भारतीय बीमा संस्थान
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INSUNEWS

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QUOTE OF THE WEEK

"No matter what people tell you, words and ideas can change the world."

Robin Williams

INSIDE THE ISSUE

INSURANCE TERM FOR THE WEEK

Title Insurance

Title insurance is a form of indemnity insurance that protects lenders and homebuyers from financial loss sustained from defects in a title to a property. The most common type of title insurance is lender's title insurance, which the borrower purchases to protect the lender. The other type is owner's title insurance, which is often paid for by the seller to protect the buyer's equity in the property.

INSURANCE INDUSTRY

Embedded Value: Life & health insurance more critical today - Financial Express – 29th April 2021

The second wave of the Covid-19 pandemic is sweeping across our country. Every day we hear about lives being lost due to shortage of oxygen or ventilator or even the medicines specifically required to treat covid positive patients.

We also hear about young lives, the bread earners of the family, losing the battle against this dreaded disease leaving behind trails of misery for their loved ones. Behind all these miseries the single most significant reason is lack of preparedness on the part of not only the state but also individuals.

Even though instruments are available in the market to safeguard one's financial interest in such devastating situations, people hardly bother to ever consider such products or options. The pandemic has taught a lesson that adequate insurance protection for both life and health of individuals is the most significant of the protections that one needs to provide for against the worst of the scenarios. Therefore insurance is often considered a necessity next only to bread, clothes and shelter.

Need for health insurance

Everybody desires the best health care but such care doesn't come free. A health insurance policy comes handy in difficult situations when an emergency demands immediate hospitalisation. A mediclaim policy can take care of most of the expenses depending upon the terms and conditions of the policy. Most insurers have tie-ups with hospitals and in such a situation the patient is not required to pay any amount except for a small amount as security deposit.

The insuring public must know that policies offered in the market come with several limitations in fine print. Generally, the insurers take risk after 30 days of commencement date, they exclude cover to pre-existing disease for couple of years at the beginning of the contract and they put a condition that in respect of every claim the policyholder must himself pay to the hospital up to a certain percentage of the total allowable expenses.

Policyholders must keep in mind such conditions.

Every family must go for a health policy during and after the Covid pandemic and this must become a permanent habit. The policyholders should also take care to keep other family members aware about the policy purchased, its benefits and the place where the document is stored.'

Need for life insurance

On the other hand, a life insurance policy must be purchased well in time and one must pay premium when due. Besides, the policyholder must develop the habit of reviewing his existing insurance portfolio from time to time and not hesitate to extend risk cover through new policies or through riders. Initially the focus must be on maximum risk cover at minimum cost. Savings through life insurance is a secondary issue. One must also take care to ensure that nomination under each policy is updated and if a policy is assigned for loan, etc., such information must be available with the family.

Claims from insurers

Filing a health insurance claim begins with the immediate intimation to the insurer's office about hospitalisation of the insured person. The third-party administrators who are generally represented by an employee at hospitals take over the issue and ensure that the hospital provides services without asking the family members to pay the fees instantly.

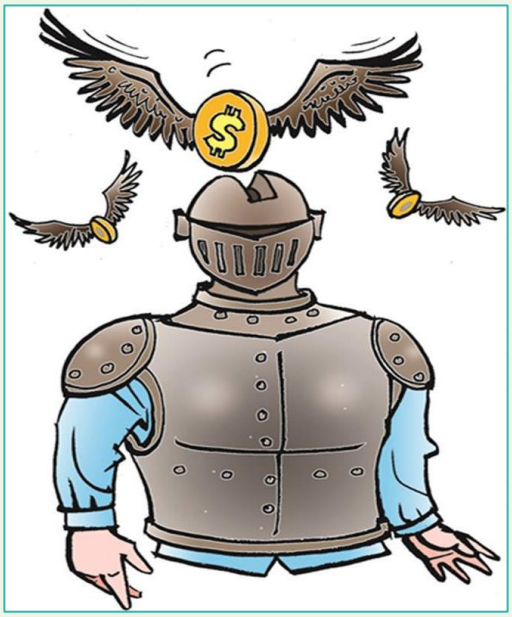
Good hospitals have tie-ups with major insurers and ensure smooth settlement of bills through the insurance cover of the patient. Some claimants may, however, face complications but that could be sorted out at the insurer's office. Nevertheless, health insurance protects them from financial crises. Covid patients are fully covered by any standard health insurance policy. For this pandemic, separate policy is not required.

Death of the policyholder due to Covid is covered under any life insurance policy. The claim settlement procedure for cases where cause of death is Covid is similar to processing of claims arising due to death by natural causes.

(The writer is Kamalji Sahay, former MD & CEO, SUD Life.)

TOP

FDI in insurance: Need to ensure transparency in operations - Financial Express – 29th April 2021



As of March 31, 2021, there were only 24 life and 34 non-life direct insurers in India, whereas there were 243 life insurance companies (1956) and 107 non-life insurance companies (1973) at the time of nationalisation. The full extent of the 49% FDI allowed with the Indian-owned and controlled regulation has been availed of only by nine of the 23 life and eight of the 28 non-life and health insurers.

The draft rules of the Indian Insurance Companies (Foreign Investment) Amendment 2021 to increase FDI in the insurance space to 74% provide that in any insurance company having foreign investment the majority of its directors and key management personnel (KMP) should be resident Indian citizens, including at least one among the chairperson of the Board, MD and the CEO. As per the FDI policy, this is linked to the Foreign Exchange Management Act 1999 and the Citizenship Act 1955, which covers Indian citizens who are resident in India for a period more than 182 days and technically limits foreign nationals to a minority in KMP and Board positions.

The conditions for companies with FDI over 49% in terms of safeguards is that not less than 50% of the Board should be comprised of independent directors, unless the chairperson is an independent director, in which case at least one-third should be independent directors. For such companies where dividend is proposed, a 30% higher solvency ratio is required, and if this is not maintained then 50% of the net profit

of the financial year will have to be retained as general reserve. This is, however, based on an archaic compliance-based solvency approach rather than a risk-based approach, thereby meriting a review.

The risk-based capital (RBC) brings in quantitative capital requirements, risk management and governance standards, along with own risk solvency assessment with full disclosure. Processes would be in place, so that on an on-going basis risks are identified, measured, monitored and controlled, ensuring that the insurer maintains a capital adequacy level commensurate to their risk profile. In China, a process that began in 2012 was implemented in 2016 with the C-ROSS (China Risk Oriented Solvency System).

The first committee set up by the Insurance Regulatory and Development Authority (IRDAI) itself to look at RBC in 2011, which gave its report in 2014, noted that a snapshot of the financial position on the valuation date is insufficient evidence of appropriate risk-management processes, let alone being indicative of better financial strength. On June 10, 2016, another committee was formed to review market consistent valuation of liabilities, which submitted reports on November 19, 2016, and July 10, 2017.

On September 21, 2017, the IRDAI formed another committee to implement the RBC regime by March 2021. The IMF Financial Sector Assessment Program technical note 2018 had also recommended this move. Despite three IRDAI committees since 2011 set up to look at RBC, the proposed regulatory change in 2021 plans to use the existing yardstick as a measure of financial strength for retention of profits, and is not forward-looking.

The corporate governance requirements of a risk-based regime, once implemented, will ensure that regulated entities do indeed implement appropriate risk-management measures. Having 50% of the Board as independent directors, whether resident or non-resident, will not necessarily lead to such an outcome.

Transparency and disclosure

This is an important component of market discipline and conduct that will compel companies to manage their risks appropriately. The government had to infuse Rs 12,450 crore of capital (Rs 2,500 crore in FY19-20) in three public sector companies, along with forbearance by the regulator, to maintain solvency.

Claims of large corporate property accounts versus those of small and medium businesses indicate asymmetry with disproportionate benefits to large accounts. Retail health customers and especially policyholders over 50 years of age are made to pay a heavy price for renewals, indicating regulatory disservice to those with less bargaining power. Most private group health accounts lack transparency in pricing over the years.

This segment (excluding government business) with premium of Rs 25,880 crore and loss ratio of 99% in 2019-20 had losses ranging from 105% to 125% from 2013-14 to 2018-19, contributing to capital erosion. The non-life insurance sector as a whole has a combined operating ratio, i.e. claims plus management expenses, above 100% with an incurred claims ratio of 85.60% in FY2019-20. The Insurance Information Bureau can be used more effectively to aid transparency.

Distribution opacity

Intermediary regulations with myriad rules, asymmetries and porous rewards systems have led non-life business to cluster around larger intermediaries or aggregators. An insurance governance report submitted in October 2019 to the IRDAI noted that the top 10 direct brokers control 70% of the broking channels' business, and in the motor business some channels exercise undue influence on customer choice. There is a need to synchronise the multiple regulations along the Insurance Core Principle 18 (ICP 18) of the International Association of Insurance Supervisors (IAIS).

The remuneration paid to intermediaries in both life and non-life insurance segments needs to be linked through a technology-enabled integrated matrix to the management expenses of insurers to prevent misallocation of returns. Despite fines being imposed on several insurers, deterrence as a tool of regulatory management is yet to be used effectively. Private equity has been funding losses of some private insurers and intermediaries with valuations sprinting ahead of fundamentals.

Disputes

The number and value of all legal claims filed against insurers segment-wise will indicate the level of trust deficit in the sector. The IRDAI has also not taken any disciplinary action against any insurance company over the last ten years on grounds of non-compliance with the awards of insurance ombudsman.

The minimum capital required to set up an insurance company has also remained at Rs 100 crore since 2001, and even linking it to the Consumer Price Index would yield an equivalent figure of Rs 354 crore in 2021. Shaking off a languid approach to regulation in crucial areas and developing transparency in operations are keys to enable FDI and enhance insurance penetration.

(The writer is Madhusudan Pillai.)

TOP

Denial of claim is not the end of the road – The Hindu – 25th April 2021

It can be very dispiriting to have an insurance claim rejected. It hurts financially and your peace of mind and trust fade. Claims rejection, delays in settling claims and lack of proper communication with the policyholder are stories we have heard or experienced.

Being treated unfairly is disconcerting, especially because you have paid for a promise.

Preserving documents

Documentation is the most important thing in insurance, whether it is buying a policy or making a claim. So, preserve all relevant documents and all communication which you should ensure is in written form. Before we discuss the documentation and process for filing various claims, let us see what recourse you have if your claim is rejected or if, in your opinion, it is handled poorly.

After you file a claim and provide the company with all the documents it asks for, they should accept or reject the claim in two weeks. If this turnaround time is not adhered to, you can complain to the grievances officer of the branch in which your policy is. In writing of course, quoting the details of the policy and the claim.

This can be by hard copy letter, email or other electronic means of written communication. Please get an acknowledgement for any communication you send. You can also complain if you do get a response but you are not happy with it. Of course, you can complain if your claim is rejected. Every insurer has to have a policy for policyholder service parameters approved by its board of directors as mandated by the Insurance Regulatory and Development Authority of India (IRDAI).

The policy should specify turnaround times for various services to policyholders and an 'effective grievance redressal mechanism" to ensure that complaints are resolved in a time-bound and efficient manner. Complaints to the grievance officer can be about dissatisfaction with the insurer, distribution channels, intermediaries, insurance intermediaries or other regulated entities about an action or lack of action about the standard of service or deficiency of service and the insurance company is required to resolve a grievance within two weeks of its receipt.

If it is not resolved, or resolved to your satisfaction, you can escalate your complaint to IRDAI which will take it up with the insurance company and facilitate a re-examination of the complaint and resolution. You can call the IRDAI Grievance Call Centre on toll-free numbers 155255/1800 425 4732. It works from 8 a.m. to 8 p.m., Monday to Saturday and offers services in English and all major Indian languages.

You can send an e-mail to complaints@irda.gov.in

You can also visit IRDAI's consumer education website www.policyholder.gov.in and fill and submit the complaint registration form there.

