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INSUNEWS - WEEKLY E-NEWSLETTER

17TH – 23RD AUGUST 2024

Insurance Term for the Week

Emergency Medical Evacuation Insurance

Medical evacuation insurance, which is standard with most travel insurance policies, helps cover the costs associated with transportation for your medical needs, such as for an ambulance or medevac helicopter, up to your coverage limits.

Most insurers require you to seek emergency treatment at a local medical facility first. Then, if the doctor determines you need to be moved to a different location to receive the proper care, you can call — or have a travel companion call — your insurance provider's customer support or emergency hotline to assist with the evacuation arrangements.

"The process is handled by your insurance company with local or regional providers to aid during this time of medical crisis," said Andrew Jernigan, CEO of Insured Nomads, a company that specializes in travel and health insurance for remote workers, digital nomads and other travelers.

Your provider's medical support team will evaluate your case and any medical evacuation orders the attending physician gives. Your insurance company should assist with coordinating transportation, evacuation (if needed) and payment for these services.

QUOTE OF THE WEEK

"Each life is made up of mistakes and learning, waiting and growing, practicing patience and being persistent."

BILLY GRAHAM

INSIDE THE ISSUE

INSURANCE INDUSTRY

Global Insurers Bullish on Indian Market: Deloitte - Financial Express - 23rd August 2024

Global insurance firms are keen on entering into India or expanding their presence in the country, driven by growth opportunities due to under-penetration, stable regulatory environment and the potential to develop innovative products at scale, according to Arthur Calipo, partner and insurance sector leader at Deloitte Asia Pacific. "In emerging markets, including India, there is a protection gap due to insurance under penetration." Calipo said in an exclusive interaction. Markets like Japan, Australia and New Zealand are highly penetrated compared with India, parts of Mainland China, Indonesia, and the Philippines, which offer growth opportunities for global insurance companies to enter and fill the gap, he added.

As per IRDAI data, insurance (both life and non-life) penetration (premiums as percentage of the GDP) in India stood at 4 percent in FY23, significantly lower than the global average of 6.8 percent. Developed economies like the US and UK have penetration levels of above 11-12 percent. "You have an economic situation where the GDP is growing, the middle class is expanding and there is stable income," Calipo said, adding that global insurers consider these factors as strong growth prospects. He noted that the certainty and flexibility of India's regulatory environment are key reasons behind foreign players evincing a keen interest.

TOP

Indian government does not address captive insurance opportunity - Captive International – 21st August 2024

The Union Budget 2024 of India was expected to pave the way for the captive insurance industry in the country. However, the budget release did not include any mention of captive insurance. For the insurance sector, the Insurance Regulatory and Development Authority of India (IRDAI) has set a goal of achieving "Insurance for All by 2047". As part of this vision, IRDAI was expected to propose amendments to the Insurance Act of 1938 during the parliamentary session. One significant proposed amendment included the issuance of captive insurance licences. However, similar to the previous two attempts in the last two budget sessions, there was nothing about captive insurance in the budget that was introduced.

For the captive insurance industry to thrive in India, it is essential to review and amend the provisions of the Insurance Act of 1938, which remains the primary legislation governing insurance in the country. The current minimum capital requirement for establishing a general (non-life) insurance company in India is ~$12 million (INR 100 crore). This poses a significant challenge for most businesses, especially small- and mid-market companies interested in forming captives, as raising such a high amount of capital is difficult or even impossible for them. This entry barrier limits the number of businesses that can afford to set up their own insurance company.

Captives primarily insure the risks of their parent organisations and, therefore, generally may require less capital than commercial insurance companies, which cover purely third-party risks. Compared to other established captive domiciles worldwide, India's minimum capital requirement is higher. Additionally, this capital may be "trapped" in the captive, resulting in a low rate of return, thus further lowering the feasibility of such option. To enhance the competitiveness of the captive insurance industry in India, the mandatory $12 million capital requirement should be revised to allow the regulator to set minimum capital levels on a case-by-case basis with certain overall guardrails in place. This adjustment aims to broaden opportunities within the industry and lay the groundwork for long-term growth. It will enable large corporate entities in India to establish captives and open the market to small- and medium-sized enterprises, which have shown the highest growth rates in developed captive markets.

Restrictions

An additional hurdle for the industry is the restriction under the Insurance Act of 1938 which stipulates that an insurance company can operate in only one segment of insurance. This means an insurer can choose to be a life insurance company, a general insurer, a health insurer, or a reinsurer, but not more than one simultaneously.

While it is true that life and P&C combinations in a singular captive are not common, generally, captives can be direct and reinsurance writers in one, as well as include health risks (for example) in the same captive. When a business establishes a captive insurance company, it typically does so to cover all its insurance needs, unless it finds certain segments not feasible for inclusion in the captive arrangement. Businesses may seek to include employee benefits, general liability, and property insurance, all within one captive. Captives also function as reinsurers reinsuring the risk of its parent and sister companies. Unless this restriction is amended, it could impede the industry development.

A further challenge is the prohibition of fronting in reinsurance contracts in India. Fronting insurance, defined as the use of a licensed, admitted insurer to issue an insurance policy on behalf of a self-insured organisation or captive insurer without the intention of retaining any risk, is currently illegal as per IRDAI regulations. In many jurisdictions, captives rely on fronting to meet regulatory standards and lender/third-party requirements. The current regulations encourage traditional insurers to retain as much risk as possible and cede as little as possible, a stance that may need revision to incentivise captives in India.

Benefits of the captive insurance market to India

IRDAI should consider adopting best practices from established captive domiciles, such as Vermont, Cayman, Bermuda or certain EU domiciles. This will allow India to be seen as being competitive with other countries that have captive laws. Given the operational nuances of captive insurers compared to traditional insurers, creating a separate legislation focused on captive insurance is crucial for industry functionality. This legislation should create guidelines on minimum capital requirements, investment restrictions, loan-back policies, dividend distribution, fronting and more.

Establishing low-tax jurisdictions, such as GIFT City in Gujarat, can foster industry growth and attract businesses to set up captive insurance companies. GIFT City—Gujarat International Finance Tec-City—is India's inaugural international financial services centre (IFSC). While it does mention captive insurance as a potential offshore insurance business area, it highlights the need for amendments to the Insurance Act of 1938 to facilitate the successful development of this sector.

Captive insurers in GIFT City can benefit from a 100 percent income tax exemption for 10 consecutive years. Services rendered to units within the IFSC are subject to a zero rate for Good and Services Tax (GST), meaning no GST is charged on these services. Additionally, transactions conducted within the IFSC may be exempt from several other taxes, including Security Transaction Tax, Commodity Transaction Tax, and Dividend Distribution Tax.

Captives have the potential to enhance the resilience of India's financial sector and promote a culture of strategic risk management not only among large corporations but also within small- and medium-sized enterprises. Enhanced risk awareness and proactive management practices within captives can lead to more resilient and informed decision-making, benefiting the broader financial sector. Captives allow for bespoke insurance solutions tailored to the specific needs of the owner organisation. This customisation ensures that unique risks are covered more efficiently, facilitating improved risk management and reduced financial volatility.

A robust captive insurance framework would enhance India's appeal as a destination for foreign direct investment. Multinational corporations and global investors seeking effective risk financing solutions are likely to establish captives in jurisdictions with supportive regulatory environments.

Captives enable Indian businesses to retain premiums that would otherwise go to external insurers. Assuming favourable underwriting results, earned underwriting income can be reinvested into the parent company's core operations, infrastructure development, or strategic initiatives. Further, commercial insurance premiums include profit loadings and high administrative charges. Writing a portion of business in a captive instead of a commercial insurer saves on these expenses included within the commercial premium.

Furthermore, captives would enable Indian businesses to leverage advanced data analytics and risk modelling techniques to better understand and manage their risks. By analysing historical claims data and emerging trends, captives can proactively adjust insurance strategies and optimise risk retention levels. This analytical capability enhances decision-making processes and operational efficiencies.

