, this programme protects the family's head of household or the earning member. The state and the national governments split the annual reward of 200 rupees evenly. The family gets paid with 30000 rupees in the event of a natural death. However, upon death caused by a permanent disability, the family is compensated at 75,000 rupees.

4. Central Government Health Scheme (CGHS):

This system, which was established in 1954, provides comprehensive health care to central government officials and retirees living in cities. Kolkata, Mumbai, Lucknow, Delphi, Nagpur, and Pune are among the cities where this scheme is in operation. The persons who are covered by this scheme must live in India. This is a National Health Company Online Renewal programme that provides beneficiaries with the benefit of health education. The following are the main components of this scheme: All dispensary services, including domiciliary care, are available. Furthermore, members of this programme have the option of being hospitalized whenever they become ill. On the other hand, if you require an X-ray or laboratory examination, they will be delivered free of charge under this scheme. The most important advantage of this National Health Insurance scheme is that it provides free specialists consultations both at hospital level and dispensaries.

5. Employees State Insurance Scheme:

This is a multifaceted National Health Insurance Scheme because it provides social security as well as socioeconomic protection to all Indian employees. It also provides the same benefits to individuals who rely on workers who are covered by the scheme. Every worker is covered under this system from the first day of insurable employment. They are also supplied with comprehensive medical insurance for themselves and their family.

On the other side, those who are covered by this system (mostly workers) are eligible to a variety of monetary benefits. They include money at times of bodily discomfort, such as disease or the possibility of becoming crippled, whether temporarily or permanently. In addition, any woman who loses her ability to work or the dependents of those injured in work-related accidents are entitled to a monthly pension known as dependents benefits. This method does not apply to everyone or every business. It only applies to permanent factories with a workforce of more than ten people. The programme has recently been expanded to include enterprises with more than 20 employees, such as stores, restaurants, road and motor vehicles, and newspapers.

6. Janshree Bima Yojana:

The Janshree Bima Yojana is intended for poor people between the ages of 18 and 59. Women SHG Groups and Shiksha Sahyog Yojana are two of the scheme's unique features. This scheme currently covers 45 occupational groups.

7. Chief Minister's Comprehensive Insurance Scheme:

Tamil Nadu's state government runs the Chief Minister's Comprehensive Insurance Scheme. United India Insurance Company Ltd partnered with the company to launch it. It is a family floater policy that was created to assist consumers with high-quality health-care services. This plan covers over a thousand different medical procedures. You can claim up to Rs 5 lakh in hospitalization charges under this coverage. This system allows the beneficiary to choose between private and government hospitals. Residents of Tamil Nadu who earn less than Rs 75000 per year are eligible to participate in this scheme.

8. Universal Health Insurance Scheme (UHIS):

This type of programme was created to assist families who are living in poverty. It covers the medical expenses of each and every family member. A cover is provided in the event of death as a result of an accident. The four public sector general insurance companies that have been driving the Universal Health Insurance Scheme have been doing so with the goal of improving healthcare for India's disadvantaged and notably economically challenged citizens. This scheme may help with medical bills of up to 30,000 rupees if a family member is hospitalized. However, when the earning head of the family is admitted to the hospital, the Universal health insurance scheme compensates a total of 50 rupees daily for a maximum of 15 days. We can therefore say that this insurance scheme is designed for families below the poverty line.

9. West Bengal Health Scheme:

In the year 2008, the West Bengal government introduced this scheme for its employees. The service is also available to retirees. Up to a total insured of Rs 1 lakh, this coverage is available on an individual and family floater basis. According to the policy terms and conditions, the policy covers OPD treatment and medical operations.

10. Yeshasvini Health Insurance Scheme:

The Yeshasvini Health Insurance Scheme is promoted by the Karnataka State Government. This programme is beneficial to peasants and farmers who are members of a co-operative group. This health-insurance plan covers approximately 800 medical treatments, including neurology, orthopedics, and angioplasty, among others. Farmers are assisted in enrolling in the Yeshasvini Health Insurance Scheme via cooperative associations. Health care services are available to beneficiaries through network hospitals, and coverage benefits are extended to beneficiaries' family members.

11. Mahatma Jyotiba Phule Jan Arogya Yojana

This health insurance coverage was developed by the Maharashtra government for the benefit of the people of the state. The plan is aimed at farmers in Maharashtra and will benefit those living below the poverty line. For specified ailments, the policy provides a family health cover of up to Rs 1.5 lakh. The best aspect about this policy is that it has no waiting period and can be claimed on the first day of coverage, unless otherwise stated in the policy terms.

12. Mukhyamantri Amrutam Yojana

The Gujarat government launched the Mukhyamantri Amrutam Yojana in 2012 for the welfare of the disadvantaged people of Gujarat. The scheme is open to anyone who falls into the lower middle-income bracket and are below the poverty line. It's a floater health insurance policy for families that covers up to Rs 3 lakh in coverage. The policyholder has access to private and government hospitals, as well as trust-run hospitals, for medical treatment.

13. Karunya Health Scheme:

This scheme was created by the Kerala government in 2012 to provide health coverage for a list of chronic conditions. It's a poor person's critical illness plan that covers serious illnesses including kidney disease, cancer, cardiovascular disease, and so on. This programme is open to people who are poor or on the verge of becoming poor. For this, the beneficiary must give a copy of their income certificate as well as their Aadhaar card.

14. Telangana State Government Employees and Journalists Health Scheme:

This scheme was created by the

Telangana government for its journalists and staff. Employed people, retirees, and pensioners all benefit from it. The participant of this scheme can receive cashless treatment at any of the participating hospitals. Beneficiaries are not required to rush to secure funds for unexpected medical bills.

15. Dr YSR Aarogyasri Health Care Trust:

The Andhra Pradesh government, in collaboration with the Dr. YSR Aarogyasri Trust, has launched four health-care initiatives. These plans provide medical coverage to a variety of people and assist them in the event of a medical emergency. The following are the schemes:

- Dr YSR Aarogyasri scheme for the welfare of the poor
- Arogya Raksha scheme is for Above the Poverty Line (APL)
- Working Journalist Health Scheme that provides cashless treatment cover for specified procedures
- Employee Health Scheme provides health cover to the state government employees

Features and Benefits of Government Health Insurance Schemes

The features and benefits of government health insurance schemes are given below:

- Government health insurance schemes are offered at a low price
- With this policy that ensures coverage for the poor people, BPL families can also avail of insurance benefits
- The policy includes treatment in both private and government hospitals for better healthcare

Insurance Companies Face a Number of Challenges, Including The Following

1. Lack of Insurance penetration and density

A lack of Insurance penetration in rural areas has been a problem for more than a decade because of the large percentage of the population who are still uninsured. Market power shifts to insurers in rural areas due to a lack of buyers and sellers, which results in high prices and lower penetration.

2. There is a lack of rural participation and a lack of household investment

According to the IRDAI, one of the biggest obstacles is a lack of knowledge about health insurance. Fewer than 15% of Americans have health insurance, which is not surprising. Insurance companies have consistently ignored rural markets despite liberalisation. In rural areas, the number of private life insurers is steadily decreasing even as the concentration of insurers in urban areas is increasing. At the same time, financial assets account for only about 5% of Indian household savings.

3. There is a lack of adequate financial resources

In part, the lack of insurance coverage can be attributed to insurers' inability to raise capital. Due to a lack of available capital, reaching the country's untapped markets remains a difficult task. To maintain adequate solvency levels, a 2018 IMF technical note stated that the IRDAI would have to focus its resources on public sector companies such as the LIC and the NIC. The insurance industry's profits were significantly reduced due to the COVID-19 pandemic in 2020.

4. Inability to access and a lack of knowledge about finances

There are a number of reasons why insurance is less accessible in rural areas, including cost and lack of awareness. Increasing the availability of low-cost and simple products would be an important step in the right direction, given the gap between pricing and affordability. In order to increase penetration, rural residents must be trusted and educated about money management.

5. Traditional products and distribution channels still predominate.

Insurance products are offered and marketed in traditional ways, which makes it difficult for innovative insurance plans to gain traction, particularly in rural India, as has been observed over the years. The IRDAI has paved the way for the growth of online and point-of-sale channels, but the insurance sector still relies heavily on traditional distribution channels.

6. Workers are not willing to learn concepts like insurance

They were unwilling to understand a concept like insurance, so it will take a lot of honest effort to get them to understand the benefits of insurance. It will take years and years to educate them on the importance and benefits of insurance. It is difficult to persuade workers and their employers to invest in insurance.

Significance of the Study

The study makes an attempt to understand why the working class is uninterested in purchasing insurance plans. If insurance firms can cover these classes with fresh ideas and greater campaigns, it would help insurance businesses penetrate the market. The study will be useful in raising awareness among uninsured people and in understanding the various issues that insurance companies face.