And then, there is the good old postal method. Just send your complaint letter with copies of all the supporting documents by post or courier to The General Manager, Consumer Affairs Department - Grievance Redressal Cell, Insurance Regulatory and Development Authority of India (IRDAI), 4th Floor, Survey No. 115/1, Financial District, Nanakramguda, Gachibowli, Hyderabad – 500032.

Online complaint system

IRDAI has also established an online complaints registering system called the Integrated Grievance Management System (IGMS) at www.igms.irda.gov.in where you can fill and submit a form with your complaint. Unveiled in 2011, IGMS is structured so your complaint reaches both the regulator and your insurance company.

The IRDAI is monitoring your complaint and your insurer knows this!

You can track the status of your complaint as the actions taken by your insurer are updated on the system which alerts the various stakeholders on tasks and deadlines. Your complaint should be resolved in two weeks and, if you don't revert in eight weeks after that, the complaint will be closed by the insurance company.

If the company does not respond even after 15 days or if you are not satisfied with the action taken, you can escalate the complaint to IRDAI again and the regulator will take it up with the company for resolution. You still can go to the Insurance Ombudsman or seek other legal remedies if the insurance company's response is not to your satisfaction. And we will see more about that too.

(The writer is K. Nitya Kalyani.)

TOP

Insurers allowed to invest in debt instruments of InvITs, Reits - Live Mint – 24th April 2021

The Insurance Regulatory and Development Authority of India (Irdai) decision on Thursday to allow insurers to invest in debt securities issued by infrastructure investment trusts (InvITs) and real estate investment trusts (Reits) is expected to improve the overall yield of portfolios held by insurance companies while providing more long-term funding to the real estate sector. In March, the regulator had allowed insurers to invest in units of such pooled investment vehicles.

"The move gives insurance companies an additional opportunity to invest in top-rated infrastructure assets. Insurance companies by their very nature of business are long-term players, and hence, ideal candidates for investment in long-term infrastructure projects," said Arun Srinivasan, head-fixed income, ICICI Prudential Life Insurance Co. Ltd. Setting down the guidelines, Irdai in a note on 22 April, said insurance companies cannot invest in debt instruments of InvITs and Reits rated below AA as a part of the approved investments.

Insurance companies as of now can invest in bonds of InvITs or Reits of any ratings, but if an instrument has a rating below AA, it becomes part of other than approved investments, and those above AA, become approved. As per Irdai's regulations, 75% of the insurance companies' investments has to be in AAA-rated assets, 25% can go to AA or even 'A-'rated instruments. Moreover, an insurance company can take exposure to below AA rated instruments only after taking approval from the board of the company. However, insurance companies as of now generally stick with AAA-rated instruments such as

government securities. Even most of the Reits and InvITs that have been launched in the market are AAA rated.

According to experts, Irdai's norms say that insurers can invest in below AA rated instruments, but it will be a part of the other than approved investments. The regulator in the note also said insurers cannot invest more than 10% of the outstanding debt instruments in a single InvIT or Reit issue. "The current attractive spread of these structures makes it a compelling proposition. Investment in these bonds will therefore improve the overall yield of the portfolio on a risk-adjusted basis. In our view, this move will go a long way in supporting the infrastructure growth of the economy," said Srinivasan.

According to the regulations, cumulative investment in units and debt instruments of InvITs and Reits cannot exceed 3% of the total fund size of the insurer. Moreover, insurers have been barred from investing in debt instruments of an InvIT or Reit where the sponsor is under the promoter group of the insurer. These pooled investment vehicles are relatively new investment instruments in the Indian market but have gained prominence as a long-term investment avenue.

"Reits and InvITs are at a very nascent stage in India. At this juncture, insurance firms willing to put money in these is a big boost as they reiterate the long-term growth story of Reits and InvITs and will also provide long-term stable capital as insurance companies invest with a long-term view. In fact, insurance and pension funds are known as 'patient capital' providers precisely because they invest for the long term. For Indian Reits and InvITs, this is definitely a very positive development," said Anuj Puri, chairman, Ana rock Property Consultants.

(The writer is Abhinav Kaul.)

TOP

INSURANCE REGULATION

IRDAI panel makes various suggestions on retail engineering insurance products - The Economic Times – 30th April 2021

A working group set up by regulator IRDAI has underlined the need for standard insurance products to cover risks associated with various facets of retail engineering. The Insurance Regulatory and Development Authority of India (IRDA) had set up the working group in November last year to revisit the existing engineering insurance products (retail) and recommend new suitable standard products in line with advancement in technology for the retail segment.

The working group has submitted its report in which it has made various recommendations related to retail engineering products and also recommended certain standard covers to meet the needs of retail customers, IRDAI said on Thursday while inviting comments on it from stakeholders by May 20.

As per the report, the group has suggested simplification of policy wordings, in addition to a standard format and structure for the policy documents. It said that better clarity of coverage, terms, and conditions in the policy document would help in "realigning the industry to meet customer expectations better and vice versa."

The existing engineering product (tariff) wording developed almost two decades back, although comprehensive in nature, did not undergo revision or refinement in line with rapid innovations and developments, said the report of the working group (WG).

WG members felt that retail policyholders / customers were often unaware of the covers to be opted, the report said. On sum insured definition for retail segment for engineering products, it said: "Considering a near unanimous view from all stakeholders, WG suggests Sum Insured limit of up to Rs 50 crores is recommended for retail segment".
The group, as per the report, opined that the retail products with standard wordings with uniform coverage of a good range of essential covers are needed to give a comprehensive protection boost to the SME and MSME sector entities and units.

The products should be offered by all Indian insurers without any changes or modifications, it said. The panel has also suggested a separate section containing major precautions to be observed by insured, like immediate intimation in case of address change and increase in sum insured. Modern engineering insurance in India has its roots in the British era and later industrial development during late 20th century. Post-Independence, the engineering classes of business were limited to commercial entities like industrial houses and contractors.

TOP

COVID-19 health insurance claim approvals to be communicated within 60 minutes: IRDAI - Financial Express – 29th 25th April 2021

The settlement of COVID-19 health insurance claims is expected to be quicker than before. The IRDAI has issued norms to the insurance companies on settlement of COVID-19 health insurance claims. All the general and health insurance companies are asked to communicate their cashless approvals to the concerned hospitals and establishments within a maximum time period of 60 minutes. The High Court of New Delhi in its 28.4.2021 Order had directed IRDAI to advise Insurers to communicate their cashless approvals to the concerned hospitals and establishments within a maximum time period of 30 to 60 minutes so that there shall not be any delay in discharge of patients and hospital beds do not remain unoccupied.

“This move by the regulator comes as a great help to the policyholders when the number of Covid-19 cases are growing rapidly. It has been witnessed certain COVID related claims were taking time to get settled which was delaying the discharge process of the patient. However, with this new move of settling claims within one hour, by setting an outer limit, the customers will give much relief and can deal with the Covid-19 expenses easily. Though this move will surely put pressure on health insurers from operational perspective, however, it will be a boon for policyholders,” says Vinay Taluja, Chief Product Officer, Bajaj Capital.

Decision on final discharge of patients covered in COVID-19 claims shall be communicated to the network provider within a period of one hour from the time of receipt of final bill along with all necessary requirements from the hospital.

The IRDAI has also asked insurers that notwithstanding the above outer limits of timelines specified, they are advised to process such requests promptly so that both authorisation for cashless treatment and discharge of the patient can be hastened to the maximum extent. The Insurers will have to issue appropriate directions to their respective Third Party Administrators for ensuring compliance with the timelines specified above.

(The writer is Sunil Dhawan.)

TOP

LIFE INSURANCE

Getting insurance cover becomes difficult as insurers tighten underwriting rules amid pandemic – Times Now – 29th April 2021

As the nation grapples with the second wave of Covid-19 pandemic, life insurance companies have turned cautious and tightened underwriting norms for high-value policies. Pullback by reinsurance companies citing low rates in India has also affected the risk appetite of insurers. Obtaining term insurance has become even more challenging for a person who has recently recovered from Covid as companies require further screening. According to a report in the Times of India, last year, a 35-year-old could purchase a Rs 1-crore term cover after a telemedical check-up. But now he has to undergo a battery of tests if he had contracted Covid.

A Mumbai-based doctor told the daily that a Rs 3.5-crore cover on HDFC Life's Click2Protect, for which he received a quote, was downsized to Rs 1 crore. What shocked him was a WhatsApp message from the company's employee stating, "Considering the overall profile of your — profession and medical history — rate has been revised a bit. Your sum assured has been revised to Rs 1 crore." According to the doctor, the message was that they were wary of Covid frontliners.

HDFC Life MD & CEO Vibha Padalkar, however, said that the revised quote had nothing to do with the profession. "We are in the business of covering lives and we have no reason to say no to anybody unless the risk profile of the individual is not covered by the reinsurer. The reason for not giving Rs 3.5 crore is not because of Covid, but on the grounds of financial underwriting norms."

Where the applicant stays, their background and access to healthcare for post-Covid recovery are some of the factors evaluated currently, the daily mentioned citing HDFC Life. The situation in life insurance is similar to health where insurers are cautious in terms of accepting proposals from those who have recently recovered from Covid and impose a waiting period or exclusions.

What made things difficult for the doctor, who contracted Covid in August, was that he wanted to buy a policy before he turned 35 to avoid falling into a higher rate bucket. However, the delays in appraisal caused him to miss the nearest birthday deadline. Pointing out that HDFC Life has issued 1,700 policies worth Rs 2,000 crore to doctors last year, Padalkar said that the company's stance on all risk parameters is dynamic and that what applied in the first wave of Covid is not relevant now and a lot would depend on how the pandemic is managed. She added that a lot of the term insurance business is heavily dependent on reinsurance support.

On life insurers turning cautious in underwriting cover, the ToI report quoted as saying insurance aggregator Policy bazaar's head of term life Insurance, Sajja Praveen Chowdary, "Any medical condition of applicants in the recent past is looked upon by the underwriter slightly in-depth as a regular process. They might ask you for additional medical tests or physical medical tests. At times, they may postpone your cover for three or six months, in which case one has to reapply."

TOP

Things to consider before going for a guaranteed insurance plan - Live Mint - 28th April 2021

Consider this: In 2014, fixed deposits (FDs) by banks were offering 8-8.5% returns, but now they are giving 5-5.5% returns. This has made finding an investment instrument offering both safe and decent returns an uphill task. Amid the uncertainties and the low-interest rate regime, many investors have been

moving towards life insurance policies offering pure protection and guaranteed returns, claim insurance industry executives.

"There is a definite shift in consumer preference towards guaranteed insurance plans since they offer capital protection and stable returns. Besides, it enables customers to eliminate the uncertainty of future income streams to a large extent, and the life cover provides financial security to the family, which is essential in the current times," said Amit Palta, chief of distribution, ICICI Prudential Life Insurance Co. Ltd. For example, SBI's five-year FD is giving 5.40% interest, while HDFC Life's Sanchay Plus-Long Term Income is offering a 6.04% payout. Moreover, the absolute returns from a bank FD may fall after tax deduction as per your slab rate. However, there are a number of pitfalls in such insurance policies. Let's look at these plans in detail and whether you should invest in them.

WHAT INVESTORS GET

During the sales pitch, it is mentioned that these are guaranteed plans and are not linked to market returns. This makes such plans much more compelling from the selling perspective. Short-term interest rates have fallen over the past five years. However, long-term rates on instruments such as government bond yields haven't gone down in a big manner. "That's why guaranteed return plans offered by insurance companies, where the underlying instruments are government bonds, have been able to give better returns than FDs," said Vivek Jain, head of investments, PolicyBazaar, an online marketplace for insurance.

Moreover, since these plans are tax-free, investors get a tax benefit under Section 80C and even the returns are tax-free under Section 10(10)D provided the insurance cover is at least 10 times the annual premium. "So, for investors in the 20% and 30% tax brackets, FDs are giving post-tax 4-4.5% returns, while these plans are giving 5-6% post-tax returns," added Jain.