The establishment and operation of captive insurance entities will require a skilled workforce proficient in insurance underwriting, risk management, claims-handling, actuarial science, and compliance with regulatory frameworks. This will create demand for insurance professionals with specialised knowledge and expertise and thus create jobs for the economy. Further, India already has established captive insurance professionals who support US and European captive professional service firms (typically in a financial statement preparation capacity). This provides a readily available talent base to build upon, were the legislation passed.

Conclusion

This is the third time that the budget did not mention the captive insurance industry. For the industry to thrive in India, amendments to the Insurance Act of 1938 are required. These amendments should include lowering the minimum capital requirement of $12 million needed to form an insurance company, introducing the concept of composite insurers (which would allow general insurers to offer life and health insurance, and vice versa), and addressing issues, such as fronting arrangements and permitting insurers to act as both insurers and reinsurers.

To effectively advance its captive insurance sector, India should consider adopting best-in-class captive legislation from established jurisdictions such as Bermuda, the Cayman Islands, Vermont, or certain EU jurisdictions which feature well-defined and supportive captive regulatory frameworks. Captives have a different risk profile to commercial insurers and the respective regulations should reflect and respect these differences. Enactment of a separate act dedicated to the unique needs of captive insurance markets and structures would help the industry in India to flourish.

Captive insurers enhance a country's financial sector resilience by promoting a culture of risk management within organisations. They enable businesses to develop tailored insurance solutions for unique or challenging risks, resulting in improved risk financing, which can lower the total cost of risk to the organisation. A strong captive insurance sector can attract foreign investment, foster growth in the financial services industry, and create job opportunities in related fields such as insurance, risk management, and financial services.

TOP

Harnessing the power of AI in the insurance sector - The Economic Times – 18th August 2024

In recent years, the Insurance sector in India has witnessed a profound transformation driven by the integration of advanced technologies such as Artificial Intelligence (AI) & Machine Learning (ML). These new-age technologies have evolved the insurance industry by offering benefits such as improved efficiency, enhanced customer experience and reduced costs. Currently, various AI applications are in use in the Indian Insurance Industry ranging from underwriting to fraud detection. According to a recent report by McKinsey, the insurance sector is expected to see a significant increase in AI adoption, with a potential annual value of up to $1.1 trillion globally. This substantial figure underscores the transformative potential of AI in reshaping the insurance landscape.

How AI Adds Value to the Insurance Industry

1. **Underwriting and Risk Assessment**

The incorporation of AI into underwriting is transforming the Indian insurance sector, making the process more efficient, precise, and customer-centric. Technologies such as videography, digitization, automated MER checks, and Smart Reports are not only streamlining operations but also improving the quality of risk assessment and policy issuance. A recent Capgemini survey indicates that 62% of insurance executives acknowledge AI's role in improving underwriting quality, highlighting its growing importance in the sector.

2. **Claims Processing**

AI has significantly revolutionized claims processing, boosting both efficiency and precision. By automating routine tasks, AI allows insurers to expedite claims processing, shortening the time from submission to resolution. This speed not only enhances customer satisfaction but also lowers operational costs. Furthermore, AI reduces human errors, thereby decreasing the chances of incorrect claim denials. According to a BCG report, large-scale adoption of generative AI in claims processing has shown potential productivity improvements of 20-30%.

3. **Customer Service and Engagement**

AI-driven chatbots and virtual assistants are transforming customer interactions in the insurance sector. These intelligent systems can handle routine inquiries, guide customers through policy selection, and even assist with claims filing. By providing 24/7 support and even assist with claims filing. By providing 24/7 support and personalized recommendations, AI is enhancing the customer experience while reducing the workload on human agents.

4. **Fraud Detection**

AI is revolutionizing fraud detection and prevention in the insurance industry. By analyzing vast amounts of data, it can identify suspicious patterns and alert insurers to potential fraud in real time. This technology helps insurers mitigate risks, reduce financial losses, and uphold the integrity of their operations. With AI, insurers can effectively protect policyholders from fraudulent claims. Notably, AI-based fraud detection systems have demonstrated the ability to reduce the time required to detect fraudulent claims by up to 70%.

Challenges and Considerations

Integrating AI and ML into the Indian insurance sector presents several challenges, including technical, cultural, and regulatory obstacles. Insurers must address issues such as data quality, privacy concerns, and the digital divide between urban and rural areas. Additionally, it is crucial to balance technological advancements with ethical considerations, ensuring that AI-driven processes remain transparent, fair, and non-discriminatory.

The Way Forward

Despite the challenges, the opportunities for AI integration in the Indian Insurance Industry are huge. By incorporating these technologies into their daily operations, insurers can reshape underwriting, claim processing and fraud detection in the insurance industry. Embracing AI can also aid insurers in enhancing efficiency, improving customer experience, and unlocking growth in a digital world. By taking a proactive and responsible stance, the industry can overcome challenges and seize the opportunities offered by AI, paving the way for a resilient, customer-focused, and innovative future.

(The writer is Bragadish Sureshkumar)

TOP

Talks in Govt for 100 Percent FDI in Insurance, Plan's Political Acceptance Being Weighed - The Times of India – 19th August 2024

Officials are discussing a proposal to increase the foreign direct investment (FDI) limit for insurance to 100 percent, from current 74 percent, a move which has the backing of the regulator, but will need political clearance since it involves an amendment to Insurance Act. Besides, other proposals to ease FDI rules for the sector, such as the mandate to have Indians in certain segments of the top management, are also being reviewed, official's privy to the talks said. Apart from FDI, a comprehensive set of amendments to the law are also proposed although the bill timing is yet to be decided. The department for promotion of industry and internal trade, too, is undertaking a review of sectoral norms and rules to ensure that investments come unbridled. Insurance is among one of the consumer-facing sectors that remains only partially open to FDI, while other sectors have all moved on.

(The writer is Sidhartha.)

TOP

INSURANCE REGULATION

Surety Bonds for India's Infrastructure Development: Irdai Chairman – Money Rediff – 22nd August 2024

Surety bonds play a crucial role in supporting India's infrastructure development, Insurance Regulatory and Development Authority of India (Irdai) Chairman Debasish Panda said on Thursday. "By addressing the challenges and fostering collaboration, we can unlock the full potential of this valuable financial instrument," Panda said at a conclave attended by various stakeholders.

Insurance surety bonds are financial instruments, where insurers act as 'surety' and provide the financial guarantee that the contractor will fulfil its obligation as per the agreed terms. The surety bond issued by a general insurance company is a three-party contract by which one party (the surety) guarantees the performance or obligations of a second party (the principal) to a third party (the obligee). The surety is a company that provides the financial guarantee to the obligee (usually a government entity) that the principal (business owner) will fulfil their obligations.

While the conclave highlighted the significant potential of surety bonds to contribute to India's infrastructure development, it also underscored several challenges that need to be addressed, General Insurance Council (GIC) said in a statement. Some of the impediments in the way of surety bonds include lack of equal legal recourse for insurers under the Insolvency and Bankruptcy Code as enjoyed by banks and weak enforceability of agreements between insurers and bond beneficiaries. To address these challenges and drive the growth of the surety bond market, a task force has been formed comprising representatives from insurers, banks, and reinsurers, it said.

The task force will focus on developing strategies for risk sharing, enhancing collaboration between banks and insurers, and fostering a conducive environment for the growth of surety bond insurance, it added. Speaking on the occasion, Tapan Singhel, Chairman of General Insurance Council & MD of Bajaj Allianz General Insurance said, the collaboration between bankers and insurers, coupled with seamless data sharing, will be key to taking Surety Bonds to the next level. The formation of a task force is a critical step forward in ensuring that Surety Bonds become a cornerstone of India's infrastructure growth story, he added.