Limitations of the Study

1. The study is restricted to Mumbai and its working labour class, whereas the labours are dispersed throughout the country.
2. The research is based on observation and behaviour patterns of labours. In Mumbai, there is an effort to raise awareness of insurance policies among the working labour class.
3. It is challenging to study across Mumbai due to time constraints and cost. It is difficult to get workers to understand the concept of insurance.
4. The current research paper is based on the concept of raising awareness among the labour class, which is a difficult concept and not actually happening.
5. The study relies on secondary data to highlight various low-cost policies. The research is based on observations and behaviour patterns of the labour class. TJ

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Addressing the Risks Faced By MSMEs through Bespoke Insurance Solutions

Abstract

The Covid-19 pandemic dealt a hard blow to Micro, Small and Medium Enterprises (MSMEs). MSMEs have contributed to India's GDP in no small measure. The sector has created a plethora of job opportunities and added immense value to economic growth. The Government passed the MSME Act in 2006 and changed the definition of MSMEs in 2020 to make it easier for the sector to do business. However, the sector faces many challenges and not having adequate insurance coverage is one of them. Conventional and traditional insurance covers may not suit the MSME sector as they have irregular cash flows. The sector needs insurance covers that specifically meet their needs. There is a need for a creative approach to provide insurance solutions for MSMEs. The present research argues that considering the importance given to MSMEs by the Government of India, it is appropriate to have a dedicated insurance vertical focusing on insurance coverage for MSMEs. At the same time, it needs to be understood that insurance is only a part of the risk management solutions available. What the MSME sector needs is training and support in managing business risks efficiently. Creating awareness about the need for insurance is the first step. This should be followed by appropriate insurance covers and technology-enabled risk management solutions that address the needs of the MSME sector better.

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Keywords

MSME, Insurance, Risk Mitigation, Risk Management Solution, Business Risks.

Introduction

India has a large number of Micro, Small and Medium Enterprises (MSME). There are 63 million (6.3 crore) MSME units in operation as per the Udyam Registration portal of the MSME ministry (October 2021) and multiple small scale businesses abounding as per various sources. India has one of the largest bases of MSMEs in the world and small scale industries have made a substantial contribution to the socio-economic development of India.. MSMEs account for roughly 40% of the country's GDP and employ more than 180 million people. The Ministry of MSME states that the sector accounts for 40% towards exports and 45% towards manufacturing output. MSMEs are job creators, innovators and serve the supply chains of large enterprises.

In the MSME sector, there are more informal businesses than formal ones. During 2017, India had 1.6 million registered MSMEs, while 26 million MSMEs were not registered.

MSMEs have enabled growth and development of Khadi, handicrafts, and other indigenous businesses. MSMEs drive growth in the economy by creating employment opportunities and contributing to the GDP. MSMEs account for a large part of economic growth and employment. As per a World Bank report, formal SMEs contribute up to 60% of total employment and up to 40% of GDP in emerging economies.

International Labour Organization(ILO) emphasizes that 90% of formal jobs are created by SMEs in low income countries. Risks that affect MSMEs have a knock-on effect on the whole economy. MSMEs allow insurers to reach many people with a wide variety of coverages – thus the insurance markets can become more inclusive.

New Definition of MSME

In the aftermath of globalization, the Indian government offered protection for small scale industries to deal with competition from foreign players. The MSME Development Act came into existence in 2006 for providing an enabling policy environment for MSME sector. A framework was placed to develop and enhance competitiveness of MSMEs. The Government acknowledged that a thriving entrepreneurial ecosystem was a must for economic growth and sustainable development.

MSMEs have faced challenges like delayed payments, infrastructural bottlenecks, issues in technology adoption and scaling up, access to credit etc. In the AtmaNirbhar package announced on 13th May 2020, a revision in the definition of MSME was announced. The Government has made further changes since then to ensure ease of doing business for MSMEs. A new composite formula of classification for manufacturing and service units has been notified. The Government is making efforts to strengthen and grow MSMEs so that the latter can export more and contribute to job creation.

Revised Classification applicable w.e.f 1st July 2020			
Composite Criteria: Investment in Plant & Machinery/equipment and Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing Enterprises and Enterprises rendering Services	Investment in Plant and Machinery or Equipment: Not more than Rs.1 crore and Annual Turnover; not more than Rs. 5 crore	Investment in Plant and Machinery or Equipment: Not more than Rs.10 crore and Annual Turnover; not more than Rs. 50 crore	Investment in Plant and Machinery or Equipment: Not more than Rs.50 crore and Annual Turnover; not more than Rs. 250 crore

Source: https://msme.gov.in/know-about-msme

MSMEs and Vulnerability

A 5-year survival rate of 40% is typical for MSMEs in developing countries. MSMEs are vulnerable to the personal risks of their owners and their family members. These risks affect the business. Lack of access to credit increases vulnerability. MSMEs do not have expertise on how best to use financial services, how insurance works, or what risks are insurable. Research has shown that MSMEs tend to seek cover for uninsurable risks or do not understand how coverage works. MSMEs tend to overlook or disregard critical risks by settling in disaster prone areas or failing to comply with safety standards.

MSMEs often lack trust in insurance or they have a poor perception of insurance as a risk mitigating tool. This is due to lack of direct experience of insurance, lack of bespoke products, lack of distribution channels and prior adverse experience.

Impact of Pandemic

MSMEs are not adept in environmental scanning or strategic management or managing business risks. Their scale of operations is not huge.The Covid-19 pandemic had an adverse impact on the MSME sector, its employees and their families. MSMEs were affected due to lockdowns and declaration of containment zones. Credit availability was adversely impacted and this affected the liquidity position of MSMEs. Small businesses need funds to replenish inventory, expand business operations, access working capital and buy capital assets. Small businesses will take longer to recover because of low penetration of insurance cover among MSMEs.

Need for Insurance for MSMEs

MSME sector, India's second-largest job creator employs an estimated 11 crore people, but barely 5 percent of the units are insured. Micro, Small and medium enterprises (MSMEs) are the backbone of India's economy. Entrepreneurs are risk takers. So, they need to protect their interests through insurance coverage.

ILO has highlighted the following risks for small businesses:

1. Hazard risks – Fire & property damage, windstorms, natural perils, theft, personal injury, business interruption, disease and disability, liability claims.
2. Financial risks – Credit risk. But majority of financial risks cannot be generally mitigated by insurance alone. Credit linked insurance can provide some relief though.

Risk is an intrinsic part of businesses today. But underinsurance can prove to be a greater risk for SMEs. There is a myth that insurance is mainly concerned about health, motor, property and life insurance covers. However, there are covers like liability insurance, business interruption insurance and professional indemnity policy that can be useful to SMEs. Some SMEs are turning to online insurance to protect their business globally.

A FICCI-KPMG report claims that only 10 per cent of employees of SMEs have health cover, and only 0.1 per cent of other core property risks like fire, marine etc. are covered. Most MSMEs are heavy borrowers of finance from market and they would need a life insurance cover.

FICCI & KPMG conducted a joint study covering 219 MSMEs (Micro, Small and Medium Enterprises) across 15 manufacturing and services sectors. The results of the study revealed that 90% MSMEs do not offer any financial aid to their employees for medical purposes. Most MSMEs do not offer any financial support to their employees and their families. MSMEs were interested in basic covers like personal accident cover but they were keen to reduce the expenditure towards payment of premiums. MSMEs purchased insurance through broking channels and bancassurance. Group health insurance penetration through online channels was a paltry 6%.

The MSME sector employs both organized as well informal workforce. These employees need quality healthcare and access to social security schemes. In the absence of insurance cover and not having access to risk management solutions, MSMEs can face huge economic losses. MSMEs do not have access to quality insurance/ risk management advice.

In the absence of insurance, MSMEs rely on risk mitigation tools like depleting savings, additional borrowing or selling assets to bridge the deficit. They tend to invest less in the business and enforce curbs on critical aspects of the business. Such coping mechanisms can affect sustainability of MSME sector. This is why MSMEs need appropriately designed insurance covers.

How Can Insurance Benefit MSMEs?

1. Insurance can reduce risks, smoothen consumption and mitigate the impact of unforeseen and uncertain events.
2. Tailor-made products can be offered that are suited to the needs of MSME sector.
3. MSMEs can be educated about technology-based risk management solutions.
4. Insurance covers can make MSMEs resilient to shocks and make them financially sound.
5. Insurance can boost sustainable development.

Challenges like lack of data and lack of a credible mechanism for collecting reliable data make it difficult to design products catering to specific needs of MSMEs. Premium payment patterns may not be aligned with the economic cycle of MSMEs. All these challenges need to be overcome using regulatory support.