A major catch in the value proposition is the policy term, which acts as a lock-in period. The minimum policy term is five years, but such policies also tend to have longer terms. Missing a premium payment can cause the policy to lapse, costing you all or some of the money you have already paid as premium, although a revival period of up to two years is generally offered.

WHAT EXPERTS SAY

Financial advisers say that mixing life insurance and investment is not a smart way to manage risk and money. "Insurance is a distinct subject compared to investment and when you look at life insurance, the first thing you should look at is term insurance rather than unit-linked insurance or endowment plans," said Abhishek Bondia, MD and principal officer, SecureNow.in, an insurance broker.

Moreover, as some part of the money in these plans gets allocated to term insurance, the returns get capped. As things stand, 5-6% returns might look attractive today, but that might not be the case in the future. Experts feel that sooner than later, interest rates are bound to increase.

"As these are guaranteed plans, a big portion of the money needs to be invested in debt instruments, and the rates are going to be locked in at current rates, which have been low over the past few years," said Suresh Sadagopan, founder, Ladder7 Financial Advisories, a Sebi-registered investment adviser. One big drawback of a guaranteed return product is liquidity because the money an investor will get back will eat into the gains made if he or she wants to surrender the product.

For whom does it work?

However, according to Sadagopan, investors who have a very low-risk appetite, a long-term horizon, don't want any volatility and want to know upfront the potential returns can invest in these plans.

From a tax perspective, ultra-high-net-worth individuals (HNIs) may find these plans lucrative.

"If an HNI investor is looking for a 6% tax-free interest from guaranteed insurance plans, he or she has to look for instruments with a 8-8.5% pay-out for the kind of tax payment to reach 6% post-tax. So, there can be a merit for these plans for ultra HNI clients, given the interest rate scenario," said Kirtan Shah, chief financial planner at Sykes and Ray Equities (I) Ltd.

Shah added that insurance as an investment is not something that people should look at, as investors won't get anything higher than 5-6%. Moreover, if an investor locks in his/her money for a longer tenure, they might miss out on the increased rates that might happen in the future.

Better options

If you are only opting for these products due to better returns or tax benefit, there are better alternatives. For retail investors with a low-risk profile, there are options such as National Savings Certificate (NSC), Post Office Monthly Income Scheme and RBI floating rate bonds. While the NSC is currently offering 6.8% returns, post office schemes have a pay-out in the range of 4% to 6.7%, while RBI bonds offer 7.15% interest.

For a 35-year-old retail investor, the objective of debt investment should be strategic and not income generation. A moderately risky investor should allocate 60% in equity and the rest in fixed income investment. However, investors should not go for locking in their investment in the debt portion for the long term.

An investment strategy for people in this age group could be bonds or highly rated non-convertible debentures or debt mutual funds. "Potentially, you can get better returns from these instruments, and you don't have to lock in investments for a long period. As and when interest rates rise, there may be more opportunities," said Sadagopan.

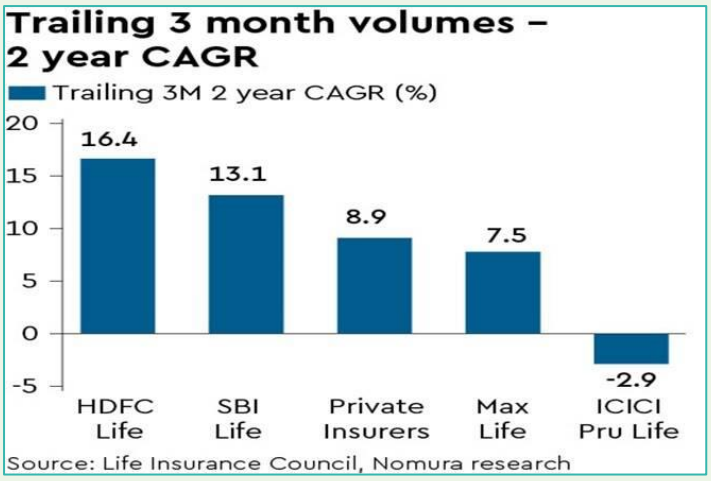
For senior citizens who are looking for a stable income, have low-risk appetite and need to protect their capital, the Senior Citizens Savings Scheme and Pradhan Mantri Vaya Vandana Yojana are better bets as they both offer 7.4% returns. The mantra for getting maximum returns in a guaranteed product is to invest at an early age and stay invested for the long term, but look at the liquidity factor, risk profile and interest rate returns while investing.

(The writer is Abhinav Kaul.)

TOP

Insurance: Life volumes were strong in March - Financial Express – 26th April 2021

India's life insurance industry registered strong volumes in Mar-21, largely aided by a favourable base (-40% y-o-y in Mar-20) with 56-120% y-o-y growth for top private insurers (private insurers +89% y-o-y). Flows were strong in March across insurers and AMCs reported positive net flows as well. On a 2-yr CAGR basis, Mar-21/Q4FY21 growth was 7%/9% for private insurers with: (i) momentum picking up for SBI Life following a weak H1FY21, (+12.6%/13%) and (ii) HDFC Life continued to deliver well with 13%/ 16% growth while Max Life delivered 0/ 8% growth with some moderation seen in Mar-21. IPRU also saw a pick-up in growth off a weak base, but remained lower than FY19 levels, a -3% CAGR over Q4FY19.



For FY21, the industry saw a 5% CAGR, with private players delivering 6% CAGR (10% excluding IPRU). On a 2-yr CAGR basis, HDFC Life delivered strong 18% growth; Max Life

also performed well, delivering 12% growth; SBI Life delivered a relatively muted 7% CAGR while IPRU saw a 12% CAGR decline over two years. With this, HDFC Life and Max Life gained 130-110bp market share in FY21, while SBI Life and IPRU lost 60bp/ 370bp market share.

Our view: With a lower base effect playing out now (from March) over H1FY22, growth will optically look better; thus we find the 2-yr CAGRs to be a more appropriate metric to gauge the industry's performance. Life insurers delivered relatively robust growth in a pandemic year (10% 2-yr CAGR ex IPRU for the private players). Margins trends have also been strong for companies under our coverage. We continue to monitor the impact of a second COVID-19 wave on growth.

Player-wise performance

SBI Life (SBILIFE IN, Buy) – strong momentum: SBI Life delivered individual APE of +119% y-o-y in Mar-21. On a 2-yr CAGR basis, Q4FY21 APE was 13.1%. We remain positive given the stock's reasonable valuation for a strong distribution, solid pick-up in growth, improvement in margins and low-cost franchise.

HDFC Life (HDFCLIFE IN, Neutral) – strong performance: HDFC Life saw +75% y-o-y in individual APE in Mar-21. This implies a 13%/16% 2-yr CAGR for Mar'21/Q4FY21 (strongest among peers). Max Life (MAXF IN, Buy) – relatively soft: Max Life's Individual new business APE was +56% y-o-y. This implies a flattish 2-yr CAGR for Mar-21 and 7.5% 2-yr CAGR for Q4FY21. We remain positive on Max, given its steady growth, healthy structural margins and consistent RoEVs.

IPRU Life (IPRU IN, Buy) getting back on its feet: IPRU delivered 98% y-y growth on a weak 50% y-o-y decline base. On a 2-yr CAGR basis – Mar'21/Q4FY21 volumes were flat/down 3%. Mar'21 volume performance gives us confidence that growth has bottomed out. We turn incrementally positive on stock given cheap valuations and growth showing initial signs of recovery.

TOP

ULIPs remain popular despite tax tweak, on par with equity mutual funds - Business Standard – 24th April 2021

Demand for unit-linked insurance plans (ULIPs) whose annual premium exceeds Rs 2.5 lakh appears not to have slowed even though the government did away with tax exemption for such products under Section 10(10)D of the Income Tax (I-T) Act. In fact, it has picked up in the past few months and most insurers expect this trend to continue. In this year's Union Budget, Finance Minister Nirmala Sitharaman announced that ULIPs whose annual premium exceeds Rs 2.5 lakh will be taxed at maturity at the long-term capital gains tax rates. With this, the tax treatment of high-value ULIPs will be on par with that of other investment products like equity mutual funds (MFs). Last year, volatility in the equity markets because of the pandemic had slowed demand for ULIPs, at least in the first half of the financial year (FY21). However, demand picked up in the second half as markets stabilised and the Covid-19 caseload eased.

"Our ULIP contribution has been hovering around the 30 percent mark over the last couple of years. When Covid cases rose last year, the stock market indices retracted. There was a distinct shift towards guaranteed and pure protection products. Once the markets stabilised, we again saw a rise in demand for market-linked products," said Rushabh Gandhi, deputy chief executive officer at IndiaFirst Life Insurance. "Interestingly, after the Budget announcement, awareness of the tax advantage of ULIPs up to Rs 2.5 lakh increased and so did demand. Furthermore, customers began speculating on the possibility of tax being imposed on all ULIPs, and consequently, they opted for the product before that possible eventuality. Those who were investing more than Rs 2.5 lakh in ULIPs also saw the advantages that these products offer given that these attract only long-term capital gains tax. Additionally, ULIPs allows one to

seamlessly shift from debt to equity or vice versa unlimited times, without any tax implications," Gandhi said.

Tarun Chugh, MD & CEO, Bajaj Allianz Life said, "At Bajaj Allianz Life there was a quarter-on-quarter growth on ULIPs sale last year. As market sentiments changed people started to invest back in ULIPs despite the initial dip last year, indicative of the fact that customers were keen to invest in a value-packed long-term product." According to Vivek Jain, head — investments, Policybazaar.com, the average ticket size of a unit-linked plan for retail customers online is about Rs 60,000 per annum. Offline, the average ticket size ranges from Rs 1.2-1.5 lakh per annum. Hence, there has not been any significant impact of the government decision on normal ULIP customers. Also, tax benefit under section 80(C) of the I-T Act is applicable for retail customers. It is only high net-worth individuals who might have faced some impact because of the government's decision.

Insurance experts said new-age ULIPs are low-cost products. Earlier, charges were very high on ULIPs and hence they were not particularly popular. But, new-age ULIPs do not have premium allocation, policy admin charges, and mortality charges are returned at maturity. So, the policyholder has to only pay the fund management charge. Hence, from the cost side, ULIPs are very competitive. "During December-March, ULIPs have seen good traction in the industry. Everyone in the industry saw a contraction in H1FY21, but in H2 there was a 10-15 percent growth for the industry. There will be a good fraction of people who would be interested in market-linked returns going forward," Jain added.

In an interview with a television network, NS Kannan, managing director and CEO, ICICI Prudential Life Insurance, said some had predicted that demand for ULIPs would collapse after the Budget announcement. But, they did not understand that ULIPs are very attractive from a customer's point of view. These products are extremely transparent and are the lowest charged products in the insurance space. In Q4FY21, we had an 11 percent year-on-year growth in ULIPs, Kannan said. And, ICICI Prudential would maintain the 48 percent share of ULIPs in their business this fiscal too.

Interestingly, state-owned insurance behemoth Life Insurance Corporation (LIC) till a few years ago was not so active in the ULIP business, but with two new products – SIIP and Nivesh Plus – it has underwritten 90,000 policies with premiums to the tune of Rs 800 crore in FY21. "Demand for ULIPs is always there. LIC had earlier withdrawn from this business. But, since it is an integral part of the insurance business, LIC does not want to stay out of it," said a source aware of the development.

(The writer is Subrata Panda.)

TOP

Don't go by thumb rules while determining term insurance cover – Live Mint - 24th April 2021

Term insurance is the simplest form of life insurance that pays out the sum assured if the insured dies during the term of the policy. The rules applicable to term insurances may be simple, but calculating the policy cover that one may need, can be tricky, as having inadequate protection could be devastating for your dependent family members.