TOP

IRDAI website down, users unable to access site - Live Mint – 21st August 2024

The website of the Insurance Regulatory and Development Authority of India (IRDAI) appears to be down, with users unable to access it on August 21. This happened a day after the firm directed insurance companies to upload verified Know Your Customer (KYC) details of their existing policyholders to the

Central KYC Records Registry (CKYCRR) website, on August 20. This step is part of a larger effort to enhance transparency and ensure the security of financial transactions across multiple sectors. The CKYCRR functions as a centralized KYC system, applicable to various financial transactions, such as those involving banking, mutual funds, stocks, insurance, and the National Pension System (NPS).

The Insurance Regulatory and Development Authority of India (IRDAI) has mandated the use of CKYCRR to streamline the customer onboarding process for both insurance agents and mutual fund distributors. This allows them to access and utilize each other's CKYC data, making the onboarding process quicker and more efficient. Simultaneously, the Securities and Exchange Board of India (SEBI) has instructed KYC Registration Agencies (KRAs) to upload the KYC information of capital market investors to CKYCRR by January 31, 2025. This directive, effective from August 1, 2024, is in line with IRDAI's efforts to integrate KYC data across different financial sectors. Insurance companies must also update their KYC records whenever they receive new information from CKYCRR. This initiative by IRDAI and SEBI is anticipated to streamline the KYC process, improve efficiency for financial institutions, and strengthen the security of customer data.

TOP

IRDAI Directs Insurers to Upload Policyholders' KYC Information to Central Registry – CNBC – 21st August 2024

The Insurance Regulatory and Development Authority of India (IRDAI) has issued a crucial directive to insurance companies, requiring them to upload the verified Know Your Customer (KYC) information of existing policyholders to the Central KYC Records Registry (CKYCRR) website. This measure is part of a broader initiative to boost transparency and ensure the security of financial transactions across various sectors. The CKYCRR serves as a centralized KYC system that can be utilized for multiple financial transactions, including those related to banking, mutual funds, stocks, insurance, and the National Pension System (NPS).

By mandating the use of CKYCRR, IRDAI aims to simplify the customer onboarding process for both insurance agents and mutual fund distributors. They will now be able to access and use each other's CKYC data, thus making it easier and faster to onboard customers. In parallel, the Securities and Exchange Board of India (SEBI) has also directed KYC Registration Agencies (KRAs) to upload the KYC information of capital market investors to CKYCRR by January 31, 2025. This directive, which took effect on August 1, 2024, aligns with IRDAI's efforts to integrate KYC data across financial sectors. Insurance companies are also required to update their KYC records whenever they receive new information from CKYCRR. This move by IRDAI and SEBI is expected to streamline the KYC process, making it more efficient for financial institutions and enhancing the overall security of customer data.

(The writer is Sheersh Kapoor.)

TOP

LIFE INSURANCE

Look beyond surrender value rules as growth healthy for life insurers - Business Standard – 22nd August 2024

Private life insurers have performed well in the April-June quarter (Q1) of 2024-25 (FY25). But new surrender value regulations will trigger changes in the way the industry functions. Given higher payouts, insurers are likely to focus on persistency and they must cope with likely adverse impact on VNB margins (VNB is value of new business). Apart from focusing on customer acquisition with high persistency levels, they will have to review the higher-upfront commission structure to encourage persistency, by increasing trail commission. They will also have to review non-par product IRRs (internal rate of return) and consider new offers like loan on insurance to address customers' cash flow needs.

HDFC Life expects a gross impact of 100 bps on VNB margin due to higher surrender value on early exits. ICICI Prudential Life has already experimented with trail/level commission structures in products and is looking to modify commission structures. Non-linked business is about 20 percent which will mute impact. Max Life expects impact to be in the range of 100-200 bps and is working towards mitigating this impact with restructure of distribution commercials, and realigned maturing and surrender propositions. SBI Life's management does not expect much impact on margins given its ULIP driven product mix. No change in commission structure is expected.

There is some post Q1FY25 guidance on growth and margins as follows. HDFC Life targets doubling VNB in four years, and hopes to outpace industry in retail APE (annual premium equivalent) growth. ICICI Pru Life's management hopes to outperform industry growth in FY25 while maintaining VNB growth in line with business growth according to earlier guidance. Max Life has guided for VNB growth in the mid-teens. SBI Life is targeting APE growth in the high teens to 20 percent with 28 percent VNB margin. The Q1FY25 is boosted by a base effect but even on a 2-year CAGR basis, players have grown individual APE by 13-26 percent. Managements are guiding for a mid-to-high teens growth in FY25, and given a strong July, analysts are upgrading APE estimates for FY25.

Insurers have focused on ULIP as a category to drive growth since capital markets have done well and higher ticket traditional products are being hit by changes in taxation. New products and funds in the ULIP space will capitalise on strong stock-market trends. There has been a positive impact on sum assured driven by growth in retail protection and higher attachments of riders in savings products. The individual weighted received premium (WRP) for private players grew 22 percent year-on-year (YoY) in Jun'24 (a three-year CAGR of 19 percent). For the industry, individual WRP grew 18.9 percent YoY in Jun'24 (a three-year CAGR of 14.3 percent). For FY24, private players grew 8 percent YoY.

Among listed players, HDFC Life (including Exide merger) grew 34 percent YoY, SBI Life grew 18.3 percent, Max Life and ICICI Prudential Life grew 22.2 percent and 27.8 percent respectively, while Bajaj Allianz Life grew 35.2 percent YoY in Jun'24. Individual WRP for LIC grew 12.7 percent YoY while it was flat in FY24 compared to FY23. In terms of WRP, LIC's market share dropped to around 32 percent with SBI Life as the largest private player with 7 percent share. The combined market share of the listed private players – SBI Life, HDFC Life, ICICI Prudential Life, and Max Life – accounted for 58.6 percent of the private insurance industry. Changes in the surrender policy will cause volatility in premium growth through H2FY25.

However, the strong performances and the fact that these changes will ultimately make insurance more attractive to customers should drive growth in the medium-term. Stocks of HDFC Life and SBI Life hit 52-week highs on Thursday, while ICICI Prudential Life's stock did so on Wednesday. According to Bloomberg, most analysts polled in August are positive on these four stocks—10 out 11 in case of HDFC Life, all 11 for SBI Life, 7 of 10 for ICICI Prudential Life and 14 of 16 in case of Max Financial (listed parent of Max Life). However, one-year target prices suggest limited upside of 5-7 percent, except in the case of Max (16 percent).

(The writer is Devangshu Datta.)

TOP

Proportion of sales of private-sector life insurer's falls in rural areas - Asia Insurance Review – 22nd August 2024

The share of life insurance policies sold in rural areas by top private insurers fell in the financial year ended on 31 March 2024 (FY24), compared to previous financial year. SBI Life, HDFC Life, and ICICI Prudential Life Insurance—the top three players from the private sector—have seen their share of insurance policies sold in rural areas drop in FY24 as compared to the previous financial year. However, Max Life Insurance's share of rural policies rose in FY24, reported Business Standard.

State-run Life Insurance Corporation of India's share of insurance policies sold in rural areas jumped from 22.25% in FY23 to 47.72% in FY24. In the Union Budget for FY24, Finance Minister Nirmala Sitharaman proposed that insurance policies (excluding unit-linked insurance plans) with an aggregate premium exceeding INR 500,000 ($5,960), and the maturity amount, would not be exempt from tax. This rule came into effect on 1 April 2023 (the start of FY24) which led to a surge in the sale of policies in Tier 2 and Tier 3 cities in March 2023. However, the growth of rural and social sector policies grew at a normalised rate lowering the share of policies sold in rural areas compared to FY23.