Scope for Insurance for MSMEs

In metropolitan cities in India, around 27-30% MSMEs get insurance cover. The situation is completely different in USA where 90% of MSMEs get their plant and products insured. Indian MSMEs do not have sound financial knowledge and they do not opt for insurance. Thus, they become vulnerable to business uncertainties. Indian insurers have also not concentrated on providing specific covers for MSMEs. The MSMEs that opt for insurance cover are those that have to take a cover because it is obligatory on their part when they seek a loan from a bank or a Non-Banking Finance Company.

There are other insurance covers like insurance for protecting assets from fire, floods, earthquakes or riots. Marine insurance can provide cover losses that can occur during transportation. Fidelity insurance covers address the risk of fraud by an employee. The workmen's compensation policy will pay for unlimited liability if a worker at the factory site is injured. Professional indemnity policy will pay for legal costs if a customer sues the MSME for negligence. The contractor's all risk policy can cover liability to third parties at construction site.

The SME Insure portal is a platform launched by Alliance Insurance so that insurance solutions can be provided to 5 crore small and medium scale enterprises. The portal will facilitate buying insurance, renewal of cover or filing of claims. The difficulties faced by the small scale sector during the pandemic have made the provision of insurance for the sector all the more essential. The portal will offer insurance services in a phygital format (physical and digital). The customers can choose the best products and compare products of different companies on the same platform to arrive at an informed decision. Technology will enable reduction of paper work and ensure that the transactions are completed within a reasonable period of time.

Suggestions

Only 5% MSMEs are covered by insurance. So the potential for insurers to expand their business footprint in MSME sector is immense. The IAIS definition of inclusive insurance includes MSME insurance. Inclusive insurance denotes all insurance products aimed at the excluded or underserved market, rather than just those aimed at the poor or a narrow conception of the low-income market.

Inclusive insurance must offer greater protection to vulnerable consumers. This also includes MSME sector as the sector lacks insurance expertise, experience and education. Insurance products for MSME must deliver exceptional value. Clear cut time frames for settling claimswill improve trust and credibility.

The insurers must develop a greater understanding of MSMEs and their needs of insurance and provide them targeted solutions. MSMEs need to be provided the right kind of advice.

It is essential to sensitize the MSME sector about the benefits of health insurance. The sector lacks the expertise to understand the importance of Health Insurance. MSMEs are considered as growth engines of the economy. Yet, the health care coverage in terms of group health insurance schemes is sub-optimal in MSMEs. Delivering affordable healthcare to MSME sector is an issue that needs to be addressed immediately.

Regulatory framework should allow specific distribution channels and transactional platforms that can be easily accessed by MSMEs. Insurers must learn about the MSME value chain and track those areas that are more susceptible to risks.

Considering that MSMEs play an important role in India's economy, it is vital to protect their interests and help them manage business risks better. Insurers must simplify the customer journey – evaluating, buying and claiming the insurance benefits to secure their future.

The Government has announced a special financial package for MSMEs as part of AtmaNirbhar Bharat Abhiyan. This augurs well for the sector as a whole.

Revival of the small scale units affected by the pandemic is crucial. MSMEs tend to borrow from the informal sector and are not even covered by basic insurance. MSMEs must relate to insurance as a critical component of protection. Reinsurers have to look at the business potential of insuring MSME units so that they can have a safety net in case of a loss. Insurance penetration can increase when the customer experience is simplified. Streamlining the insurance processes will result in greater acceptance of insurance schemes by MSMEs.

Government needs to create greater awareness among MSMEs about insurance covers to safeguard their interests. SME Insure portal is focusing on MSMEs through a phygital (physical + digital) approach to promote insurance.

IRDA has initiated steps to educate MSMEs about insurance solutions and the financial security that can result from buying an insurance cover.

MSMEs seldom get quality insurance advice from subject matter experts not because such expert advice is not available, but because the sector is not forthcoming to come forward and address their pain points. Industry bodies like FICCI (Federation of Indian Chamber of Commerce & Industry) are attempting to address the issue by providing diagnostic services. The MSMEs can get an idea of the insurance cover that they need and compare it with what they already possess. It is possible for MSMEs to purchase group medical insurance at special and low rates and also seek expert advice before finalizing purchase of insurance policies.

Conclusion

MSMEs must be empowered to cover their insurable risks. This can have a positive impact on the economy. MSMEs need affordable and streamlined products. Leveraging the right distribution channels can reduce cost of sales and improve penetration.

MSME insurance is often seen as just traditional insurance – but there is a strong business case that MSME insurance needs separate attention. Increasing MSME insurance penetration has now become absolutely essential.

Insurance products suited to specific needs of MSMEs do not exist. It is in the interest of policymakers and regulators to provide appropriate insurance products for MSMEs. MSME insurance must be carved out as a separate vertical with a dedicated team. Considering that the Government is taking steps to support MSMEs, the insurance industry must use creative ways of engaging with the sector. Like micro insurance, MSME insurance needs selective attention from regulators, policy makers and the insurance industry.

Insurance cannot cover operational and strategic risks faced by MSMEs (like external threats, competitive market forces). The ILO study has identified fire insurance, multi-risk property insurance, weather insurance, theft insurance, political violence insurance, personal accident insurance, business interruption insurance, health insurance and disability insurance. A product covering multiple risks is far more attractive to small businesses than single covers. A comprehensive coverage might make the insurance product unaffordable. Limited cover across several types of risks is recommended. Small business owners would be constrained to seek a high cover on a single risk that may never occur.

Customization of benefit packages should be limited – it may be prudent to adapt products to suit a distribution channel or covers that can address requirements of a large number of MSMEs. Insurers can segment the market by business size.

Group health insurance cover can be provided for employees in MSMEs. There is potential to grow MSME insurance using the support of Micro insurance. Insurance can be embedded into another good service, such as loan or the purchase of stock or machine. Improving trust and credibility is equally important.

Cost effective and overarching insurance packages can be provided to SMEs depending on the industry and geography. Increase in cybercrimes can increase the vulnerability of SMEs. The Covid-19 pandemic too has highlighted the need for insurance covers for SMEs. Insurance covers for SMEs offer the option of combining covers in a single policy. However, there is a scope for introducing more products specifically catering to SMEs.

Insurance is only one part of the solution – what is needed is a holistic risk management solution. However, a well-designed insurance solution can enable the MSME sector to withstand business shocks and sustain in the long run. TJ

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Insurtech: The Game-Changer for the Life Insurance Industry

Ravish has been working as a Hindi typist in Sugar Firm for the past 5 years. Last year, Rahul has lost one of his close friends, Suresh Kumar because of COVID. Suresh was the sole bread earner in the family and now post death, his family has been facing a deep financial crisis.

Ravish was quite disturbed after visiting Suresh Kumar's family. Ravish wanted to make sure that his family does not have to not go through the same circumstances if something had to happen to him. He decides to buy an insurance plan. He went through many life insurance company's websites but he could not understand their plans well because all plans were in English and had complex terms.

Fortunately, he came to the website of Live Life, a new Insurtech company, and found the Chatbot option on the website of Live Life, this chatbot provides life insurance advisory in regional language. Ravish had deeply enquired about insurance plans through conversation with this ChatBot in Hindi and purchased one life insurance plan which will help him in meeting all his financial commitments.

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Just like Insurtech- Live Life has helped Ravish in understanding life insurance plans, there are many life insurtechs currently playing a game-changing role in the overall development of the life insurance sector. Insurtech is a technology developed specifically for insurance processes and "Insurtechs" are technology-led companies that come in the insurance sector, taking benefit of new technologies to deliver coverage to a more digitally savvy customer base.

Today, Insurtech is not a buzzword, but a strong insurance business disruptor. Insurtechs' efforts in the area of emerging technologies, such as digital tools, gamification, automation (RPA, AI) cloud, and advanced analytics, are commendable. These technologies are greatly serving insurers to reinvent their business operations. Further, these technologies like gamification, wearables, and Robo advisors are being utilized by life insurers in increasing customer engagement, improving brand awareness, and delivering great ease and personalization.

Game-Changing Role of Insurtech for Life Insurance Sector

Insurtech innovations are playing a game-changing role in life insurance sector in many ways-

Making Life Insurance Attractive for Millennials through Gamification

Report of LIMRA, an insurance research and consulting firm stated that less than 20 percent of those between 18 and 34 years of age say they're very likely to purchase life insurance. The main reasons behind this are unattractiveness, complexity, confusion, and inconvenience surrounding life policies. To give WOW an experience of life insurance to Generation Y, insurtechs are leveraging the technique of gamification. Gamification helps in information diffusion & educating customers about complex life insurance products. And a better understanding of products leads to informed decision-making for consumers. Gamification also helps life insurers in expanding brand awareness and popularity among millennials.