You might come across various simple thumb rules for calculating adequate sum assured, however, financial planners and industry experts do not suggest such rules. Under the HLV method, you need to consider your income, expenses, expected future responsibilities, and goals to determine the insurance need.

Income replacement value
It is assumed that the goal of life insurance is to replace the lost earnings of the breadwinner in case of his or her death. One of the simplest ways to calculate your income replacement value is: insurance cover = current annual income multiplied by years left for retirement.

Expense replacement method
In this method, individuals first need to calculate their day-to-day household expenses and goals, such as loans, children's education and their marriage, as well as providing for financially dependent parents. The above figure is the total money that your family needs today.

The next step is to deduct your present invested assets and the life insurance cover that you may already have. However, do remember to exclude assets such as home and car in this calculation, as your family members are most likely to continue using them and may not liquidate these assets in the event of your death. The resultant figure that you will get by deducting invested assets and insurance cover from expenses and goals will give you an idea as to how much cover you need.

Underwriter's thumb rule
For calculating the minimum sum assured in term life insurance, the easiest way is 10 times the annual income, which means if your current annual income is ₹10 lakh, you should have a life insurance cover worth at least ₹1 crore. However, according to investment advisers, this method is a flawed way of calculating a policy cover.

Premium is one of the biggest factors when choosing a life insurance plan. According to experts, individuals should not go by any thumb rules when it comes to premiums, as they are dependent upon the sum assured. However, a customer can get the best prices online along with comparing the premiums and plans as per their requirements.

TOP

HEALTH INSURANCE

ESIC to provide free of cost medical care for subscribers at Covid facilities - Financial Express – 30th April 2021

The Employees' State Insurance Corporation (ESIC) will provide free of cost medical care for its insured persons and their family members in its 47 dedicated Covid-19 hospitals. "Presently 21 ESIC hospitals, run directly by ESIC, with 3,676 Covid isolation beds, 229 ICU beds and 163 ventilator beds and 26 ESI Scheme hospitals run by state governments having 2,023 beds are functioning as Covid-19 dedicated hospitals," ESIC said in a statement.

Out of 151 hospitals, 103 ESI hospitals are run by states and the remining by the corporations itself. As of September 2020, ESIC had 2.94 crore insured persons. The corporation also said that instructions have been issued to each of the ESIC hospital to function with a minimum of 20% of its bed capacity as dedicated Covid beds for ESI IPs, beneficiaries, staff and pensioners.

ESI beneficiaries may also seek emergency or non-emergency medical treatment from tie-up hospital directly without referral letter. In case the insured persons or their family members being infected with Covid-19 take treatment in any private institution, the reimbursement of expenditure may be claimed. Also, in case the insured person abstains from work for being infected with Covid-19, he can claim sickness benefit for his period of abstention as per his entitlement. Sickness benefit is paid at 70% of average daily wages for 91 days.

TOP

Mistakes to avoid while renewing your health insurance policy – Live Mint - 29th April 2021

The timely renewal of your health policy helps you to keep all the benefits intact without lapsing on any of the provisions. Forgetting to renew your health insurance on time should be avoided at all costs as it can lead to several complexities. For instance, you could lose accumulated benefits such as no claim bonus, or waiting period benefits, and will again have to purchase the health policy upon renewal lapse. Let us look at some aspects that require attention in availing off and maintaining a health policy:

 # Not reviewing your existing policy

Nowadays, there are hundreds of different health insurance plans available in the insurance market. The insurance agents lure you by showing features of many different policies and insist that you buy a new policy despite knowing that you already have an existing health policy.

“At the time of renewal, you must compare the health options available with your existing plan. If you find a plan with more extensive coverage you can switch it using the portability option without compromising on your continuity benefits. You can also enhance your coverage to a higher sum insured," said Amit Chhabra, head-health insurance, Policybazaar.com.

Further, Sudha Reddy, head-health and travel, Digit Insurance, said, “While renewing your policy it is good to see if the insurer offers any useful add-ons like zone upgrade or outpatient department (OPD) or a daily cash benefit to name a few, that was not part of your basic policy earlier."

 # Checking the adequacy of health cover

In order to calculate how much insurance cover you need, it is better to review your previous claims and the current health status.

Sheenu Sehgal, VP and national head-general insurance, Bajaj Capital Insurance Broking, said that the cost of treatments is reaching heights. Making it difficult for a middle-class person to easily afford them. Thus, one should try and increase their sum insured level if they feel that the current level is not sufficient at the time of renewals. “The time you bought the policy then maybe the existing health cover (sum insured) was enough but with covid and rampant medical inflation in the equation, it might be insufficient now. You can hence increase the cover by virtue of enhancing the sum insured in the existing health plan while renewing your policy," Sehgal added. “Looking at the current scenario, it is important to have at least Rs10-15 lakh of health coverage per person," said Chhabra.

 # Non-disclosure of any new health condition

It is very important to disclose all the crucial information at the time of renewal of policy as it helps in smooth processing and also avoids any hassle when a claim could be made in future. Hence, it is important to inform your insurer about any new ailment that has been diagnosed. The insurance company has the right to refuse the claim resulting in an undesirable situation. Therefore, being transparent will only be beneficial as it will help you with a better insurance plan which suits your needs.

 # Not renewing during the grace period

If you don’t claim during a policy year, you become eligible for a cumulative bonus during the time of renewal. So, if you haven’t filed a claim, then check whether the cumulative bonus is reflected in your new policy premium or not. However, you don’t get such a benefit if the policy is not renewed within 30 days of the due date for renewal.

Reddy said it is very important to renew the policy before time, at least within the grace period of 30 days. “If your policy is expired and you renew after that, the time period from the expiry, post grace period, and when your new policy is activated can leave you unprotected and you will need to bear all the

waiting periods from the scratch again. In case of a medical emergency during that time, your insurer will not be able to cover you," Reddy said. Hence, you must know that merely buying a health insurance policy doesn't suffice; its prompt renewal is also equally important.

(The writer is Navneet Dubey.)

TOP

HC directs insurance companies to clear bills quickly to prevent delay in patient discharge - The Economic Times - 28th April 2021

The Delhi High Court Wednesday said insurance companies cannot take 6-7 hours for approving bills of COVID-19 patients as it delays their discharge from hospitals and those in need for beds have to wait longer. Justice Prathiba M Singh said if the court comes to know of an insurance company or a third-party administrator (TPA) processing insurance claims taking 6-7 hours for clearing bills, contempt action would be taken against them.

A few minutes after her order, a similar direction was passed by a bench of Justices Vipin Sanghi and Rekha Palli which directed insurance companies and TPAs to ensure that time taken to grant approvals to bills was reduced to a reasonable amount as there were long queues of people outside hospitals waiting for beds during the massive surge in COVID-19 infections. Justice Singh said in her order that insurance companies or TPAs should not take more than 30-60 minutes to grant approval to the bills on receiving the request from hospitals and directed insurance regulator IRDAI to issue instructions in this regard.

The division bench, in its order, said delay in discharging patients was leading to delay in admitting needy patients and was causing more suffering to them. The direction by the division bench came after it was informed by some hospitals and lawyers that delay in approvals by insurance companies and TPAs was resulting in delay in discharging patients and admitting new ones.

The bench was hearing several pleas with regard to lack of oxygen, medicines, beds and ventilators in the national capital and ramping up of testing. Justice Singh's order came while hearing several individuals' plea regarding non-availability of Remdesivir and beds for patients in dire need of the same.

In order to speed up the discharge process, Justice Singh issued a direction to hospitals to start the process of admission of new patients side by side with the discharge process, so that no bed remains vacant for long. During the day, Justice Singh ensured that beds were made available to all those petitioners whose pleas were listed before her.

TOP

What you need to know before buying a Covid-19 Health Policy? - Financial Express - 28th April 2021

Uncertainty is a fact of life, and this has been very well proven by the ongoing pandemic that has brought the entire world to its knees. A chaos that could not have been predicted but is no less than bitter truth. Covid-19 is spreading like wildfire and has proven to be a life-threatening health hazard.

In a crucial situation like this, having an optimum health insurance plan that would provide some financial relief to the insured and the dependents has been the need of the hour. Medical treatments are difficult and expensive, and digging deep into the pockets whilst struggling with a fatal disease is the last thing anyone would ever want to experience.

One of the small reliefs is that insurance companies do cover this ailment under the health insurance plans, and few of the insurers have also come with dedicated plans to make things better for the new buyers (who do not have an existing plan) during this crucial period.

Opt for a Policy That Offers Sufficient Coverage

Having insurance that provides an adequate coverage amount is the most essential factor whilst selecting a plan. Covid-19 treatments can be expensive, and one must carefully evaluate their health insurance coverage amount based on the dependents, family members, and financial status and liabilities before making a decision. Medical treatments for Covid-19 can cost high medical bills (depending on the severity of the patient's health), thus choosing insurance plans that provide maximum coverage is important so that one can reduce the burden of medical expenses.

Check the Different Premium Options Available Online

Ideally, one would always prefer a health insurance plan with low premiums but would have sufficient coverage. A health plan should feel like a future securing investment and not a liability. The world has succumbed to the pandemic, and having an optimum health insurance plan that provides financial support is significant. One must carefully evaluate their financial stature and select a plan with affordable premiums that would also provide good coverage and which also very well fits the needs of the individual and his/her family's needs.

Cashless Hospitals

Many insurance companies have tie-ups with a list of hospitals (also known as Network Hospitals), and having a plan with such an insurer can help one obtain the benefit of cashless treatment during medical emergencies. Thus, this becomes a crucial parameter before shortlisting insurance plans. For new buyers or people who wish to renew their existing health insurance plans, making sure that a particular insurer has tie-ups with nearby hospitals that are equipped with Covid-19 treatment capabilities will make a big difference during an emergency situation.

Go with the Right Insurer

A health insurance provider should be reliable, and the authenticity should be thoroughly verified. Unpleasant service and painful claim processes can be a red flag and should be evaluated before making a choice. There are some parameters based on which one can determine the legitimacy and financial standing of the insurance provider. Verifying a company's solvency ratio and claim settlement ratio will make a difference in the long run and should definitely be factored in. Moreover, checking the plans online, going through the company reviews, and comparing the quotes will help you get the best deal with the required information about the plan and its features as well as benefits.

Waiting Period Clause

Most of the health insurers come with a waiting period before the policy is commenced. The treatment expenses are covered only after the completion of this waiting period. The waiting period might be different for various insurance providers and can also depend on the date of issue. Thus, choosing a plan wisely but comparing the waiting period is important.

Claim Settlement Process

The claim settlement process is the critical factor with regards to health insurance or, rather, any insurance plan. Claim settlement can be complex or time-consuming at times, and it is the last thing one would want to go through whilst dealing with a lethal disease like Covid-19. Making sure that the claim settlement process is easy, seamless, and agile is extremely important. Hence, one must compare settlement processes, timelines, and approval ratio amongst various companies before selecting a health insurance plan.

Online Purchase
The insurance details of the different plans are succinctly provided online, and the purchase process, therefore, is quite transparent, and seamless. Through the online purchase of the insurance plans, the policy seeker can get easy access to the insurance details, coverage, features, benefits etc, and a reliable online portal to make the purchase and claim easier without overwhelming paperwork.

After-sale Service
An insurer holding positive reviews about customer service can be extremely reliable. Customer reviews provide a holistic view of all the key parameters about a company and help make the correct decision. Opting for an insurer that is known for providing great customer experience, after-sale service and assistance can be considered reliable during the difficult treatment phase.

Bottom Line
Coronavirus is a serious issue at hand currently and is hugely impacting people across the countries. Medical institutions are tirelessly working to eradicate or contain the spread, but it still looks very far-fetched at the moment. In the meantime, having the right health insurance program can make a tangible difference and ensure that the overall scenario is less stressful. It has now become a necessary choice and one must make an informed decision while buying one by carefully evaluating all the above key factors.