% of policies sold in the rural sector to total policies

Life Insurance Companies	FY24	FY23	Change
Life Insurance Corporation of India (LIC)	47.72%	22.25%	+25.47 ppt
SBI Life Insurance	30.78%	31.87%	-1.09 ppt
HDFC Life Insurance	23.61%	30.44%	-6.83 ppt
ICICI Pru Life Insurance	20.90%	22.63%	-1.73 ppt
Max Life Insurance	23.90%	21.13%	+2.78 ppt

TOP

Bundled health and life cover plans can be cost-effective – Financial Express – 17th August 2024

Insurance companies are offering combo plans with life and health cover in a single policy. Policyholders have a single point of contact for all their insurance needs, making it easier to track coverage, pay premiums, and handle claims. In combo plans, policyholders are covered for both life-threatening events and medical expenses. This ensures that policyholders and their families are better protected in case of health emergencies or untimely demise. The combo plans include additional riders such as critical illness coverage, accidental death benefits, or waiver of premium benefits, which can provide added security and financial support.

Sharad Bajaj, COO, Insurance Dekho, says, combo insurance plans, which bundle life and health insurance, often come with added features that may not be available when purchasing separate policies. These features can enhance the overall value and convenience of the coverage. "Combo plans often come with additional benefits such as cashless hospitalisations, coverage for critical illnesses, and death benefits. These added features enhance the overall value of the policy," he says. Some of the comprehensive combo policies are ICICI Prudential's iShield, Max Life's Secure Earnings & Wellness Advantage Plan and PNB MetLife's Mera Mediclaim Plan. The maximum age at entry for these plans is 65 years. The plans provide cashless hospitalisation at the insurance company's network hospitals, rider benefits, and coverage against death, terminal illness and disability.

Managing one policy instead of two often means less paperwork and fewer documents to keep track of. This can simplify the process of renewing or making changes to coverage. Policyholders can avail tax benefits on premiums paid under Sections 80C, 80D and benefits received under Section 10(10D) of the Income Tax Act.

Cost effective plans

Combo plans are cost-effective as bundling life and health insurance into one policy results in saving costs as compared to purchasing separate policies. Insurance companies often offer combo plans at a discounted rate compared to the cumulative cost of individual life and health policies. These plans eliminate the need for overlapping coverage between separate policies, which reduces the overall premium expenses. So, by consolidating coverage, policyholders avoid paying for redundant benefits and managing one premium payment is simpler than handling multiple payments. Rakesh Goyal, director, Probus, an insurance broking firm, says combo plans are cost effective because the administrative costs and underwriting processes are streamlined when both coverages are bundled together. "However, it is essential for policyholders to carefully review the features and coverage offered by these plans to ensure they meet their specific needs before deciding on a combo plan."

Additional features

Combo plans have additional features such as integrated benefits, where a portion of the life cover may be utilised for health emergencies or hospitalisation. Some combo plans may offer wellness benefits, preventive health check-ups, and even return of premium options if no claims are made during the policy term. "These plans may include riders such as critical illness cover or accidental death benefits at a lower cost when bundled compared to adding these to individual plans separately," says Bajaj.

Some insurers offer higher coverage limits or enhanced benefits in combo plans as an incentive. This means more substantial payouts for both health and life coverage compared to separate policies. Combo plans may offer more flexible terms or customisation options, allowing policyholders to tailor their coverage to meet specific needs or preferences that might be more cumbersome to arrange with separate policies.

(The writer is Saikat Neogi.)

TOP

GENERAL INSURANCE

India's deposit insurer is overcharging commercial banks – Live Mint – 21st August 2024

The Deposit Insurance and Credit Guarantee Corporation (DICGC), a unit of the Reserve Bank of India (RBI), insures deposits across the banking system. As of March 2023, it insured 2,026 banks. In 2022-23, it collected gross premiums of ₹21,381 crore, with investment income at ₹11,908 crore, and revenue surplus after tax at ₹24,559 crore. As an insurance company, it has an actuarial valuation for liability as of 31 March 2023 at ₹12,174 crore, but surplus collection to date beyond actuarial liability totalled ₹1,57,427 crore. The total funds available with the Deposit Insurance Fund are ₹1,69,602 crore, or 2.02 percent of the total insured amount. With these impressive surpluses, the key issue to be examined is whether DICGC is overcharging banks for premiums to collect a surplus? Can the premiums be reduced and based on the risk profiles of the insured bank, which will reduce the overall costs of compliance in the banking system?

Commercial banks have lower risk profiles: Insurance premiums rose from 5p per ₹100 insured in 1962—when DICGC was set up—to 10p in 2005 and 12p in 2020. Insurance coverage was capped at ₹1,500 in 1962, which increased to ₹1,00,000 in 1993 and ₹5,00,000 in 2020. Today, DICGC collects insurance premiums at 12p per ₹100 insured for all deposits up to ₹5 lakh per person. This premium is uniformly applied, irrespective of whether the bank is commercial or cooperative, despite the differing risk profiles and management structures. Of the 2,026 insured banks, 139 are commercial and 1,887 cooperative banks. Insured deposits totalled ₹83,89,470 crore, of which ₹77,00,667 crore were deposited with the commercial banks and the rest ₹6,88,803 crore with the cooperative banks. Accordingly, of the total premiums collected in 2022-23 of ₹21,381 crore, ₹20,104 came from commercial banks and ₹1,277 crore from cooperative banks.

However, the claims profile is reverse, with cooperative banks requiring 98 percent-plus of the total claims to date. Since 1962, gross claims of ₹295.85 crore have been filed towards 27 commercial banks. Against cumulative recoveries of ₹157.54 crore, the net claims for commercial banks total ₹138.31 crore. On the other hand, ₹14,735.25 crore have been filed in gross claims towards 410 cooperative banks. Against cumulative recoveries of ₹4,602.26 crore, the net claims for cooperative banks stood at 10,133 crore. DICGC collects 94 percent of premiums from commercial banks, which account for a mere 1.3 percent of net claims. Cooperative banks contribute only 6 percent of premiums but claim 98.7 percent of the net claims. The skew of premiums to net claims totally distorts the sector because well-managed banks are being made to pay for the huge defaults prevalent in cooperative banks. It imposes high costs on good management, contrary to the risk evaluation theory of insurance. Reevaluation of premiums: DICGC does not need to carry these big surpluses on its balance sheet. It invests them in government securities, which are stable investments. Additionally, as a wholly owned subsidiary of RBI, it has in-principle access to liquidity support from RBI in case of need.

In 2022-23, revenue surpluses after tax totalled ₹24,559 crore. It is safe to assume that there will be a surplus of at least ₹26,000 crore in 2023-24 and another ₹30,000 crore in 2024-25. Adding these will take the fund surplus to ₹2,13,427 crore plus the actuarial valuation, which will be close to the oversized target of 2.5 percent of the insured deposits that DICGC has set. It is especially outrageous in the case of commercial banks. DICGC and RBI must reevaluate premiums paid by commercial banks, which hold a majority of the insured deposits but have significantly lower risk profiles than cooperative banks. If the insurance premium of 12p per ₹100 insured is reduced to 3p for commercial banks, this will provide them a relief of about ₹20,000 crore in 2025-26. The premium for cooperative banks can be lifted up to 15p, the maximum the law allows. This will reduce DICGC's gross 2025-26 revenue by about ₹20,000 crore and revenue surplus after tax by about ₹15,000 crore. However, with balance premium revenue along with investment income, DICGC will get an estimated ₹24,000 crore in pre-tax revenue, which is still a significant surplus.

Reducing the premiums for low-risk banks will send a clear message to the economy that premiums must be based on the risk profile of the insured entity, and larger banks do not have to subsidize the claims of cooperative banks. In case of bank failure, RBI has demonstrated alacrity in working out a safety net, as seen in the case of Yes Bank. The probability of public sector banks requiring bailouts is almost nil as the government owns them. The likelihood of private sector banks requiring bailouts is also relatively low, as evidenced by data. Still, if one is in trouble, RBI has enough tools to ensure it is safely reset. High insurance premiums are not required. Excessive regulation and compliance costs in banking must be reduced to improve efficiency. RBI and the government have done exceptionally well in developing tools to manage bank failures. They must ensure that commercial banks do not bear the high compliance costs, which are ultimately passed on to depositors and good borrowers and drag down the economy.