- ***AXA online game education-*** AXA group has launched a game in Indonesia where insurance penetration is less than 2% because of a lack of understanding about insurance products and their importance. AXA created a game, CrazyCash, to enhance insurance education. The game became a huge success generating more than 2, 00,000 Tweets. After five weeks, the game had 30,000 unique Twitter users, over 55,000 plays and 225,000 page views on the AXA website.

Redefine Customers Engagements Metrics through Wearables

Wearables devices are getting popular across the industry. It is expected that the wearables market will reach $US 51.6 billion by 2022. These devices provide vast opportunities to gather real-time relevant data and improve business results. This real-time customers data offers life insurers the opportunities for a higher level of interaction with customers and the creation of more personalized offerings as well as improve life expectancy by collecting and examining and health data.

- ***GOQii*** is an Indian fitness technology company, provide end-to-end preventive wellness solution. Their unique app tracks sleep, steps taken, activity, meals, nutrition awareness, BMI, health risk assessment, and even blood group. After analyzing the data a health score is generated. And the rewards are given through the e-commerce platform, insurance packages, and better banking plans based on the calculated health score.

Improving Insurance Advisory through Robo Advisors

Life insurers are discovering the use of Robo advisors for greater ease and insightful recommendation to customers. Robo advisors have the potential of providing personalized service to customers by understanding their needs and gaps from their inputs and other data available about the customer such as previous purchase details, previous queries, credit score, etc., and provide tailor-made suggestions. These Robo advisors can also underwrite the policy promptly and receive online payments. And policy-related documents are delivered via email.

- ***Certua, the UK-based Fin-tech Company,*** provides Robo-life insurance advisory services. Their robot-based insurance advisory combines and analyzes user data to enable the user to have one insurance policy with multiple different benefits. Robo advisors help in offering real-time personalization of financial solutions, and ongoing recommendations with the customer right at the center of the process.

Process Automation through Robotic Process Automation (RPA) and artificial Intelligence (AI)

Most of the processes across the life insurance value chain involve a lot of paperwork, which requires more human labor. Because of this, these processes take a lot of time and are prone to human errors. Automation will help in digitalizing the insurance cycle and reducing the processing time as well as human errors. Further with the help of RAP and AI, life insurers can automate core business processes such as underwriting, policy administration and examining, and claims processing for better customer service and cost optimization.

- ***UiPath,*** a global software company known for process automation. This company has helped ***Future Generali India Life insurance company*** to automate their core process like automation in policy issuance, underwriting, and banking-related activities, etc. The company has rolled out RPA in 33 processes. This is helping Future Generali in increasing human productivity and speed.

- ***GramCover*** is an Indian broking firm focused on product design and tech-enabled distribution for India. They have embraced a distinctive technology-led distribution & servicing model which is well matched for rural setup to minimize the inefficiencies and transaction costs involved in the process

Improving Claim Process through Blockchain-based smart contracts

Blockchain is a shared unchangeable ledger, which helps in recording the transactions and tracing assets in a business network. This distributed ledger technology enables the coding of simple contracts also known as smart contracts. Life insurance companies can potentially utilize blockchain technology to enhance operational efficiencies across the value chain, increase transparency and share data between participants. Blockchain also reduces fraudulent claims by making the process transparent.

- ***Cognizant*** collaborated with top Indian-based life insurers and has developed a solution to facilitate cross-company data-sharing. The solution will help these insurers reduce their reliance on data intermediaries and aggregators in obtaining customer and aggregators in obtaining customer and policy specifics for an extensive range of critical purposes, such as know-your-customer due diligence, financial and medical underwriting risk assessment, fraud discovery, and monitoring compliance.

Personalized Insurance Offerings through Predictive Analytics

The current, as well as future customer needs, can be better understood through Predictive and behavioral analytics. After a clear understanding of the customer's needs, life insurers are designing personalized covers. Predictive analytics also help in strengthening underwriting, risk management, pricing, claims counter-fraud solutions, and prevention.

- ***Max Life's*** policy issuance process uses predictive underwriting engines – SHIELD & FINCHECK, which measures the 360-degree risk of the likelihood of an early claim, policy lapse, and likelihood of fraud upfront and recommends policies that may necessitate additional verification by an underwriter. This is facilitating us to realize the goal of instant-issuance and empowers automated decision-making for a considerable share of the portfolio, along with allowing us to proactively catch risky and fraudulent policies at the issuance stage rather than refusing them at the claims stage.

Fraud Detection and Prevention through Advanced Analytics

As per the report of Crowe Clark Whitehill, losses in any organization due to fraud are at least 3% and more likely to be around 6%. The life insurance industry has immense opportunities to use available data and analytical tools that can enable them to increase transparency and trust with their customers.

AI can help insurers to derive insights from unstructured data for improved insights from behavioral data and better pattern identification.

- ***Manulife***, a Canada-based insurance company, uses advanced analytics anomaly detection and ML for fraud detection in claims.

- ***Reliance Nippon Life Insurance,*** a well-known life insurer uses propensity-based analytics for fraud control.

Enabling Market Expansion through Insurtech Capabilities

Speed of innovation in the life insurance sector is quite slow as compared to P&C and health insurance because of the complex, sensitive as well as long-term nature of its products. However, emerging startups in this sector, are breaking the boundaries of how insurance products are designed and delivered. Digital & analytical tools are becoming crucial in designing more dynamic and granular products in life insurance as they allow for greater flexibility and agility in execution.

- ***Bima Mandi***, an Indian-based insurtech venture is trying to digitize and deliver access to financial services for those living in rural areas. Bima Mandi has the purpose to serve more than 4million rural customers across several districts and villages. Including more than 50 million unique visits on its platform is the main goal of Bima Mandi.

- ***DigiSafe,*** a Pune-based insurance startup aims to fill the insurance penetration gap between the urban and rural areas through focused insurance solutions. It is streamlining products that span across Motor, Health, Livestock, Crop, and Life Insurance for people living in rural areas.

Life Insurers explore Multiple Insurtech Approaches

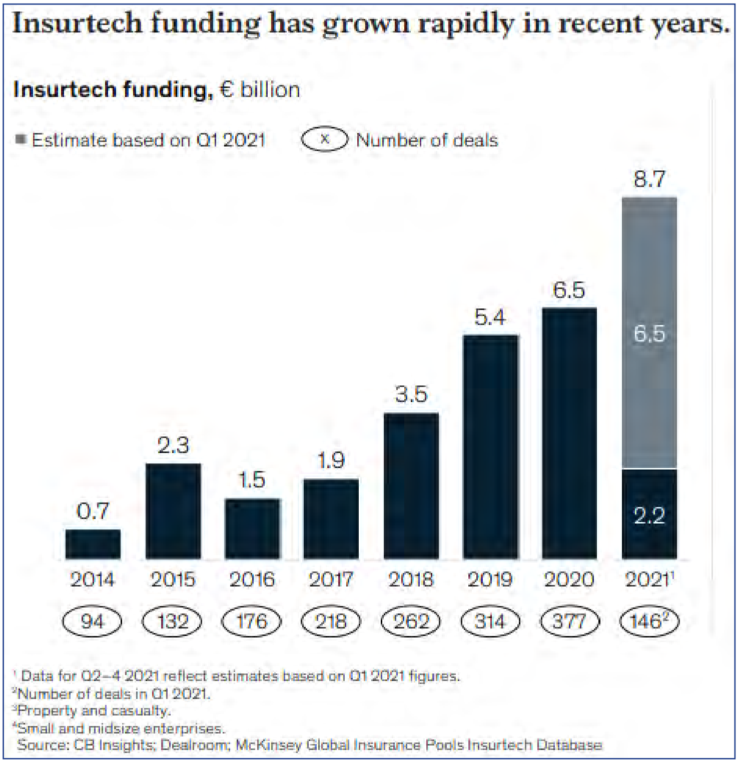
According to the World Insurance Report of Capgemini-Efma, both Insurtech firms and insurance firms have complementary advantages that make their collaboration a natural fit, resulting in a win-win situation.

There are various approaches available to traditional insurance companies to engage with Insurtechs:

- ***Partnership:*** traditional insurance firms take part in incubator programs, invest in Insurtech firms, and collaborate with Insurtech firms to offer products or hire an Insurtech firm to provide technology services.

- ***Acquisition:*** here, the incumbent insurance firm can acquire life insurtech firms for instilling Insurtech capabilities.

- ***Ins-House Development:*** traditional insurance firms also set up in-house R&D centers to foster innovation.