(The writer is Rakesh Goyal.)

TOP

Arogya Sanjeevani health insurance policy: Benefits, limitations to know before buying - Financial Express - 28th April 2021

Cost of hospitalization or medical inflation was always considered to be one step ahead of regular inflation in the economy. With coronavirus-led hospitalization, the importance of health insurance policy has gained currency to protect one's savings. By paying a fraction of the coverage amount in a health insurance policy, one ensures that the hospital bill is reimbursed by the insurer.

But then, which could be the right health insurance policy to buy? There are several kinds of health insurance plans with varying features and even add-on features that could get confusing for the buyers.

In order to help buyers, the insurance regulator IRDAI had mandated insurers to launch a standard health insurance policy called Arogya Sanjeevani Policy which also covers the hospitalization expenses incurred due to Covid-19. Biresh Giri – EVP – Actuary, ACKO Insurance tells FE Online more about the plan, its benefits, limitations and the watchouts before buying it.

What is Arogya Sanjeevani Policy? Whom does it suit?
Arogya Sanjeevani is also called Standard Health Insurance. It is called so because it is a balanced policy with standardised features and benefits. The policy is most suitable for young first-time health insurance buyers or someone looking for an affordable health insurance policy that covers the basics. Considering the standardization of the terms and conditions across insurers, it is easy to comprehend the policy structure.

What are some important watchouts before buying Arogya Sanjeevani Policy?
You can buy an individual or even a family-floater alternative under this plan. However, for both, Arogya Sanjeevani provides coverage from a minimum of Rs. 50,000 to a maximum of Rs. 10 lakh. With the growing healthcare costs, Rs. 10 lakh sum insured split between spouse, children and parents might not be enough for a big family, especially if you are living in a city.

Hospitalization costs are surging and are unlikely to drop anytime soon. Considering you buy a personal health insurance policy that can last you a lifetime, Arogya Sanjeevani might not scale with your lifestyle. While Rs. 10 lakh cover seems enough now, the question you need to answer is will it suffice 10-20 years down the line for you? There is of course the option to buy a top-up or port your policy for a higher Sum Insured, but it is something to think about for the buyer.

Any limitations in Arogya Sanjeevani that a buyer needs to be aware of?
To keep Arogya Sanjeevani affordable for all, there are certain limitations on the benefits. The policy has a Room Rent Limit of 2% of the Sum Insured and a Co-Payment of 5% of Sum Insured. Health Insurance is meant to protect you from financial liabilities and also make good healthcare affordable to you.

Arogya Sanjeevani achieves that goal despite the limitations. But if you would prefer to pay the absolute minimum amount in case of hospitalization, then Arogya Sanjeevani may not be the right fit for you. There are other plans that don't have any limit on Room Rent nor do they have a co-payment clause that will drastically reduce your out-of-pocket expenses at the time of hospitalization.

Also, if you are seeking specific benefits or exemptions for events or illnesses like maternity, critical illnesses, and diabetes then Arogya Sanjeevani might not be a good fit. To achieve simplicity, Arogya Sanjeevani comes with benefits that appeal to the masses. If you have a specific need then you can either include them with the help of add-ons, or go for a comprehensive policy that includes those benefits.

What if someone already has a corporate health insurance policy?
Many of us are covered under a corporate health insurance policy and don't feel the need to buy a retail health insurance policy. But a corporate health insurance policy doesn't protect you in the following cases where you arguably need it the most:

After you retire
If you lose your job or switch to a firm that doesn't provide adequate health insurance

Arogya Sanjeevani is a great policy to buy alongside your corporate health insurance. In this case, the policy limitation becomes an asset. Owing to the limitation, the policy is affordable. Since Arogya Sanjeevani comes with lifetime renewability, you can keep renewing the policy to help you if and when you lose access to Corporate Health Insurance. It also serves to complement your corporate health insurance cover which may not be sufficient for your family.

(The writer is Sunil Dhawan.)

TOP

Covid-19: IRDAI asks hospitals to not discriminate between cash, cashless insurance policies – India – 28th April 2021

The Insurance Regulatory and Development Authority (IRDA) urged hospitals not to discriminate between patients having cash and cashless policies while treating Covid-19 cases. It also asked insurers to see to it that cashless services are available for Covid-19 patients who are insured.

The IRDA missive comes amid reports that some families of Covid-19 patients were allegedly forced to opt for cash payment for settling hospital bills despite having cashless insurance policies.

"We have requested the hospitals not to discriminate between cash and cashless patients. We have written to the insurers as well, urging them to make sure that the agreement between the companies and hospitals is honoured.

"I am sure these difficulties will be addressed," IRDA Member (Life), K Ganesh, said, during a virtual interactive session with the Merchants" Chamber of Commerce. An official of a city hospital said some issues regarding insurance claims of COVID-19 patients have come up due to shortage of staff amid the pandemic, and delay in receiving the settlement amount.

TOP

Who should opt for the Arogya Sanjeevani insurance policy? – Live Mint - 27th April 2021

Insurers have to mandatorily offer the Arogya Sanjeevani policy with a sum insured ranging from ₹50,000 to ₹10 lakh from 1 May. This is the second time that the Insurance Regulatory and Development Authority of India (Irdai) has modified the maximum sum insured limit of this policy. In July 2020, the Irdai had let insurers create sum insured options as per their own needs as it removed the maximum sum insured limit from the Arogya Sanjeevani policy.

However, last month, the regulator again capped the maximum sum insured limit at ₹10 lakh, which is double the initial limit of ₹5 lakh. The Arogya Sanjeevani policy has been designed by the regulator and is available across all insurers. This standard health policy ensures that people have one policy that has a uniform cover across industry and buyers don't get confused between different products of an insurer.

"Irdai wants insurers to widen the coverage options so that people from different strata have access and make use of this standard policy," said Mahavir Chopra, founder and CEO, Beshak.org, an independent consumer awareness platform for individual insurance buyers. "The mandatory covers were always from ₹1 lakh to ₹5 lakh; that never changed. These limits were removed in July for insurers who want to offer higher limits. The modification is an instruction to mandatorily offer widened limits of ₹50,000 to ₹10 lakh instead of ₹1 lakh to ₹5 lakh." The rules on sum insured limit will clear the confusion around how much maximum limit one can get while buying the Arogya Sanjeevani policy. Arogya Sanjeevani is suitable for a young, first-time insurance buyer as it allows them to evaluate policies easily and helps in the wider adoption of the policy.

Mrin Agarwal, director, FinSafe.in, said that with increasing medical costs, especially in tier-1 cities, the move to increase the cap of the policy sum insured limits is good for customers. "The hike in the premium for larger cover is also minimal," Agarwal added. Aatur Thakkar, co-founder and director, Alliance Insurance Brokers, said, "People looking for standard health coverage can go for this policy, where the maximum coverage will go up to ₹10 lakh as per the revised rates by the regulator from 1 May onwards; the policy still comes up with sub-limits on the room rent, treatment costs, etc."

The policy comes with a room rent sub-limit of up to 2% of the sum insured, subject to a maximum of ₹5,000 per day and for ICU charges up to 5% of the sum insured, subject to a maximum of ₹10,000 per day. Similarly, every claim under the policy is subject to a co-payment of 5% applicable to the claim amount admissible and payable as per the terms and conditions of the policy. For instance, a 5% co-payment clause indicates that the insured will pay 5% of the claim amount and the insurer will pay the rest. "Policy buyers should take a long-term perspective before opting for a health policy, which meets the needs and requirements of every family and whose coverage is not insufficient when one turns 65-70 years old," said Thakkar.

(The writer is Navneet Dubey.)

TOP

Health insurance: Network hospitals have to give cashless services - Financial Express - 27th April 2021

With reports of some hospitals not granting cashless facility and insisting on cash payments from policyholders for treatment of Covid-19 despite policyholders being entitled for cashless facility under their policy, the insurance regulator has directed general and standalone health insurance companies to lodge complaints against such hospitals. Insurers have to report levying of excess charges or denial of

cashless facilities to the respective state governments for appropriate action. The regulator has also directed insurers to ensure availability of cashless facilities with all empanelled network providers by putting in place a continuous communication channel with all the network providers for prompt cashless services and for resolution of grievances of policyholders.

For cashless treatment, the Insurance Regulatory and Development Authority of India (Irdai) has advised insurers to ensure that policyholders are charged as per the rates agreed to by network providers and also ensure that hospitals do not levy any additional charges for the same treatment other than those rates that are agreed with the insurers. The regulator has directed the insurers to ensure that the reimbursement claims under a health insurance policy must be settled as per the terms and conditions of the respective policy contract expeditiously and issue suitable guidelines on this to all Third Party Administrators (TPAs).

How to raise a complaint

If a hospital denies cashless facility at any enlisted network hospitals the policyholders can send a complaint to the concerned insurance company.

If the policyholder does not receive a response from the insurer within a reasonable period of time or is dissatisfied with the response, it may approach the grievance redressal cell in the consumer affairs department of Irdai. Only complaints from the insured or the claimants shall be entertained. However, the cell does not entertain complaints written on behalf of policyholders by advocates or agents or by any third parties. Complainants will have to submit complete details of the complaint as required in the complaint registration form put on the website https://bit.ly/3vdPJTS.

Insurance ombudsman

The ombudsman acts as a counsellor and mediator and arrives at a fair recommendation based on the facts of the dispute. Insurance companies provide contact details of the insurance ombudsman in every policy document issued by them. Recently, the government had amended the Insurance Ombudsman Rules, 2017 to facilitate resolution of complaints regarding deficiencies in insurance services in a timely, cost-effective and impartial manner. Policyholders can make complaints electronically to the ombudsman and can track the status of their complaints online. The ombudsman accepts complaints regarding delay in settlement of claims, partial or total repudiation of claims by any life, general and health insurer, disputes over premium and misrepresentation of policy terms and conditions in the policy document or policy contract. Policyholders have to provide supporting documents and mention the name of the branch or office of the insurer against whom the complaint is made.

The complaint has to be filed within one year of the insurer's order rejecting the representative's claim is received. The insurer has to comply with the ombudsman's decision within 30 days from the date of receipt. If the policyholder does not accept the decision, he can then approach the consumer forum. If the policyholder accepts the decision of the ombudsman, it will inform the company which will comply with the terms. The award passed by the insurance ombudsman is binding on the insurer. However, at times courts have allowed appeals by insurers on the orders passed by the ombudsman in exercise of their constitutional powers. Each ombudsman can redress customer grievances in respect of insurance contracts on personal lines where the compensation sought is less than Rs 30 lakh.

(The writer is Saikat Neogi.)

TOP

Covid-19: Understanding health insurance policies and ideal indemnity-based plans for you - India Today - 26th April 2021

India is facing an intense wave of Covid-19 with daily cases rising at an alarming pace. The country has been reporting over three lakh daily cases for the past few days, leading to an unprecedented spike in hospitalisations. On Monday, the country reported over 3.52 lakh cases in 24 hours and 2,812 deaths. Though experts say that cases are predicted to fall over the next few weeks, the situation remains grim.

UNDERSTANDING COVID HEALTH INSURANCE

As India continues to witness a surge in severe Covid-19 cases, countless families have been hit financially due to high treatment cost at most private hospitals. Many people are wondering if their existing health insurance policies will be enough to meet Covid-19 treatment costs in case of hospitalisation.

Companies started offering specific health insurance plans for Covid-19 from 2020. Most Covid-19 health insurance policies are designed to cover the hospitalisation expenses of policyholders. Many of these Covid-19 health insurance plans will be available from the day a policyholder tests positive. Individuals should note that Covid-19 does not fall under pre-existing illness. Individuals who have already got Covid-19 health insurance should recheck if their plans are comprehensive and cover pre and post-hospitalisation expenses.