(The writers areT V Mohandas Pai and Nisha Holla.)

TOP

FDs: RBI Dy Guv Moots Full Insurance Cover for Seniors - The Times of India (Delhi edition) – 20th August 2024

RBI deputy governor M Rajeshwar Rao has mooted full insurance cover for bank deposits of certain sections such as senior citizens and small depositors. The deputy governor's suggestion comes in the wake of these segments being the worst hit in the case of cooperative banks' failure. In the case of the Punjab and Maharashtra Cooperative Bank, many of those whose deposits exceeded the Rs 5 lakh limit were senior citizens who had kept their retirement funds with the cooperative for a higher return. Besides senior citizens, some smaller investors who had parked their money in cooperative credit societies, which in turn deposited cash with the failed bank, had also lost their deposits. Rao's proposal was made in a speech at a conference organised by RBI's subsidiary Deposit Insurance and Credit Guarantee Corporation (DICGC) in Jaipur last week. At the same event, deputy governor J Swaminathan had proposed risk-based pricing of deposit insurance. Supporting this view on risk-based pricing, Rao said that flat pricing — which is the current practice — is antithetical to the concept of insurance. "The primary objective of differential premium systems is to provide incentives for banks to avoid excessive risk taking, minimise moral hazard and introduce greater equity into the premium assessment process. Keeping this objective in view, many jurisdictions are transiting towards Risk Based Premium (RBP)," said Rao.

Rao's comment on full insurance cover for bank deposits was made in the context of failure and near failure of banks in the US and Europe in 2023. "It does spark a debate on the financial stability risk arising from a confluence of factors," said Rao. While full insurance cover was ideal for depositors to avoid bank runs, Rao said it is likely to be a 'sub-optimal solution' as it would trigger moral hazard where lenders take undue risks as they do not have to face the consequences of depositors exiting.

TOP

India: Loss-making state-owned general insurer aims to generate profits in FY2025 – Asia Insurance Review

Government-owned general insurer National Insurance Company (NIC) is aiming to return to profit in the current fiscal year ending 31 March 2025 (FY2025), after incurring losses for nearly a decade, one of the company's directors said. The Kolkata-headquartered company is expecting INR1bn ($11.9m) to INR2bn this year, reported Press Trust of India quoting NIC executive director Mr T Babu Paul.

He said that the insurer was able to narrow its loss to INR1.87bn in FY2024 from INR38.55bn the previous financial year. He added, "We expect to post a net profit of INR100-200 crore, provided no catastrophe hits us in the remaining quarters."

Health and motor insurance
Mr Paul said that NIC had reduced loss-making insurance products and implemented other cost-saving measures in a bid to turn around its financial performance. "We have either pruned or re-priced motor insurance and group or bulk health products. Now, we are focusing more on retail ones," he added. Retail business accounts for about one-third of the total INR70bn premium in the company's health insurance segment, while it accounts for nearly two-thirds of the INR50bn premium from the motor segment.

"Health and motor account for 80% of our portfolio, but in the next three years, we aim to reduce this dependence to 70% by improving other miscellaneous insurance products like fire, home," Mr Paul said. The government has directed state-controlled general insurers, which are struggling to improve their solvency ratio and profits, to exit the motor and health insurance segments, which have been identified as significant loss-making branches.

Three major public-sector insurers – NIC, United India Insurance Company (UIIC), and Oriental Insurance Company (OICL) – have received a combined capital infusion of around INR175bn in recent years from the state. The government injected INR25bn in the three companies in the financial year ended 31 March 2020 (FY2020), INR99.5bn in FY2021, and INR50bn in 2022.

TOP

A periodical upward revision of the deposit insurance coverage limit may be warranted: RBI Dy. Guv Rao - The Hindu Business Line – 19th August 2024

A periodical upward revision of the deposit insurance coverage limit may be warranted, taking into account multiple factors such as growth in the value of bank deposits, economic growth rate, inflation, and increase in income levels, according to RBI Deputy Governor M Rajeshwar Rao. He also observed that the possibility of economic viability of an alternate targeted insurance approach with full coverage for certain sections of the customers like small depositors, senior citizens etc. or pool deposits of smaller depositors could be examined based on a careful evaluation of the constructs, costs and benefit of such an approach. "Today we count India to be amongst the fastest growing large global economies and this healthy growth rate is expected to continue in the near future," he said. "A growing and formalizing economy can naturally be expected to see a sharp increase in both primary and secondary bank deposits, driving a wedge between the desirable insurance reserve requirement and the available reserve," Rao said in his valedictory address at the recent IADI Asia-Pacific Regional Committee International Conference 2024 at Jaipur.

At present, a limited coverage option is adopted in India with uniform deposit insurance coverage limited to an amount of ₹5 lakh per depositor of each insured bank. The last time that the deposit insurance cover was increased was in 2020. It was upped five times to Rs 5 lakh with effect from February 4, 2020. Simultaneously, the insurance premium was increased to 12 paise per annum per ₹100 of deposit with effect from April 1, 2020, from 10 paise earlier. The Deputy Governor noted that a periodical upward revision of the deposit insurance coverage limit means that the deposit insurer has to be mindful of the additional funding and needs to work out suitable options to meet the same.

Products: greater innovations, newer risks

"We also need to recognise that with greater innovations in product offerings by banks newer risks which can impact deposit growth, the demand for higher coverage for deposits, risk-based Premium would be a better option for the deposit insurer to ensure robustness of its finances and also enhance its capability to operate in changed financial milieu," Rao said. It is therefore important for deposit insurers to carefully examine the option of adopting risk-based deposit insurance cover.

Insurance cover for digital products

The Deputy Governor emphasised that even as digital products become more pervasive, there would be a need to consider whether coverage of such digital deposit-like products should also be an option for the Deposit Insurer. A committee formed by RBI for review of customer service standards in its regulated entities in its recent report has recommended extending deposit insurance cover to money kept in wallets of pre-paid card issuers. "While there is clearly no "one-size-fits-all" solution to cover digital products, we need to choose a suitable approach which is consistent with the primary objective of the deposit insurance function," Rao said.

(The writer is K Ram Kumar.)

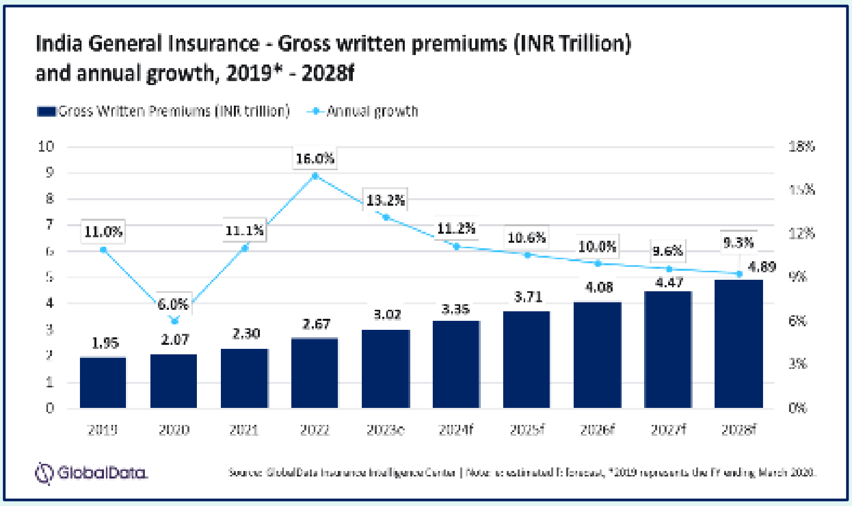
TOP

India's general insurance sector slated to expand 11.2 percent in 2024 - Asia Business Review – 20th August 2024

The general insurance sector of India is projected to expand by 11.2 percent this year, thanks to personal accident and health (PA&H), motor, and property insurance lines, which account for the majority share of the total general insurance premiums in 2023. GlobalData also forecasts the industry to reach a compound annual growth rate (CAGR) of 9.9 percent from $40.36b in 2024 to $57.3b in 2028, in terms of gross written premiums (GWP).