The analysis of more than 2,000 insurtech firms worldwide, especially working in the fields of life, property and casualty (P&C) and health insurance found that from 2010 to 2020, nearly 33% of them secured funding, and a few established strategic partnership with at least one traditional insurance firm. Insurtech funding last year (2020) was highest with ₹6 billion in deals and 16 percent focus was on life insurance.

Scaling Insurance Offerings through Cloud Technology

Cloud technology is helping insurers to achieve better operational efficiencies due to reduced downtime and a right-sized IT structure. Cloud technology also helps in the faster development of new offerings by cutting down the time to market.

- ***Max life insurance*** is utilizing Cloud-First Approach for all new workloads. This helps the company to avoid costs close to 1 crore rupees. Max life expects to be 45% on the cloud by the next financial year.

- ***New York Life*** collaborated with Vlocity and Salesforce to deploy cloud-based applications for their agents, aimed at enriching customer relationships and improving agent efficiency.

Insurtechs: A lesson for Traditional Life Insurers

The changes in the market and customer preferences are very rapid. Insurtechs are doing better in catalyzing the changes in market and customer preferences. It is a lesson for incumbent insurance companies that they need to speed up their processes and improve their strategy. If traditional insurers fail to react, they will lose their market share.

- ***First,*** incumbents need to draw inspiration from insurtechs. Learn how they effort, invent and grow new technologies.

- ***Second,*** the need for hours for traditional insurance companies is that they should assess their business & plan and find their pain points. This will help in getting a clear view on which area of the value chain can be improved effectively with innovation coming from insurtech.

- ***Third,*** many options are available to cope with insurtech. Incumbents can develop a digital lab to founding a corporate venture capital, from collaborating with an insurtech wot partnering with a venture capital fund.

Conclusion

The technology is empowering the traditional business models and each sector is progressively going digital way to meet the ever-growing customer expectations. Insurance startups are doing commendable efforts in developing new technologies to remodel the design and delivery of life insurance. Insurtechs are utilizing the capability of new digital and analytical tools to develop life insurance products that are flexible and fast to deliver. These Insurtech firms aim to reduce the total time for the application process and create an easy setting for the customers. The innovative efforts of these insurtechs will surely transform the life insurance sector shortly. The words of Lenin really for the insurtechs, which are bringing positive disruption in life insurance sector- TJ

> *"There are decades where nothing happens; and there are weeks where decades happen"*
>
> **- Vladimir Ilyich Lenin**

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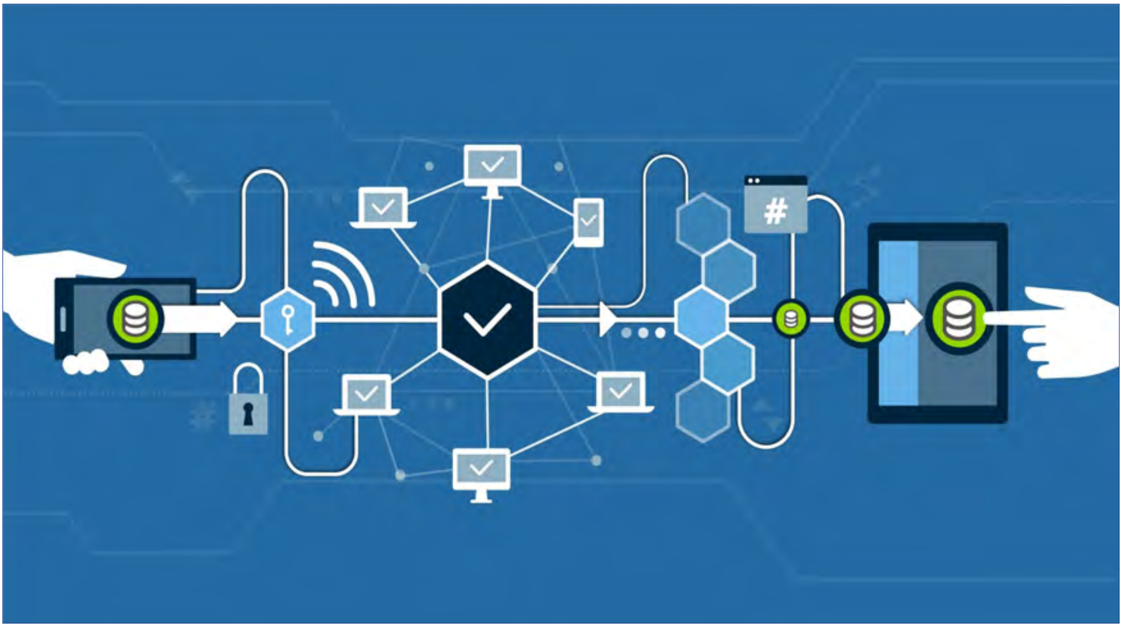
Role of Blockchain in Facilitating Insurance Business: A Way Forward



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Abstract

The traditional way of doing insurance business has led in organizations to face huge fraud losses and resulted in manipulation of data. However, in today's collaborative, technologically advanced and shared economy trust is derived from transparency which lead to minimize frauds and data manipulation. The blockchain technology offers potential use cases for insurers that include innovating insurance products and services for growth, increasing effectiveness in fraud detection, pricing and reducing administrative cost. The blockchain is a technological advancement which is normally seen as a distributed ledger technology, which has potential to impact all financial services majorly. This paper discuss how blockchain technology works in insurance business, what role blockchain can play in insurance industry, current scenario in the business, what challenges the implementation of blockchain technology is facing and a way forward.

Keywords

Blockchain, Technology, Insurance Business, Fraud and Growth.

1. Introduction

The insurance industry has been working for ages but unfortunately most of its processes are outdated now, most policies still process on paper contracts. Traditionally all insurance business processes are done manually from buying an insurance policy to claiming its benefits. People mostly depend on agents for purchasing policy, paying premium, claim processing and other administrative work also. All this process done with the help of agent takes long duration of time and hence beneficiary many times doesn't get benefit in time. All this manual work raises potential for human error and misuse, tampering and misinterpreting of information and gives opportunity to agents for making frauds. There is much left to be desired in terms of security, efficiency, and customer satisfaction, which are issues that blockchain could help solve, while blockchain is the hopeful solution.

Over the years, the traditional insurance business model has proven to be incredibly powerful. However, traditional insurance is the beginning to feel the effects digitally as emerging technologies change the way consumers interact with businesses and the way products and services are delivered. One of those emerging technologies is blockchain.

Blockchain technology has emerged as the biggest revolution since the advent of the internet. In 2009, the launch of blockchain bitcoins as the backbone of digital currency trading was seen as a test. About five years later, central banks and financial institutions, as well as VCs began to show a keen interest in using the blockchain beyond Bitcoin, and consortia such as the R3 were established. At the same time, blockchain-related start-up investments across all industries have grown rapidly to more than USD 800 million in 2014/15. Even traditional insurance companies, such as AXA and Generali, have begun investing in blockchain applications and Allianz recently announced its successful driver of a smart blockchain-based contract solution to facilitate catastrophe swap transactions.

1.1 Blockchain is a data structure that enables the development of a digital transaction book and the ability to share them across a distributed computer network. Through cryptography and distribution, the blockchain allows network participants to make changes to the ledger securely, where there is no central authority.

1.1.1 Key features of the blockchain:

- Distribution: database is usually hosted in a single location ("top-down" structure). Blockchains are hosted on networks and controlled by participants.
- Permission: all users are treated equally, with full access to reading and writing.
- Consistent: old records cannot be undone. The blockchain implementation does not provide a way to fix errors or fix confidential information sent accidentally to the wrong recipient.

At its core, a major component of Blockchain technology is that data is verified and authenticated in multiple "nodes". Each computer (node) that stores the data uses an algorithm to verify that the transaction is valid or invalid before integrating it into the previous data series. This use of multiple data storage nodes is known as a "distributed network" that can take many forms. Chain construction is done by "miners" who use algorithms to validate and maintain the latest data book, the blockchain.

1.1.2 Types of Blockchain:

- Public blockchain: It is fully distributed where anyone can become part of the network, make transactions, and can participate in the transaction verification process.
- Permission blockchain- It is the System in which some special participants are granted special privileges in the system. Not everyone can enter information on database. It is a decentralised system.
- Private blockchain - Only selected people can access the network. All participants will be known to each other and will have rights according to their role.