UNDERSTANDING COVID-19 HEALTH INSURANCE PLANS

Almost all major insurers are providing different plans for people who want health insurance against Covid-19. There are two primary plans that you can choose from — Corona Kavach Policy and Corona Rakshak Policy — as they have been formulated on the guidelines issued by the Insurance Regulatory and Development Authority of India (IRDAI).

While these insurance plans were initially supposed to remain valid till March 31, 2021, the IRDAI has now allowed insurers to renew these plans till September 30, 2021.

CORONA KAVACH POLICY

The Corona Kavach Policy is the standard health insurance policy that will cover hospitalisation charges, ICU charges, home care treatment cost, ambulance charges, cost of additional equipment like PPE kits, medicines, gloves, masks, and doctor fees. The policy is offered by the insurer to individuals and family members on an indemnity basis. This means individuals will get reimbursed for the actual expense required for Covid-19 treatment. The sum insured under this plan starts from Rs 50,000 and goes up to Rs 5,00,000 and four children can be accommodated. The tenure options are 3.5 months, 6.5 months and 9.5 months. Max Bupa's premium for the plan starts from Rs 1,039. The plan also covers comorbidities arising from Covid-19.

WHO SHOULD OPT?

Experts say this is a good choice for people who do not have an existing health plan. The plan is good since it can be bought urgently and there is no waiting period for the insurance to kick in. Once a patient tests positive, the policy can be claimed for treatment purposes.

CORONA RAKSHAK POLICY

Individuals can also opt for the Corona Rakshak Policy, which is a Covid-specific health insurance plan that covers treatment cost, provided that a policyholder has been hospitalised for a minimum of 72 hours continuously. This policy also covers additional costs for equipment required in Covid-19 treatment including PPE kits, oxygen nebulisers, face masks, oxygen cylinders, gloves, oximeters.

It may be noted that all of these are limited under a regular or general medical insurance policy. The Corona Rakshak Policy is available for all individuals aged between 18-65 years on an individual sum insured basis. The sum ranges from Rs 50,000 to Rs 2.5 lakh. Applicants who have existing co-morbidity can get insured under this plan by paying an additional premium.

This is different from the indemnity-based Corona Kavach Plan as people who opt for this will get 100 per cent of the insured (as per policy) sum in case of hospitalisation. Unlike the Kavach plan, this plan only covers individuals. The benefit of this plan is that individuals insured under the policy will get the entire benefit amount rather than just the treatment cost.

WHO SHOULD OPT?

This plan is ideal for people who already have a health insurance plan and want an additional buffer in case of hospitalisation. Since the entire policy sum is given under this plan, it can provide flexibility to individuals.

COVID-19 HEALTH INSURANCE PLANS (INDEMNITY-BASED)
If you are yet to buy a health insurance policy for Covid-19, select a comprehensive plan that covers most expenses related to Covid-19 treatment. Here are some plans that you can choose:

Care health insurance (Religare Health)
This Corona Kavach plan by Care Health Insurance (Religare Health) is a standard indemnity-based health insurance policy that takes into account additional Covid-specific medical expenses that are not covered by general health insurance. Those aged between 18 years and 65 years can claim it.

Other family members like legally wedded spouse, dependent children, parents, and parents-in-law can be added as per requirement. It is one of the few plans that have a claim settlement ratio of over 92 per cent and has a strong network of over 8,250 hospitals.

What's included:
- Hospitalisation expenses related to Covid-19
- In-patient treatment expenses under AYUSH systems of medicines
- Pre-hospitalisation and post-hospitalisation expenses for up to 15 and 30 days respectively
- Road ambulance expenses for up to Rs. 2,000 per hospitalisation
- Home care treatment expenses related to Covid-19

Not included:
- Expenses related to any admission for the purpose of investigation and evaluation
- Expenses related to admission primarily for forced bed rest and not treatment
- Dietary supplements and substances which cannot be purchased without prescription
- Expenses incurred on day-care and OPD treatment
- Treatment taken outside India

Max Bupa health insurance
Another good policy that you can opt for is the Max Bupa Corona Kavach indemnity-based policy. The policy can be bought by individuals aged between 18 years and 65 years for self and family members including spouse, parents and in-laws.

Dependent children up to 25 years old are also covered. Up to two adults and four children can be covered; co-morbidities, home care treatment also covered. One of the key highlights of this policy is that it comes without any sub-limit on hospital room rent. The claim settlement ratio of this insurance is almost 89.50 per cent, and it has a network of 4,500 hospitals.

What's included:
- Hospitalisation expenses due to Covid-19
- 15 days pre-hospitalisation and 30 days post-hospitalisation expenses
- Road ambulance expenses up to Rs. 2,000 per hospitalisation
- Expenses related to in-patient care treatment for Covid-19 under AYUSH systems of medicines
- Home care treatment expenses related to Covid-19 for up to 14

Not Included:
- Dietary supplements and substances that can be bought without a prescription
- Any diagnosis or treatment outside the geographical boundaries of India
- Expenses incurred on admission for rest Cure, rehabilitation and respite care
- Expenses related to treatment solely for the purpose of investigation and evaluation
- Expenses related to day-care treatment and OPD.

Star health insurance
This Corona Kavach insurance plan offered by Star Health and Allied Insurance is also ideal if you are looking for a Covid-specific indemnity-based plan. One of the USPs of this plan is the large network of over 9,900 hospitals.

The specific plan is available on an individual and floater basis and offers protection from all hospitalisation expenses related to Covid-19. The particulars of the policy remain similar to all Kavach policies (sum insured, age, tenure etc). However, those who opt for this insurance will have an initial waiting period of 15 days in order to avail the benefits under this policy. The claim settlement ratio is a little lower at 79 per cent.

What's included:

- Hospitalisation expenses incurred due to treatment of Covid-19
- Home care treatment expenses up to 14 days per incident
- In-patient AYUSH treatment expenses related to Covid-19
- Road ambulance cover subject to a maximum of Rs. 2,000 per hospitalisation
- Pre-hospitalisation and post-hospitalisation expenses for up to 15 days and 30 days respectively.

Not included:

- Expenses due to treatment for investigation and evaluation purpose
- Expenses related to rest cure, rehabilitation, and respite care
- Expenses incurred on day-care treatment and OPD treatment
- Any treatment taken outside the geographical boundaries of India
- Any Covid-19 related claim where the illness was diagnosed before the commencement of the policy.

Edelweiss health Insurance

This is an affordable Corona Kavach Policy that covers medical expenses related to hospitalisation or treatment at home due to Covid-19. Like all Kavach plans, this is available on an individual and family floater basis. Several coverage benefits can be claimed under the plan including road ambulance cover, pre-hospitalisation and post-hospitalisation cover, in-patient Ayush treatment cover and more.

An individual has to wait for a period of 15 days to avail the benefits of the policy. Though it has a good claim settlement ratio of over 85 per cent, the downside is that there are less than 3,000 network hospitals.

What's included:

- Medical expenses incurred on hospitalisation for at least 24 hours due to Covid-19
- Pre-hospitalisation and post-hospitalisation expenses incurred for 15 days and 30 days respectively
- Road ambulance expenses for up to Rs. 2,000 per hospitalisation
- Hospitalisation expenses incurred due to Covid-19 under AYUSH systems of medicines
- Home care treatment expenses incurred on availing treatment for Covid-19 at home.

Not included:

- Treatment(s) taken outside the geographical boundaries of India
- Expenses related to day-care treatment and OPD treatment
- Any claim in relation to Covid-19 where it has been diagnosed before the commencement of the policy
- Hospitalisation solely for the purpose of evaluation and investigation
- Admission primarily for the purpose of rest, cure, rehabilitation, and respite care.

New India Assurance health insurance

This Corona Kavach policy provides caters to all medical expenses incurred by policyholders during hospitalisation and treatment of Covid-19 during the policy period.

It covers both Covid-19 hospitalisation and home care treatment. The plan is available on an individual and family floater basis, and a maximum of 10 persons are allowed coverage under this plan.

These policy benefits can be availed after completion of a rating period of 15 days. With a claim settlement ratio of over 92 per cent, this offers good protection, but it has only 1,500 network hospitals.

What's included:

- Home care treatment for Covid-19 for a maximum of up to 14 days
- In-patient care for Covid-19 under AYUSH systems of medicines
- Sum insured of up to Rs. 5 lakh on an individual and family floater basis
- Hospitalisation costs for Covid-19 treatment for at least 24 consecutive hours
- Pre-hospitalisation and post-hospitalisation expenses of up to 15 days and 30 days respectively

Not included:

- Diagnostics or treatment taken outside the geographical limits of India
- Dietary supplements and substances purchased without a prescription
- Any medical expense incurred on day-care treatment and OPD treatment
- Testing at a diagnostic centre which is not authorised by the government
- Claims related to diagnosis done before the policy start date

Bajaj Allianz health insurance

Bajaj Allianz's Corona Kavach policy is available on an individual basis and on a floater basis. Healthcare workers get an additional five per cent discount if they opt for the plan.

While people have to complete a 15-day waiting period to claim policy benefits, it has a high claim settlement ratio of over 92 per cent. It also comes with a range of benefits and policyholders can also select an add-on cover known as hospital daily cash. Another benefit of the plan is that there are over 6,500 network hospitals.

What's included:

- Home care treatment for Covid-19 for a maximum of up to 14 days
- Hospitalisation expenses incurred for the treatment of Covid-19
- The policy provides individual as well as floater sum insured options
- Treatment of Covid-19 under AYUSH procedures and system of medicines
- Pre-hospitalisation and post-hospitalisation medical expenses for up to 15 days and 30 days

Not included:

- Medical expenses incurred on daycare treatments and OPD
- Diagnostics or treatment taken outside the geographical limits of India
- Expenses incurred on inoculations, vaccinations or other preventive treatment
- Any claim in relation to the treatment of Covid-19 prior to the policy start date
- Dietary supplements and substances that can be purchased without a prescription

IFFCO Tokio health insurance

This is another indemnity-based Corona Kavach plan that offers a cover against all medical expenses incurred due to Covid-19. The plan can be purchased for self or on a floater basis for family. To avail benefits of the policy, one has to complete the waiting period of 15 days.

However, the policy offers a host of benefits including no room rent capping, in-patient hospitalisation charges, no-co-payment clause and more. With over a 5,000-plus strong network of hospitals and a claim settlement ratio of nearly 94 per cent, it is an ideal insurance plan for many individuals.

What's included:

- Expenses incurred on in-patient care treatment for Covid-19 under AYUSH systems of medicines
- Home care treatment expenses on a positive diagnosis of Covid-19 for up to 14 days per incident
- 15 days pre-hospitalisation and 30 days post-hospitalisation expenses
- Medical expenses for hospitalisation for Covid-19 for at least 24 consecutive hours
- Road ambulance expenses for up to Rs. 2,000 per hospitalisation

Not included:

- Any treatment related to Covid-19 that got diagnosed before the date of commencement of the policy
- Any treatment taken outside the geographical boundaries of India
- Any medical expenses related to rest cure, rehabilitation, and respite care
- Expenses incurred on day-care treatment and OPD treatment
- Testing done at a diagnostic centre not approved by the government of India

COMPREHENSIVE HEALTH INSURANCE COVER

Besides these short-term indemnity-based plans for specific Covid-related treatment and hospitalisation, experts recommend comprehensive health insurance plans that will give longer coverage since there is evidence that many patients are developing long-term complications after recovering from Covid-19.

TOP

New-age insurance: How digital technology can reduce risk in the healthcare industry: Dr. Abhijeet Kanetkar - The Economic Times – 26th April 2021

By **Dr. Abhijeet Kanetkar**, VP - Partnership & Head - Insurance Business (Asia Pacific & Europe) Just as they have for all industries from education to real estate, digital technologies are causing tectonic shifts in the insurance industry as well. This is to say that insurance, devoid of tech, is rapidly becoming an outmoded approach. In the era of digital disruption, the industry's focus is shifting towards 'insurtech' or the integration of innovative technologies to streamline and improve efficiencies in the insurance space.