PA&H insurance, the largest segment, is forecast to hold a 39.5% share of general insurance gross written premiums (GWP) in 2024 and grow by 14.5%, influenced by heightened health awareness and rising medical costs. This segment is projected to grow at a CAGR of 12.5% from 2024 to 2028. Positive regulatory changes, including the proposal for a healthcare regulator and the launch of the 'Bima Sugam' electronic marketplace by the Insurance Regulatory and Development Authority of India (IRDAI), are expected to further boost this sector. Motor insurance, the second-largest segment, is anticipated to account for 31.1% of GWP in 2024, with a 10.4% growth rate driven by increased vehicle sales, which rose by 12.5% in March 2024 compared to the previous year.

"The growth in vehicle sales was also fueled by the government's vehicle scrapping policy, which came into effect on April 1, 2023. The policy requires private vehicles older than 20 years and commercial vehicles older than fifteen years to be scrapped. Motor insurance is expected to grow at a CAGR of 7.9% during 2024-28," GlobalData's Insurance Analyst, Swetansha Chauhan said. Property insurance, the third-largest segment, is projected to hold a 22.5% share of GWP in 2024, growing by 10.4% due to increased infrastructure investment, which has been allocated $134 billion in the 2024-2025 budget. This segment is expected to grow at a CAGR of 8.3% over the same period. Liability, Marine, Aviation, and Transit (MAT) insurance, along with other general insurance products, are estimated to account for the remaining 6.8% of GWP in 2024.



GlobalData's Chauhan also noted that the combination of economic recovery, rising disposable income, and favourable regulatory reforms will drive the growth of India's general insurance sector. Despite a current insurance penetration rate of 0.98%, which is lower compared to other Asian markets such as Japan, South Korea, Hong Kong, and China, these factors are expected to enhance penetration and growth in the coming years.

TOP

HEALTH INSURANCE

Health Insurance Scheme for seniors hinges on better infrastructure - The Economic Times – 21st August 2024

In a landmark decision this June, President Droupadi Murmu announced that the government will extend free treatment to citisens over 70 years of age under the Ayushman Bharat scheme, irrespective of their economic status. This expansion marks a significant enhancement of the world's largest health insurance initiative, which offers coverage of up to ₹5 lakh per family annually for secondary and tertiary care hospitalisation. Prior to including senior citizens in its fold, the Ayushman Bharat health insurance scheme was already providing coverage to 55 crore of the country's most vulnerable individuals. Earlier in the interim budget in February, the scheme had been extended to include grassroots-level healthcare workers, such as ASHA and Anganwadi workers.

(The writer Nanki Lakhwinder Singh.)

TOP

Indians may need to get over a tax headache to secure their health - The Economic Times – 21st August 2024

When Indian parliamentarians from opposition parties demanded Finance Minister Nirmala Sitharaman to consider waiving off the Goods and Services Tax imposed on life and health insurance policies, she raised some factors associated with the GST on insurance products. "I want to raise two important points - tax has been there on medical insurance even before the introduction of GST. There was already a pre-GST tax on medical insurance, before the GST was introduced. This is not a new issue, it was already there in all the states. Those protesting here... did they discuss regarding the removal of this tax in their states?" India imposes 18 percent GST on insurance products.

'Remove 18% GST on insurance'

The demands for junking indirect tax on health insurance came to limelight as one of her colleagues, Transport Minister Nitin Gadkari, demanded so in a letter. Sitharaman later said the letter wasn't meant to be public. Nonetheless, in a country that has high income inequality and healthcare infrastructure needs further major boost, Indians are debating why they should be taxed for something that is associated as a necessity - healthcare. The insurance penetration rate in India is far lower compared to many other nations and tax is an added cost that citizens need to bear if they want to buy medical insurance. A report by the Niti Aayog said that 30 percent of the population, around 40 crore Indians, still lack any form of financial protection for health. The Economic Survey forecasts that insurance penetration, measured as a percentage of GDP, will rise from 3.8 percent in FY23 to 4.3 percent by FY35. At the same time, life insurance premiums are expected to grow at an annual rate of 6.7 percent between 2024 and 2028. This growth is driven by increasing demand for term life insurance, a younger population, and advancements in Insurtech.

Health insurance: The question of affordability

Parthanil Ghosh, Director and Chief Business Officer at HDFC ERGO General Insurance, told ET Online that although the tax structure has been simplified since the introduction of GST in 2017, the affordability factor has become an adverse issue for policyholders. "While the single rate has ensured that the tax structure for policyholders is simplified and transparent, the affordability factor has been negatively impacted as it has made health insurance premiums costlier by the GST amount," Ghosh explained. Ghosh, however, highlighted a silver lining: "With Input Tax Credit available on the GST paid by the insurer, the net impact of GST is comparatively lower than that under Service Tax for some non-life insurance products." "Insurance companies determine the gross premiums based on the expected cost of claims and associated expenses. These premiums include the applicable GST. Thus, an insurance policy with a premium of Rs 15,000 will have an additional cost of Rs 2,700 (Rs 15,000 * 18%). The input tax credit availed by an insurance company against the services procured ensures that these costs are not passed onto the policyholders," he said.

Insurance Samadhan's COO and co-founder Shilpa Arora argues that the amount of GST imposed on premiums is 'not justified.' "GST of 18% is not justified on premiums. Insurance products are bought to safeguard families against financial losses due to early death or illness. Where IRDAI is talking about insurance for all by 2047, the government should reduce the GST to make premiums more affordable," Arora told ET Online.

Star Health didn't respond to ET Online's query.

Indians' reluctance to buy insurance

Premiums on insurance often increase by 10 to 20 per cent, thus adding to the financial strain on the policy buyer. This annual surge in premiums adds to the cost burden for Indians and particularly affects senior citizens, especially ones who have retired and may be depending on savings for survival.

"In India, where around 40 crore people have no financial protection for health, it is a matter of worry, especially in the case of senior citizens, who may need a high sum insured thus bear the significant brunt of the GST rate," said HDFC Ergo's Ghosh.

18% GST removal can bring down health insurance costs

Shilpa Arora weighed in on this sentiment and said that if the government decides to reduce GST on insurance, it would help bring down premium prices too. “In life insurance, if an endowment product is bought, the customer pays Rs 59,000 as a premium, but the investment will be considered as Rs 50,000 (with further mortality charges and expenses deducted), and Rs 9,000 being the GST element. This results in lower returns because the policyholder calculates the total price paid and the return he has received. He often feels cheated and loses trust in insurance products. We receive many complaints where health insurance premiums have increased significantly, and the policyholder is asking for relief. Here we cannot do much, but the government can definitely help by reducing the GST percentage,” Arora explained.

GST withdrawal on health insurance: A real possibility?

Taxes are what help run a nation. Asking for a tax exemption seems to be a challenging proposition in a developing country like India. Experts believe that reduced or exempted taxes would have a positive ripple effect on citizens. But what impact would such an exemption have on insurers?

“If GST is exempted on insurance premiums, then insurance companies would not be able to avail input tax credit (ITC) on the GST paid by the insurance company, and thus, it might not truly benefit the policyholders,” Ghosh said. Shilpa Arora, on the other hand, welcomed any future prospects of a possible exemption from taxes on life and health insurance. “This will make premiums more affordable; people can buy better coverages. The returns of life products will improve,” she said.

Ghosh offered a different solution.

If the GST rate is set at 0% or any rate lower than the current rate of 18% instead of exempted, then the benefit equivalent to the ITC credit availed would still be passed on to customers, and this is expected to result in lower premiums for the customer,” Ghosh stated.

Can GST removal in insurance help improve low percentage of insurance penetration?