2. The Role of Blockchain in Insurance Business

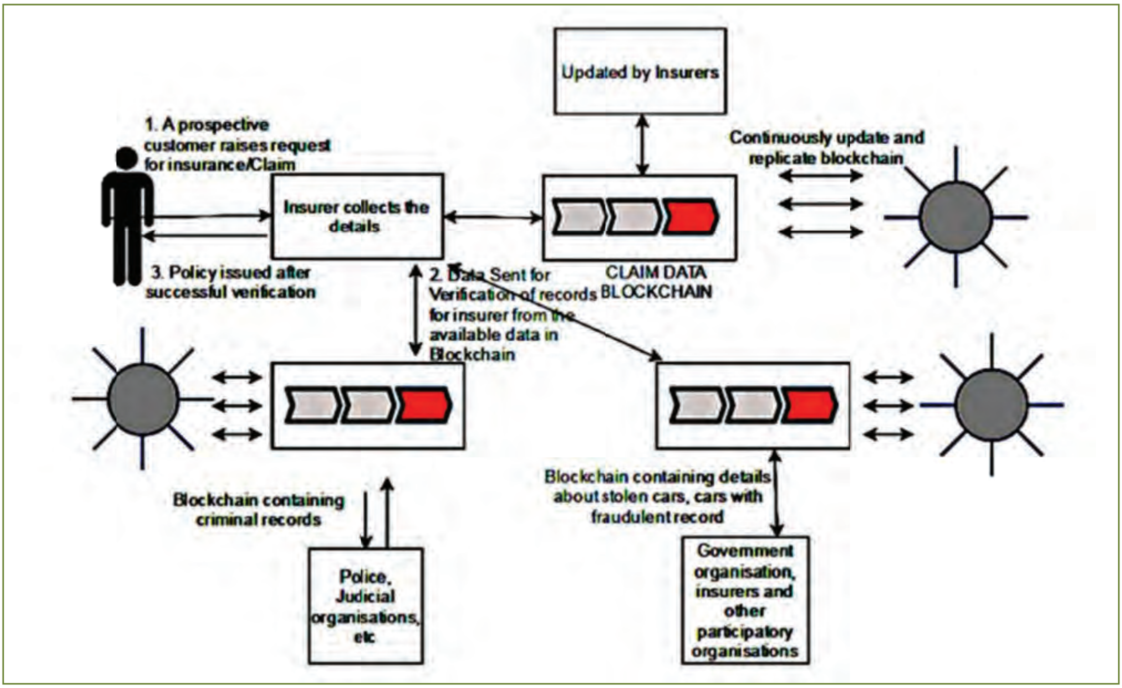
Blocks on blockchain contains digital pieces of information available in three sections. The first is stored information about functions such as date, time, and dollar value of the purchase. Second is the record of who is involved in the transaction. Third is the database that separates one block from all other blocks.

In the case of transaction, the process usually includes: -

1. Creating a new block representing activities.
2. Verify the block by all network participants.
3. Attach a cryptocurrency or other signifier of proof of work to the block.
4. Adding a block to an existing fence
5. Network update and job completion

Because blockchain information is a large repository of recorded information, blockchain technology opens the door to advanced processes in many industries, including entertainment, health care, and insurance. One of its main features of use involves automated operations such as text transfers, contract term negotiations and online security. For example, the insurtech company, Ryskex helps provide insurance providers with an easy way to accurately assess and manage risk with its blockchain-based platform.

Figure 1: Framework for Fraud detection during policy issuance or claim submission



Source: https://thesai.org/Downloads/Volume12No1/Paper_53-Blockchain_in_Insurance.pdf

Figure 2: KYC compliance framework using blockchain

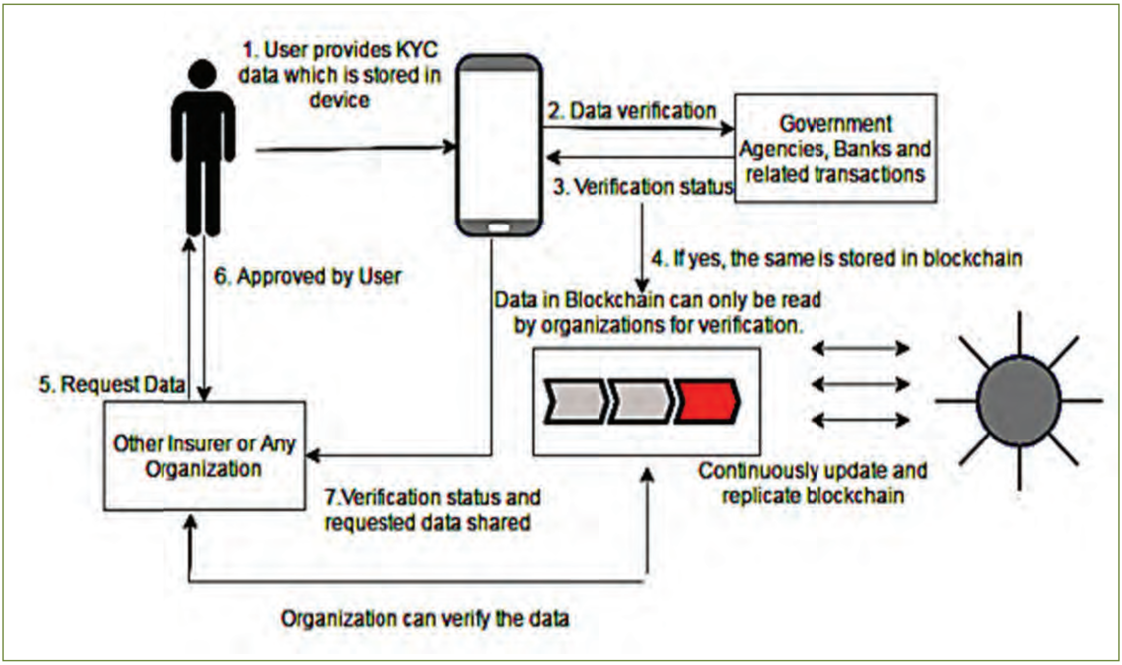


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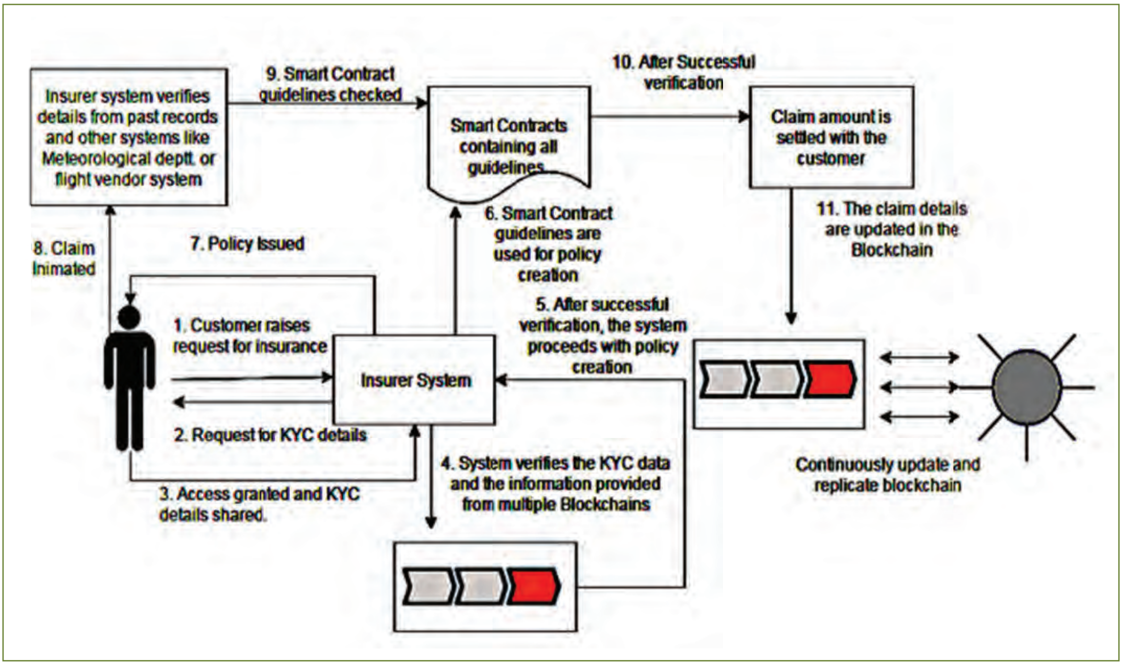
Figure 3: Claim processing using Blockchain



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3. Current Scenario

- Policy bazaar recently announced its partnership with the Acrivis network - a platform for data integration to implement blockchain solutions. Policy bazaar selects IBM Hyperledger in its blockchain application. Policy bazaar estimates that the cost of data management and blockchain transfer can be about 2x to 3x cheaper than traditional methods of doing so.