The rising need for technology in health insurance

Since time immemorial, the insurance industry has been operating on a model that falls short in terms of customer engagement and interaction. This is especially true for the health insurance space, where the customer touchpoints lie with the hospitals offering insurance as opposed to the insurers themselves. In such a case, engagement only occurs when an insurance claim has to be made or when a case of hospitalization or a physician visit occurs. Simply put, there has traditionally been a reactive approach to healthcare and insurance. This is where Digital Healthtech has come into the picture to proactively drive multiple customer touchpoints via digital and real-time channels, so customers make well-informed choices and build habits that improve their quality of life. Digital technology bridges this need gap in a big way by introducing new and improved touchpoints between customers and insurers, allowing them to interact, understand and create targeted solutions.

More importantly, with the right digital ecosystem, insurers can not only educate customers for a healthier lifestyle but acquire real-time customer data using non-intrusive methods, and better assess the risk profile of potential customers. For instance, insurers can acquire health-related data through customers' activity monitors in order to gauge lifestyle and exercise habits and subsequently manage risk more efficiently than ever before.

Forging new partnerships to create a low-risk insurance ecosystem

In order to reap the multidimensional benefits of insurtech, insurers are now looking at a collaborative approach alongside the new-age digital healthcare ecosystem to create digital therapeutic interventions. This is the foundation of digital therapeutics or DTx. With this partnership model, the focus of the healthcare and health insurance sector shifts towards patient outcomes. Using digital methods to get to know patients including their lifestyle habits, unlocks better treatment options, especially for patients with chronic diseases. As an example, digital therapeutic technology has actively helped achieve positive outcomes for policyholders, reducing the duration of hospitalization and minimizing claim costs for insurers who have partnered with DTx platforms.

Additionally, and perhaps more importantly, technology that leads to enhanced consumer interaction is bound to improve customer satisfaction as well. Real-time data collation will allow insurers to create personalized premiums, expand insurability, and provide incentives to policyholders who show high

levels of engagement. By accurately measuring risk, insurers can offer customer-specific policies that will go a long way in managing risks in the long term.

It is no secret that technology has raised consumer expectations. As tech-savvy consumers, new-age customers are looking for quick solutions at their fingertips. On the other hand, insurers are constantly on the lookout for methods that allow them to gauge risk and make better decisions. Digital technology is a double-edged sword that can help both parties meet their needs by enabling better pricing and risk selection for insurers and a seamless experience for customers. Suffice it to say, technology is now an inextricable part of insurance and for new-age DTx platforms, this is indicative of hyper-growth on the horizon.

TOP

MOTOR INSURANCE

General insurers seek higher rate for third-party motor insurance as losses mount - Money Control – 28th April 2021

General insurers are seeking a 10-12 percent increase in third-party insurance rates in FY22, saying that losses from claims have risen. The Insurance Regulatory and Development Authority of India (IRDAI) tweaks the third-party insurance rates every year based on past claims, but the regulator left the rates unchanged in FY21 amidst the Coronavirus (COVID-19) outbreak. The regulator is yet to take a decision for FY22.

If the regulator agrees to the industry's demand, the mandatory third-party insurance, which protects motorists from liabilities from injury or death to others because of accidents, will become more costly for vehicle owners, but insurers say their viability is at stake. "The loss ratios have exceeded 110 percent for the industry in FY21. If this continues without a price hike, motor insurance will become an unviable business," said the head of underwriting at general insurer.

When motor insurance claims increase, the loss ratios also go up. A loss ratio of 110 percent means that for every Rs 100 collected as premium, Rs 110 is paid away as claims in motor insurance. In FY20, loss ratios stood at almost 105 percent in motor insurance. Transporters are opposing the industry's demand. India Motor Transport Union member Devandar Pal Singh told Money control that transport businesses have seen a sharp slowdown and that any insurance price increase would be detrimental.

"We will oppose any price rise proposals because this would add to the rising costs of owning and driving a vehicle. For transport businesses too, this will be big cost rise especially since they are already burdened with fuel price rise," he added.

Why are losses on the rise?

Industry sources said that in the initial parts of the lockdown in Q1 and Q2 of FY21, losses stayed under control because policyholders were completely working from home and not going out even on leisure due to rise in COVID-19 cases. However, from Q3 onwards when the lockdown eased and movement restrictions were withdrawn, claims started to rise.

"In fears of the virus public transport was being avoided and many policyholders started to drive for work/leisure more frequently. This also increased the accident cases and subsequently claims costs," said the vice president of claims at a private general insurer.

Vehicles like tempos, trucks and mini-vans have the highest claim ratios. This is because of their vehicle design, speed and the nature of movement. These vehicles which were primarily used for commercial goods transport will also be used for moving workers within plants and to their residences.

(The writer is M Saraswathy.)

TOP

SURVEY & REPORTS

Best's special report: India's insurers face potential profitability and solvency margin pressures as health segment grows – Yahoo Finance – 30th April 2021

While India's health insurance industry continues to be among the key drivers of the country's non-life insurance growth, insurers' underwriting results have not kept up with the expansion of the health business, which could lead to potential strain on companies' profit and solvency in the longer term, according to a new AM Best report.

In its Best's Special Report, "India Insurers Face Potential Profitability and Solvency Margin Pressures as Health Segment Grows," AM Best states that it expects India's health insurance market to continue to grow strongly, underpinned by a rising awareness of health protection and changing demographics and increasing affluence. In fiscal year ending March 2021 (FY2021), retail health premiums increased sharply by 38.1% and in turn drove the significant growth of the market's health insurance premium.

However, the report notes that adequate earnings have not accompanied the rapid expansion of health insurance amid regulatory changes in India. The segment has posted some of the weakest underwriting results in India's non-life industry over the past decade; the 10-year average loss ratio of the health insurance business is approximately 98% (FY2010-FY2020). Although this has abated in recent years, the loss ratio remains unviable at 88% in FY2020.

Another major cause of non-life companies' poor underwriting results is the prevalence of group health insurance with limited rate adjustment capacity. In India, group health policies account for the bulk of total health insurance premiums, and in practice, non-life insurers usually price group health policies at a large discount to bundle these with other commercial insurance products. Consequently, profits from other lines of business are often used to offset underwriting losses from the health segment. However, AM Best notes that this approach is unsustainable over the long term, as the profit margins of other lines of business have been deteriorating due to intense competition in the Indian insurance industry.

India also implemented major regulatory reform in October 2020, aimed at promoting uniformity while focusing on the interests of and expanding coverage for policyholders. AM Best expects the new regulation will place considerable pressure on insurers' profitability as it includes several changes that may raise claim frequency and severity trends.

According to the report, the ultimate impact of COVID-19 on health insurance claims in India remains to be seen. Over the first few months of lockdowns, health insurance claims declined substantially due to postponements of hospitalisation and other elective treatments. However, since May 2020, medical claims have started to pick up. It is likely that the recent surge in COVID-19 cases will reduce the number of regular medical claims again, although insurers may see a much higher number of COVID-19 claims as compared to 2020.

Indian insurance regulator mandated general insurers to offer COVID-19 specific policies. While these products generated significant sales after the rollout in mid-2020, growth subsequently slowed down. As

of end-March 2021, several general insurers reported loss ratios above 100% for the COVID-19 specific covers. Given the recent surge in COVID-19 cases in April 2021, AM Best notes that the claim ratio of these specific health policies may continue to develop unfavourably, although the full impact remains to be seen.

TOP

PENSION

How to use your PF for property purchase – Live Mint – 27th April 2021

The Provident Fund (PF) balance can be a good avenue for fund raiser for a salaried person looking to purchase property. As per the PF withdrawal rules for property purchase, one can withdraw from the PF up to 90 per cent of one's PF balance for buying a home or for home construction on a land. But, the land has to be owned by the PF account holder, or by his wife or by both. However, to become eligible for the PF withdrawal for property purchase, one must have contributed in its PF account for at least five years. This PF withdrawal facility is also available for all EPFO members working in the private sector. So, all PF and EPF account holders are eligible for provident fund finance for property purchase.

Speaking on the condition for PF withdrawal for property purchase Mumbai-based tax and investment expert Balwant Jain said, "PF withdrawal from the PF balance is allowed for property purchase if the salaried person has completed five years of continuous contribution in one's PF account. This facility is available for both plot buying or for the construction of home or for the home buy."

Jain said that PF withdrawal limit will depend on the purpose of property purchase. He said that for buying a plot, the PF withdrawal should be either 24 months basic salary of the employee plus Dearness Allowance (DA) or the actual price of the plot, whichever lower, will be allowed as PF withdrawal amount from one's PF balance.

On how much one can withdraw from one's PF or EPF balance for home buy or home construction SEBI registered tax and investment expert Jitendra Solanki said, "For purchase of construction of home, PF or EPF account holder can withdraw one's 36 months basic salary plus DA or the actual price of the land or amount required for construction, whichever is lower. In any case, PF withdrawal limit can't be more than 90 per cent of the PF/EPF balance." Solanki also made it clear that after PF finance for home buy or home construction, the property has to be in the name of the PF account holder or the property be purchased jointly with PF account holder and its spouse.

On PF withdrawal for home construction Balwant Jain said that the land has to be in the name of PF or EPF account holder or his wife or jointly owned by both. In no other case, PF withdrawal is allowed for home construction, he said. Jain also said that PF withdrawal for home loan repayment is also allowed.

(The writer is Asit Manohar.)

TOP

Pension posers: decoding National Pension Scheme - The Telegraph – 26th April 2021

The National Pension Scheme is a government-backed retirement savings programme. It allows the public to invest in a mix of pension funds which manage equity, government bonds, and corporate debt. The ratio can be selected according to the investor’s age and risk appetite.

Apart from creating a retirement fund that can be availed when the investor turns 60, the NPS also allows investors to claim income tax deductions through the investment period. Upon maturity at age 60, investors can withdraw 60 per cent of the corpus tax-free, but need to invest 40 per cent of the balance in an annuity plan. An annuity plan is an income scheme that you purchase from one of India's 12 annuity service providers (ASPs) and receive a monthly income — a guaranteed pension for life. This requirement, a pet peeve with NPS investors, is expected to undergo moderate change.

What changed?
Earlier in April, the chairman of the Pension Fund Regulatory and Development Authority (PFRDA) announced that it is considering modifying the rules of the scheme, which would impact the investor's options on maturity.

At present, if your NPS balance is up to Rs 2 lakh, you can withdraw the whole amount on maturity and not have to purchase annuity. The PFRDA is mulling raising this limit to Rs 5 lakh so that more eligible investors can make a full withdrawal on maturity and not be stuck with an annuity plan that pays peanuts as pension.

Why this change?
Interest rates have plummeted in recent years. Pension plans being guaranteed income schemes invest in securities generating assured returns. Since assured returns have reduced due to falling interest rates, pension plans pay a paltry 5-6 per cent now before tax. As pension is taxable according to the slab rate, the net returns may be negative after accounting for inflation.

Therefore, annuity plans in their current form don't make for great investments. PFRDA acknowledged this. Therefore, they now propose a full withdrawal for investors with a balance up to Rs 5 lakh. However, this still leaves those investors, who will retire with much bigger balances, to buy annuity plans compulsorily and be stuck with the same problems. Would the NPS get rid of the annuity requirement completely in the future? We do not know.

Pros of NPS investing
Let's consider why people invest in NPS. It offers tax deductions. Against your NPS contributions, you can claim deductions up to Rs 2 lakh under Section 80CCD, which covers the 80C limit of Rs 1.5 lakh. Those who meet the 80C limit through other means such as PPF can still deduct the additional Rs 50,000 for NPS contributions under 80CCD.