India’s insurance penetration has increased from 3.9 percent in 2013-14 to 4 percent between2022-23, according to Financial Services Secretary Vivek Joshi. Though the insurance industry has seen an influx of people investing in life and health insurance plans, awareness of insurance remains low in India compared to other nations. Ghosh said that various factors contribute to the slow growth in insurance penetration.

“Affordability of health indemnity policies and financial literacy are major hurdles, as many people are unaware of the benefits of insurance in the country. With lower affordability, consumers are difficult to convince on indemnity policies. There is also a lack of customised products and lower trust in insurance policies.”

What lower health insurance premium can do?

Insurance Samadhan’s Arora stated that a decrease in premiums would help encourage more investments in life and health insurance policies. She agreed that an easier tax regime would help increase the percentage of policyholders. “Lower premiums will result in increased coverage and also reduce the lapsation of policies in later years. We strongly feel that 18 per cent is too high for an essential product for every Indian family,” Arora said. India’s insurance penetration percentage reveals that many people don’t sign up for insurance. Experts associate this low percentage with two crucial factors: medical inflation and the absence of a healthcare regulator. “The absence of a healthcare regulator has resulted in over 10% annual medical inflation, which in turn makes health insurance premiums costlier. In fact, post-COVID, we have observed medical inflation rising steeply coupled with modern technology costs, resulting in an increase in health insurance premiums,” Ghosh elaborated. Moreover, he said that “in order to propel insurance penetration in India, it is essential to adopt a multi-faceted approach and complement it with other factors such as a strong distribution network, innovative products and services, and a seamless claims experience to increase insurance awareness.”

Moment of truth: Insurance claim rejections

GST may be one of the problems when it comes to Indians' reluctance to invest in insurance policies. Another significant reason for this reluctance can be linked to the increased percentage of rejected insurance claims. A survey conducted by Local Circles showed that at least 43 per cent of insurance claims have either been partially approved or rejected in the last three years. The survey cited the experiences of several policyholders, who revealed the challenges they faced while applying for an insurance claim. "From insurance companies rejecting claims by classifying a health condition as a pre-existing condition to only approving a partial amount, 43 per cent of health insurance policyholders who filed a claim in the last three years struggled with getting it processed," the report said. "The insurance industry experiences significant fraud in the reimbursement mode, leading to high rejection rates," countered HDFC Ergo's Ghosh. Shilpa Arora acknowledged that an insurance claim's rejection does have a negative impact on policyholders. "Insurance claim rejection does break the trust of the policyholder because the moment of trust for an insurance product is the claim. A lot is being done by IRDAI to improve the policyholder experience like the new health insurance guidelines and the revamped grievance mechanism," Arora said.

(The writer is Jhanavi Pathak.)

TOP

Health insurance access and disease profile for women in India – Hindustan Times – 17th August 2024

Women's access to health care is an important public health and human rights issue. India has been at the forefront of efforts for Universal Health Coverage (UHC) via publicly funded health insurance (PFHI) programmes. However, the rapid rise of non-communicable diseases (NCDs) signals a need to re-examine and reorient health policy priorities. The paper examines the changing burden of NCDs which include cardiovascular diseases (CVDs), cancer, diabetes and kidney disorders, and chronic respiratory diseases for women in India, its determinants, particularly the role of women's agency, and compares the concordance between the burdens of disease with health accessed via insurance using the case study of Meghalaya, India. Evidence from our research indicates the need for state specific policies to address the NCDs among women and secondly to understand the NCD burden based on risk profiles and its district wise variation.

(The writer are Nandita Bhan & Prajakta Shukla.)

TOP

REINSURANCE

Govt may take offer-for-sale route to reduce stake in GIC Re - The Hindu Business Line – 18th August 2024

GIC Re, India's largest re-insurer, has prepped itself for a possible offer-for-sale (OFS) by the Government, with the likelihood of a credit rating upgrade by AM Best seen acting as a tailwind. Currently, the Government has 85.78 percent stake in the company. For a company to be listed and continue to be listed, it must have a minimum public shareholding of 25 percent. In a reply to a question on the possibility of the Government diluting its stake in GIC Re, Chairman & Managing Director Ramaswamy N, said: "We are ready, but it's not our call. There are two ways of doing it. We can issue more equity so that the Government's share comes down. But, currently, we don't need capital.

From a solvency perspective, we are in a very good position. So we will not be issuing equity." "What will happen is the government will bring down its stake possibly via OFS route....As a company, we are ready for the process."

In fact, GIC Re has conducted multiple road shows. In October 2023, it held a domestic road show, engaging with investors, analysts and other stakeholders, showcasing its growth story, profitability track record and diversified business. The solvency ratio, which is a measure of capital adequacy, of the corporation rose to 3.36 percent as of June-end 2024 from 2.88 percent as of June-end 2023. Insurance regulator IRDAI has set a minimum solvency ratio of 1.50 for insurers. Ramaswamy expects 15-16 percent growth in gross premium in FY25. Last year, GIC Re's gross premium was at ₹37,182 crore. "This year, hopefully, we will be close to about ₹42,000-43,000 crore (in gross premium collection). That is a substantial growth for us. We are confident of achieving it," he said.

Rating upgrade possibility
Referring to the need for a good credit rating for writing international business, the GIC Re chief said: "This year, we are hoping to be back to "A-" credit rating from "BBB". Our profitability and combined ratio are good.

"Last year, they (AM Best, world's largest credit rating agency specialising in the insurance industry) gave us a double push – the outlook on the rating improved from "BBB+ with negative outlook" to "BBB+ with positive outlook". We did not go to stable, we came directly to positive. Now, we are only one notch below "A-". The corporation, which got listed on the exchanges on October 25, 2017 via an initial public offer aggregating ₹11,176 crore, has shared its financial performance data with the credit rating agency for a possible rating upgrade. Once the company's rating is upgraded, it expects to start growing its international book from January 1, 2025.

(The writers are Piyush Shukla and K Ram Kumar.)

TOP

SURVEY AND REPORTS

Financial services, insurance firms prime targets for AI-driven cyber-attacks, says study - The Economic Times – 22nd August 2024

A report from Palo Alto Networks highlights the escalating cybersecurity risks faced by organisations in critical sectors like financial services, insurance, and healthcare. The "2024 Unit 42 Attack Surface Threat Report" reveals that these industries are increasingly vulnerable to AI-driven cyber-attacks, as their rapidly expanding digital footprints introduce over 300 new services monthly, often leading to misconfigurations and exposures. The study emphasizes the urgent need for continuous asset discovery and monitoring to secure IT infrastructures against evolving threats.

"As businesses continue to expand their digital footprints, the test of tracking and protecting all assets becomes increasingly difficult. Many organisations struggle to inventory their internet-facing applications, leaving them exposed to cyber threats that often begin with the exploitation of software vulnerabilities," the study said.

Key findings
Constantly Evolving Attack Surfaces: On average, an organisation's attack surface introduces over 300 new services every month, accounting for nearly 32% of new high or critical cloud exposures. This rapid growth of new services without central oversight inevitably leads to misconfigurations and exposures, resulting in higher chances of a breach.

Increased Risks from Lateral Movement and Data Exfiltration: Organisations experienced 73% of high-risk exposures within IT and Networking Infrastructure, Business Operations Applications, and Remote Access Services, which can be exploited for lateral movement and data exfiltration.

Critical IT and Security Infrastructure Exposures: Over 25% of exposures involve critical IT and networking infrastructure, opening doors to opportunistic attacks. These include vulnerabilities in application-layer protocols and internet-accessible administrative login pages of routers, firewalls, VPNs, and other core networking and security appliances. Remote access services and business operation applications also constitute a significant portion of exposures, with each comprising over 23% of attack surface exposures.

High vulnerability in key industries

Media and Entertainment: The industry experienced the highest rate of new services added, exceeding 7,000 per month. Telecommunications, Insurance, Pharma and Life Sciences: These industries saw substantial increases, with over 1,000 new services added to their attack surfaces.