- The IRDAI (Insurance Regulatory and Development Authority of India) published a working group report by Insurtech (dated 31/07/2018) recommending that Indian insurance companies should look to form a coalition to monitor blockchain acquisition. In mid-April of 2021, there was a huge uproar at the Indian Life insurance company led by Cognizant to explore blockchain-enabled data sharing.

- Accenture has developed blockchain-based concept evidence that uses data from intelligent sensors to enable smart-vineyard insurance. In the Accenture Technology Vision 2019 study, more than 80 percent of insurance managers reported that their organizations had adopted Distributed Ledger Technology (DLT) in one or more business units, either testing or planning to test the technology. Another Accenture study, conducted by the World Economic Forum, found that 65 percent of insurance managers agreed that their organization should adopt Distributed Ledger Technology in order to stay competitive.

- Tokyo Marine, Japan's P&C insurer has reviewed the blockchain certification of marine property insurance certificates. It has reportedly reduced the time it takes for a sender to obtain an insurance certificate by 85 percent.

- Allianz has used blockchain and smart contracts to remove conflict from a complex process. Disaster swaps and bonds (cats) are used to convey certain risks, usually natural disasters, from insurers to investors. Allianz successfully evaluated the use of blockchain and smart contracts to speed up the contract management process for cat and bond exchanges.

- Founded in 2016 with support from notable firms such as AIG and AIA, and founding members such as Allianz, Aegon and Swiss Re, B3i was the first insurance-focused organization aimed at developing blockchain solutions in the insurance industry. In early 2018 the consortium announced its switch to a fully-fledged Swiss-based company, a blockchain technology centre.

- Fidentiax, a blockchain market for trading insurance policies, launched its digital ledger product insurance policy in 2018. Named ISLEY, Fidentiax describes it as a "consumer insurance" for consumers, and allows users to store, view and receive personalized alerts. Insurance Portfolio owners' policies can even be distributed to designated loved ones through a death benefit beneficiary letter.

- Lemonade combines Distributed Ledger Technology with Artificial Intelligence to provide insurance at low prices. For example, it offers insurance at low prices to homeowners and tenants, also its employer's insurance and long-term health policies starts at less than $ 10 a month. According to Lemonade's business model, a fixed amount is charged from each monthly payment made by policy owners and rest amount is allocated towards the future claim and when a claim is made, smart contract insurance in the blockchain verifies the loss instantly so that the customer is paid promptly.

- By building a global, error-free register, Everledger successfully contributes to the fight against crime and fraud, which costs insurers an estimated US $ 50 billion annually.

- Empowered to smart contracts, Etherisc verifies claims independently through multiple data sources. For example, in plant insurance claims, you compare satellite imagery, weather reports, and drone images with a photo provided to the complainant.

4. Application of Blockchain in Insurance

Blockchain may contribute to the registration of high value items and warranties:

- Creating a consistent and reliable product availability record for the benefit of all stakeholders.
- Track product ownership and claims in real time even across borders.
- Improving sector-wide efforts to reduce claims fraud over high data and data sharing.

Blockchain can also affect KYC / AML processes such as:

- Establish a database that is proven to tamper proof customer data that can be safely shared between organizations.
- Reducing the risk of error and repeating the effort in this way of collaborating, saving time and resources.
- Improve customer service visibility in all institutions, improve compliance and regulatory oversight.

Many start-ups are working on the blockchain solutions for the Know-your-customer (KYC) data solution like Tra+dle. With KYC, the customer gives the company access to ID data if required to close the contract. Once the KYC profile is verified, the customer can transfer verified ID data to other companies through different contracts with the same tool, avoiding the need to repeat the full process of identification and verification, thus speeding up and maximizing efficiency for new customers.

Blockchain can impact index-based insurance (parametric insurance)

- Automatically apply most or all parts of the index-based insurance.
- Insert the policy mind into a smart contract and allow oracle (digital feed) to take effect in a predicted loss event.
- Without manual intervention, it can settle and clear all the transactions.

Blockchain can affect reinsurance such as:

- Allows regulators, insurers, brokers, and reinsurers to share data securely in real time.
- Automatically create risk modelling, compliance monitoring and audits.

Reinsurance is basically a tool for insuring the insurers. It protects the insurance providers in the event of multiple claims. Due to the knowledge of slow and long processes, the current insurance system does not work very well. Blockchain can bring two benefits to reinsurers. One - unbreakable records of accuracy and two claims analysis - speeding up the process by sharing data / information automatically. PwC estimates that the blockchain could help the insurance industry save up to $ 10 billion by improving efficiency. For example, in 2017, B3i (a blockchain testing consultant consortium) introduced a smart contract management system for Property Cat XOL contracts. It is a form of reinsurance contract for catastrophe losses in insurance.

Blockchain can also help with underwriting and claims management

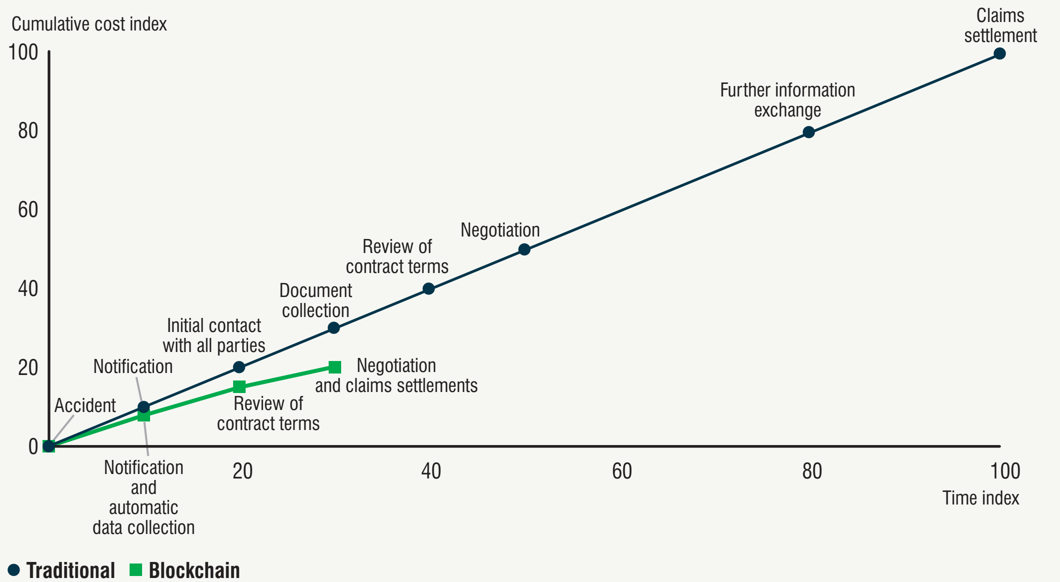
- Create a trusted record and industry wide claims record.
- Reduce claims fraud by deleting silos data
- Give customers more control over their personal data, including access rights.

Dynamis is one of the start-ups of blockchain in the field of smart contracts for insurance products. The company makes additional P2P insurance for unemployment and uses the social network profile data to verify the status of employers. In this case, smart contractors automatically facilitate policy underwriting and claim management including authorization / confirmation from other policyholders, who perform the role of inspectors.

Save time to verify claims: Blockchain smart contracts can completely replace the claims process. No further documentation is required: only pre-defined rules for resolving claims. Faster procedures, increased efficiency, and lower costs nothing but benefits to insurance companies.

Protect policy documents: Insurance companies can keep policy documents in many ledgers, making it difficult to lose them. Because of their technical features, smart contracts prevent data loss and damage.

Figure 4: Setting a Motor claim, traditionally and with Blockchain



Source: BCG analysis.

Source: https://www.bcg.com/publications/2018/first-all-blockchain-insurer

Blockchain can affect the distribution of Insurance

- Direct multi-team actions at low cost in the online marketplace
- Give consumers direct access to multiple network companies in one place and allow them to manage different policies in the same area.
- Make transactions to pay premiums or applications quickly, easily, and cheaply.

Reduce administrative costs

Blockchain may reduce administrative / operational costs by automatic verification of policyholder ownership and contract validity, readable claims registration and data from third parties. e.g., encrypted patient data transactions between physician and insured can be accessible to insurers on the blockchain platform connected with the payment-based infrastructure or smart contracts. Providing insurance providers with controlled access to blockchain claims and claims records enhances the insurance provider's visibility automatically.