Second, the NPS is an extremely low-cost investment scheme, cheaper than an active mutual fund, for example, and comparable to other low-cost investments such as index funds and ETFs. Third, investing in this scheme could potentially provide you better long-term returns in comparison to other retirement schemes such as the Public Provident Fund (7.1 per cent per annum) or Employees' Provident Fund (8.5 per cent). Under the NPS, several equity schemes have provided five-year returns exceeding 10 per cent per annum; many of its government and corporate debt schemes have returned over 9 per cent over the same period. However, these returns would be lower compared to investments in equity-oriented mutual funds.

The problems
The Tier 1 NPS account needs you to adhere to the lock-ins, but that's not the worst thing about the scheme. When you invest in PPF or EPF, you get your whole money back on maturity. With NPS, you are forced to buy annuity which offers low, fully taxable returns.You could anyway generate this return on your own by parking the same fund in a fixed deposit scheme, or investing for higher returns in the securities market, and you could liquidate those investments at any moment. Therefore, viewed in balance, NPS offers benefits which get diluted by the annuity requirement.

What you could do
The reduced access to your own funds is a problem. However, the NPS recognises this. How the scheme may evolve in order to address this issue remains to be seen. Till then, you could access NPS for the benefits it offers, namely tax deductions, low costs of investing, and above-average long-term returns, but

also understand your alternatives. For example, if you invested Rs 50,000 once every year for 30 years assuming a rate of return of 9 per cent, your corpus will be approximately Rs 69 lakh, plus you'll get additional value through tax-savings of Rs 4.5 lakh assuming the 30 per cent slab.

Therefore, the projected value of this investment plan would be under Rs 75 lakh. Conversely, you could create about the same value through a systematic investment plan in a mutual fund, investing Rs 4,167 (that's 50,000/12). At annual rates of 9 per cent, 12 per cent, and 15 per cent over 30 years, this plan could create approximately Rs 77 lakh, Rs 1.47 crore, or Rs 2.92 crore.

You may not get additional tax deductions against this investment but the result may be the same. The mutual fund would also provide you instant liquidity without lock-ins and other cumbersome rules that come with NPS withdrawals. The other alternative is that you may simply invest via a Tier 2 NPS account to make withdrawals at your convenience but forgo the tax deductions. In summation, NPS has benefits which get offset by its limitations. Your options are many. Choose one that's best for you.

(The writer is Adhil Shetty.)

TOP

Contributory Provident Fund can be converted to General Provident Fund scheme, says HC - The Economic Times – 24th April 2021

In a significant judgment, the Madras High Court on Friday held government employees can convert their Contributory Provident Fund (CPF) scheme to that of General Provident Fund (GPF) and avail themselves of pension in accordance with the Central Civil Service (Pension) Rules, 1972. Justice M Parthiban gave the ruling while allowing a batch of writ petitions from Dr Kishore K Johan and eight others challenging an order dated November 18, 2019 of the Education Department of the Puducherry government, which denied the conversion.

Among other things, the government denied the conversion on the ground that there was a considerable delay and latches in the plea.

The judge pointed out that by a recent Office Memorandum dated February 7, the government had thought fit to extend the benefit of conversion and had given time upto May 31, 2020 to the employees, who had been recruited earlier to January 1, 2004 for conversion.

The intention of the government was, therefore, to maximise the number of beneficiaries of the GPF scheme. In the face of this Office Memorandum, the objection relating to latches and delay was a misplaced one and has to be rejected. Moreover, it was also not disputed that the option was called for from the petitioners to remain with CPF or switch over.

Besides, in the absence of any option calling for retention of the petitioners in the CPF scheme, their retention with the same was contrary to the mandatory prescription on implementation of the Fourth Pay Commission that the GPF scheme shall be made applicable to all servants as a rule.

"In the said circumstances, the petitioners having established their right unequivocally for the applicability of the GPF scheme, the latches or the delay pleaded on behalf of the respondents, would have to necessarily pale into legal insignificance," the judge said.

The last objection was that while these petitioners were appointed, in their appointment letters it was clearly stipulated that they would be covered by CPF scheme and therefore, they were stopped from protesting against the said claim made applicable to them.

This objection of the authorities cannot be held to be valid for the reason that the right of these petitioners to be brought under the GPF scheme, in the facts and circumstances, cannot be forced to be parted with because there was a stipulation in their appointment letters detrimental to their interest.

Such stipulation cannot stand the test of judicial scrutiny when these petitioners at the time of their appointment had no inkling of the mandatory nature of the GPF scheme which was brought into force after IVth Central Pay Commission, the judge said. "In any event, there cannot be any estoppel against exercise or enforcement of constitutional and fundamental rights. In such a view of the matter, the said objection would have to be rejected as being without merit," the judge said.

Allowing the petitions, the court set aside the impugned order denying conversion as illegal, unreasonable, discriminatory and violative of Article 14 of the Constitution. The judge directed the Puducherry education department to bring the petitioners within eight weeks, under the then GPF scheme for the purpose of grant of pension in accordance with CCS (Pension) Rules, 1972.

TOP

IRDAI CIRCULARS

Topic	*Reference*
Report of the Working Group (WG) for revisiting the retail business of Engineering tariff	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4464&flag=1
Norms on settlement of COVID-19 health insurance claims	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4465&flag=1
New Business Data as at 31.03.2021 (Line of Business wise)	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4459&flag=1
IRDAI (Manner of Assessment of Compensation to Shareholders or Members on Amalgamation) Regulations, 2021	https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4461&flag=1

TOP

GLOBAL NEWS

Malaysia: Insurance & takaful sector holds up well despite COVID-19 – Asia Insurance Review

The extent of the insurance and takaful industry's recovery in 2021, especially with respect to premiums growth and profitability, will largely correlate with that of the overall economy, which in turn depends on the levels of infection and the pace of nationwide vaccinations, according to RAM Ratings.

The credit rating agency says that it has maintained a stable outlook on the Malaysian insurance and takaful industry.

"COVID-19 outbreak and the imposition of Movement Control Order (MCO) have been detrimental to the performances of insurers and takaful operators in 2020. However, the overall impact was still manageable, courtesy of the strong rebound in the second half of the year as restrictions eased and industry players adapted to the new operating norm," said Ms Sophia Lee, RAM's co-head of Financial Institution Ratings.

Life insurance
In its latest commentary on the sector titled "Insurance and Takaful Insight: Silver linings emerging, but worst is not over", RAM Ratings states that new business premiums in the life insurance sector contracted by only 3% to MYR11.4bn ($2.8bn) in 2020 (2019: +14%) as the strong rebound in 2H 2020 (+7% y-o-y) partly mitigated the sluggish sales in the 1H2020 (-13% y-o-y).

The rebound in 2H2020 was driven by healthy demand for investment-linked (IL) policies, in line with the growth trend of the past few years. Life insurers are increasingly tilting towards IL policies as the investment risks of these products are borne by policyholders, which reduces the capital requirements of players. Fuelled by sustained demand for IL policies as well as the uptick in mortgage insurance contracts (due to the impetus from the extended Home Ownership Campaign), RAM Ratings forecasts new business growth of 3%-5% for the life insurance sector in 2021.

The life insurance industry's return on assets (ROA) slipped to 7.0% (2019: 8.4%) in 2020, mainly due to falling yields on Malaysian Government Securities (MGS) during the year. While the decline in yields led to higher valuation gains for the insurers' fixed income portfolio, it inflated the provisioning on their actuarial obligations.

Adverse stock price movements have also triggered losses on players' equity investments, although some paper losses have been recouped with the recovery of stock prices since November 2020. Better premiums growth and a more stabilised actuarial provisioning will support earnings of life insurers in 2021. However, a spike in market volatilities and a protracted period of low bond returns could affect their investment yields.

General insurance
Gross premiums of the general insurance sector slipped to MYR17.2bn in 2020 (2019: MYR17.4bn). Premiums from motor policies and fire coverage (jointly contributing 69% of the sector's aggregate) experienced respectively a 0.2% contraction and 1.6% growth. Overall these performances were better than expected, considering the pandemic and suboptimal growth trends since the start of de-tariffication in 2016. Due to the health crisis, the second phase of the de-tariffication drive that was meant to be introduced in 2020 has been shelved. The profitability of general insurers in 2021 might be affected by pressure on investment yields and possible underwriting margin correction. Underwriting margin was a higher 10% in 2020 (2019: 7%) as a result of the anomalously lower claims ratio following the imposition of the MCO.

Takaful
As for the takaful sector, family takaful new-business contributions were affected by the economic ramifications of COVID-19, growing more slowly at 7% in 2020 (2019: +17% (excluding My Salam contributions)). For 2021, new-business growth in the takaful sector could rebound to 10%-12%, driven by the recovery of mortgage takaful contracts. Meanwhile, general takaful contributions grew at a subdued 5% to MYR3.5bn in 2020 (2019: +20%), mainly due to the 12% decline in car sales which affected demand for motor policies. However, an uptick in vehicle sales in 2021 will likely invigorate general takaful, with growth forecast at 6%-8%.

Looking ahead, the insurance and takaful industry's capitalisation will stay sound in face of the economic challenges, says RAM Ratings. As of end-December 2020, the life insurance and family takaful sector recorded a preliminary capital adequacy ratio (CAR) of 203.5% (end-December 2019: 206.2%) while the general insurance and takaful industry's CAR was a solid 282.6%. (end-December 2019: 279.8%)

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Australia: Life insurers pricing themselves out of consumers' range - Asia Insurance Review

Life insurers need to harness innovation and develop more affordable and sustainable products if they are to avoid dealing with market disruptors, according to the Australian Financial Complaints Authority. Speaking on a panel at the Financial Services Council's Life Insurance Summit recently, AFCA lead ombudsman for insurance John Price said that consumers are increasingly seeing (non-group) insurance

products as unsuitable and unaffordable, according to a report by Professional Planner. The sustainability of the insurance industry is under threat, he explained, because consumers are being priced out of insurance and opting to let their policy lapse. “From a consumer point of view the industry is rapidly pricing itself out of consumers’ range,” Mr Price said. “Other than group insurance, we’re seeing complaints coming in, unfortunately, from people who didn’t opt in that otherwise would have been covered.”

While the insurance industry has been busy reshaping its offerings to combat losses of around A$5bn ($3.9bn) over a five-year period, as well as catering to new sustainability standards around income protection insurance, Mr Price believes providers may have lost sight of the consumer. “It’s not just the industry focussing on what’s sustainable to make a profit, but working with consumers to ensure that the products being provided are consumer-suitable in terms of not only benefits but also the price, and that that’s sustainable from an industry point of view,” he said.

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Indonesia: Insurance density improves in 2020 but at slower pace - Asia Insurance Review

Insurance density in Indonesia has increased despite the COVID-19 pandemic, albeit at a slower pace, according to a senior official of the Financial Services Authority (OJK). In 2018, insurance density in Indonesia stood at IDR1.54m ($106), then increased by 11.1% in 2019 to IDR1.71m. In February 2021, insurance density reached IDR1.73m.

Deputy Commissioner for Supervision of the Non-Bank Financial Industry (IKNB) II at the OJK, Moch. Ihsanuddin, said, "In one year, the average person spends IDR1.73m to buy insurance. If you divide it by 12 months, it is at most IDR145,000 a month. This is very little."

The figure also consists of social insurance contributions, namely to the Healthcare and Social Security Authority (BPJS), reported Bisnis.com. The social insurance density stands at 45.1% of total insurance density in Indonesia. Life insurance density is IDR661,900 or 38.1% of the total; general insurance density is IDR248,713 or 14.3% and compulsory insurance density is IDR42,320 or 2.4%.

Similarly, in 2018, the penetration rate was recorded at 2.76%, rising to 2.9% in 2019, then to 2.92% in 2020, and to 3.03% in February 2021.

"The average world penetration rate is around 7.2%, meaning Indonesia is still very far behind," said Mr Ihsanuddin. On the other hand, the low penetration of insurance shows the potential of Indonesia's untapped market.

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