Figure 5: How Blockchain can improve Insurer's Combined Operating Ratio

Area of improvment	Distribution (marketing and sales)	Risk management (underwriting and claims)	Operactions (including IT)
Personal-insurance lines **10 to 13 percentage points**	• Improvement comes from better pricing, thanks to data stored on the blockchains and to faster retrieval of KYC information	**6 to 8 percentage points** • Use of artificial intelligence for fraud detection **2 percentage points**	• Smart contracts are used for automated claims detection and settlement **2 to 3 percentage points**
Commercial-insurance lines **10 to 13 percentage points**	• Automated underwriting is enabled by KYC data on blockchains • Adaptive risk management is based on IoT data on blockchains	**6 to 8 percentage points**	• Data collection processes, including with port authorities, is digitized • Claims settlement processes are automated **4 to 5 percentage points**
Reinsurance **5 to 6 percentage points**	• Risk concentration (with blockchains identifying the risks) is detected authomatically	**Around 1 percentage point**	• Reinsurance processes are automated **4 to 5 percentage points**

Source: BCG analysis.
Note : Green boxes show the level of improvment in terms of the combined operating ratio; KYC = know your cusomer. IoT = Internet of Things.

Source: https://www.bcg.com/publications/2018/first-all-blockchain-insurer

Blockchain can help the growth of insurance brokers by improve customer engagement. An important lever to improve customer engagement through blockchain is in the area of personal data. Customer fears about losing control of personal data as soon as they are transferred to the company and their frustration with the need to repeat the data entry process can be resolved by a customer-controlled blockchain to verify ownership (KYC) or treatment/ Health data. Personal data does not need to be stored in the blockchain; resides on the user's personal device. Only its authentication, e.g., by doctor, and related transactions (e.g., tests performed on a specific date) are registered on the blockchain. Here, the scale is the key to reap the benefits of the blockchain as it requires a sufficient number of parties involved to reuse validated data.

Blockchain can also improve customer engagement by providing greater level of transparency and perceived fairness of cost and application management. For example, the first Insurtech demonstrated a blockchain-based P2P flight insurance policy with smart contracts. These smart contracts start paying for airline tickets when cancellations or delays are reported from verified flight data sources (so-called "predictions" to make external sources work for smart contracts in the blockchain). Although P2P insurance as a business model is already offered using standard technology, the blockchain makes it even more transparent and reliable for consumers as there is no central authority controlling its operations. For the provider, it is a tool for performing P2P insurance tasks automatically.

Fraud detection

This particular benefit of smart contracts in insurance may be due to the open and open nature of the blockchains. Since no owner, anyone can see any transactions posted on the blockchain website. Blockchain ensures that all transactions are permanent and timed. I.e., no one, including insurers, can change the data to prevent any kind of breach. This data can further help define fraudulent activity patterns, which insurers can use in their fraud prevention algorithms. Like storing of claims related information on the distributed Ledger will help insurers to collaborate information and identify suspicious behaviour across the insurance ecosystem. With the sharing of fraudulent claims related information on the blockchain based platform good help insurers to identify patterns of bad behaviour or suspicious behaviour of consumers. That could give insurance key benefits like, reducing counterfeiting and elimination of double booking i.e., processing of multiple claims from the same incident. For example, if two transactions are being initiated by someone related to the same incident, these unconfirmed transactions will be verified against the blocks of information about one another policy that are recorded on the Ledger. Only the transaction with the greatest number of confirmations on the basis of different factors will be considered legitimate the second transaction will be declined.

Internet of Things (IoT) & Blockchain together to create data

As IoT will connect more and more devices, the amount of data generated on each device will grow exponentially. For example, there were 26.66 billion active IoT devices in 2019 and approximately 127 IoT devices are connected to the internet every second. This data is very important for insurance brokers to develop accurate actuarial models and usage-based insurance models. Considering the car insurance industry, data collected about driving time, distances, acceleration, breach patterns, and other behavioural statistics can identify high-risk drivers. Blockchain allows users (insurers) to manage large and complex networks with peer pressure. Instead of building expensive data centres, blockchain provides a limited platform for storing and processing data.

Microinsurance

Instead of an all-inclusive insurance policy, microinsurance provides protection against certain common payment problems, much less than regular insurance. Microinsurance policies make profit only when they are distributed in large volumes. However, due to low profit margins and high distribution costs, despite the immediate benefits, microinsurance policies do not find the right compliance. Blockchain can provide parametric insurance platform. For this, insurers will need a few local agents and “predictions” may change the corrections down. For example, Security.ai uses the blockchain to offer less insurance to people, who do not have access to the services of banks or other financial institutions.

Emergence of new markets

Blockchain technology will enable new insurance lines to be developed or expanded, as well as emerging markets to be reached. According to PWC report on Blockchain, a catalyst for new approaches in insurance, 40 percent of the world’s population do not have a bank account or insurance policy. Using blockchain technology, insurers will be able to quickly develop personal products and services and improve their insurance coverage.

Risk assessment

Blockchain allows insurance companies to incorporate advanced risk assessment models into their smart contracts. This makes sense based on a blockchain-based ID system. IDs are quickly verified and supplemented with new data, eliminating time-consuming process to verify your identity. A smart contractor reads all personal information and automatically assesses risk, saving time and effort on data collection and verification.

5. Challenges

Implementation of blockchain is still a work in progress. There is absence of industry standards and industry specific platforms. Companies need to become more known to limitation of the blockchain technology, to find the quick solutions of the challenges for long term benefit of industry. Some of the major limitations are:

- Blockchain is immutable like if there are some bugs in smart contact then the company need to upgrade it at that time as the data cannot be altered if once it has been uploaded and then the existing data stored in previous smart contract need not to be transferred automatically to the forward step in process.

- Scalability: With the growth of blockchain, consumers data will be generated more and by which responsibility of the insurer to keep their data safe and secure will rise. It is essential for insurer also to store that data for the future use so that they can develop their business strategy. So, to store this data insurers will require many highly skilled experts to update the data and to ensure smooth functioning of blockchain with huge data, insurers also require investments on high scales for the upgradation of data, storage of data and management of data. Due to validation-based verification methods and continuous responses, as well as a constantly growing amount of stored data, blockchain system optimization becomes a challenge. Even if there is a new implementation of the blockchain with limited performance, high speed / high volume transactions, real-time data capture, and large volume data storage are not targeted blockchain domains.
- Security: As the global market of blockchain ecosystem is growing, with it many new users everyday are connected more to blockchain and due to which blockchain is becoming more prone to cyber-attacks, as more the data will be collected more the insurers need to ensure the security of the data on large scale will increase. The security concerns will always be present in blockchain but to minimise it insurers must ensure that integrity of data must consider the validity of every transaction, that could protect policyholder's data to be tempered by anonymous individuals and could bring fraudulent insurance transactions into question.
- Standardization: To achieve sustainable benefits from an open or distributed or shared system, standards are very critical and important as insurance regulations are very dynamic and are changed frequently. The lack of standards in the industry related to blockchain showcases that blockchain implementation is still in its infancy. Therefore, the risk of implementing ineffective solutions can be a risk for industry and the need for pre-implementation efforts to define and establish industry standards are high, and investment decisions must be made with the utmost care.

6. A way Forward

Blockchain technology is still in its infancy, but they are already several promising applications across the insurance industry in various companies like Lemonade, Ryskex, B3i, Claimshare and others. The adoption of blockchain in insurance industry will have long term implications on overall growth of the industry, as per report by Markets and Markets the global market for blockchain in insurance is expected to grow at a CAGR (compound annual growth rate) of 84.9%. A report by Gartner also stated that blockchain is estimated to be more heavily adopted by different organizations by 2023 and will lead to USD 3.1 trillion in new business value by 2030. But despite this strong interest in blockchain technology, there are still many reasons to cover it up before it can see its potential impact on the insurance industry. From an industrial point of view, the legal and regulatory frameworks of insurance need to emerge and provide clear blockchain technology guidance in order to achieve further performance within the industry. Plus, the standards and procedures must go hand in hand for blockchain to provide insurance providers with better tools for collaborating, sharing data, and making insurance processes less difficult for customers. Insurance companies must adhere to the standards and procedures associated with blockchain technology for smooth work experience and as the industry has a high level of privacy and security concerns, the blockchain needs to be continuously upgraded also to meet the standards of insurance companies before they can actually happen. Once these needs are met, widely use of blockchain can be possible in the industry, and then blockchain can explore its full potential and transform the insurance industry for companies and their customers. TJ

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5	Classroom Training Session on Current Perspective on engineering insurance-Underwriting & Claims	22-23 August 2022	Offline-Calendar Programme- Kolkata	₹ 10000 + G.S.T.	₹ 7200 + G.S.T.
6	Virtual Training Session on Regulatory Compliance for Insurance Brokers	23 August 2022	Online-Calendar Programme- Mumbai	₹ 1500/- + 18% GST	
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	September 2022				
8	Virtual Training Session on Bancassurance for Life Insurance Managers	02 September 2022	Online-Calender Programme- Mumbai	₹ 1500/- + 18% GST	
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