Critical Industries: Financial services, healthcare, and manufacturing saw their attack surfaces add over 200 new services every month. The report also highlights the need for organisations to adopt AI-driven tools like Cortex Xpanse which provides continuous asset discovery and inventory. This capability is essential for maintaining complete visibility into the attack surface and reducing security risks.

Anil Valluri, MD and VP, Palo Alto Networks India and SAARC said, "As digital transformation and cloud adoption accelerate, the attack surface becomes more dynamic and challenging to secure, heightening the risk of AI-driven attacks that can scan billions of IP addresses in minutes to exploit vulnerabilities. With nearly half of exposures linked to remote access services and core networking infrastructure, and 23% to business operations applications, maintaining real-time visibility and monitoring is crucial. Leveraging AI-driven solutions for continuous asset discovery and inventory is essential to ensure comprehensive visibility and mitigate security risks."

The defence

To secure attack surfaces effectively, maintaining persistent and comprehensive visibility across all assets, is essential for identifying and responding to risks such as high-profile vulnerabilities. Monitoring for unsanctioned services or shadow IT is critical to differentiate between known and unknown assets. Prioritising remediation efforts on high- everity vulnerabilities, especially those that are internet-exposed, is also crucial. Moreover, organisations should implement processes to address critical exposure risks in real time, optimise cloud configurations, and enforce secure data handling practices. Finally, staying informed about emerging threats and regularly reassessing the organisation's attack surface are key strategies to mitigate risks.

TOP

Indian Insurers must modernize core platforms to meet competition and evolving customer expectations: BCG - Lokmat Times – 20th August 2024

Indian insurers stand at a critical juncture where the rapid digitization of the last decade is now being met with demands for innovation driven by emerging technologies like Artificial Intelligence (AI), Generative AI (GenAI), and cloud computing, stated a report by Boston Consulting Group (BCG) India titled "Winning with Core Transformation: Pathways to Enhanced Value and Efficiency." The report emphasizes the pressing need for Indian insurers to modernize their core platforms to meet evolving customer expectations and effectively differentiate themselves from competitors.

It identifies the legacy core systems as bottlenecks in insurers' efforts to innovate and deliver new products and experiences in a rapidly changing digital landscape. BCG's report highlights the unique opportunity for business and technology teams within insurance companies to collaborate and drive holistic, business-centred technology transformations that could be decisive for their future success. BCG's analysis identifies three critical levers for insurers to unlock value through core transformations.

The report underscores the importance of offering modular, pre-underwritten products that allow customers to tailor their insurance coverage seamlessly. Insurers are encouraged to use automated decision-making processes to ensure smooth customer interactions, 360-degree communication, and a strong focus on customer-centricity. Insurers are advised to replace high-touch operations or underwriting-heavy processes with streamlined, automated models supported by AI and advanced rules. By eliminating redundancies and pain points, insurers can enhance self-service capabilities across multiple channels, leading to higher efficiency and better customer experiences. The transformation of core systems presents insurers with the opportunity to drive up market penetration through personalized offers, increased cross-selling and up-selling, and accelerated claims processing. By leveraging modern technology and reimagined processes, insurers can create significant business impact and secure a competitive edge.

BCG India's report offers three distinct pathways for insurers to undertake core modernization, each tailored to different business contexts and technological starting points. This approach involves building a microservices layer that abstracts key functionalities from the legacy core system, using the legacy system primarily as a record-keeping mechanism. This method is particularly suitable for incumbent life insurers or those with substantial long-term policy portfolios. Insurers may choose to set up a second, parallel core system as a challenger to the existing one, moving products or lines of business incrementally rather than through a single, large-scale transition. This phased approach allows insurers to focus on high-value flows while managing a temporary multi-core environment during the transition. A more radical approach, some forward-looking insurers with significant in-house technological expertise are opting to build their own core systems. This pathway allows them to offer highly differentiated products and experiences while becoming more self-sufficient and reducing operational costs over time.

The BCG report outlines several common success factors across all pathways, including adopting microservices-based architectures, investing in robust ecosystems that involve both in-house and partner-led solutions, and reimagining traditional ways of working. A critical element for success, as highlighted by BCG, is the establishment of a robust Control Tower that oversees the entire transformation program, acting as an orchestrator across techno-functional areas to ensure full value capture. Swayamjit Mishra, Managing Director & Partner, Leads Technology in Insurance for BCG India, said, "The obvious & disruptive moves by insurers have been made, now winners will take the more difficult and bold step of attacking the core. The aim with the core is not to re-platform or to move to a new modern core; the aim must be to create value and deliver delight via new products, processes and experiences."

TOP

PENSION

EPFO advanced tech system to be operational in 3 months - Financial Express – 22nd August 2024

Labour Minister Mansukh Mandaviya has announced that the new Employees' Provident Fund Organisation (EPFO) information technology (IT) system '2.01' will be made operational within the next three months, an official release said. The Minister made the announcement while reviewing the IT system modernisation initiatives. Mandaviya is closely monitoring the progress of the EPFO's IT upgrade, and ensuring that the transition to the new platform is smooth and timely, the release said.

The new system will result in centralised claim settlement including end-to-end auto processing of claims, centralised monthly pension disbursements, Universal Account Number (UAN)–based EPF accounting, Restructured Electronic Challan-cum-Receipt (ECR) with due statement and remittance challan, and doing away with the requirements of transfer of member ID (MIDs) on change of jobs. As part of the ongoing IT modernization efforts, Mandaviya has already launched 'Online Module for Surrender of Exemption' on 13th August 2024. This facility reduces the time and effort while providing facilities such as online submission of application, validation of applications and transfer of past accumulations of the member. It replaces the earlier system of physical submission with voluminous documents and allows the establishment to track the member's application.

Further, over the next few months, implementation of the EPFO 2.01 project will ease the processes and turn-around time for various member and employer's transactions, development of Re-engineered & rationalized centralised payments & claims settlement will be taken up in mission-mode, the release said. The introduction of System 2.01 is part of the government's broader commitment to enhancing ease of living for members & ease of compliance for employers. In FY25, EPFO has introduced simplified IT processes auto-mode processing of all types of EPF advance claims up to Rs. 1 lakh leading to around 40% of advance claims getting processed in auto-mode.

(The writer is Priyansh Verma.)

TOP

EPFO adds 1.93 million more members in June; net additions up 8 percent YoY – Moneycontrol – 20th August 2024

The government's flagship social security scheme added 1.93 million members in June 2023, a 7.9 percent increase from the previous year, data released by the Employees' Provident Fund Organisation showed. The EPFO scheme recorded 1.03 million new employees during this period—an increase of 4 percent over the previous month and 1 percent increase over the previous year.

"A noticeable aspect of the data is the dominance of the 18-25 age group, constituting a significant 59.14 percent of the total new members added in June 2024. This is in consonance with the earlier trend which indicates that most individuals joining the organized workforce are youth, primarily first-time job seekers," the release stated. Data released by EPF showed a rise in female employment as well during the month, which rose 5.88 percent over the previous year. Nearly 300,000 women were added in the month, accounting for nearly 30 percent of new employee addition.

"State-wise analysis of payroll data denotes that net member addition is highest in the five states/ UTs of Maharashtra, Karnataka, Tamil Nadu, Gujarat, and Haryana. These states constitute around 61.16 percent of net member addition, adding a total of 1.18 million net members during the month. Of all the states, Maharashtra is leading by adding 21.09 percent of net members during the month," the report said. Data released by the government earlier this month showed that urban unemployment had declined to 6.6 percent in the first quarter of the fiscal FY25 compared with 6.7 percent in Q4FY24. Female unemployment, however, had increased during this period. EPF is used as a proxy to ascertain formal job addition, along with Employees' State Insurance Corporation scheme and the National Pension Scheme.

(The writer is Ishaan Gera.)

TOP

DSP Pensions to expand into NPS distribution, plans to apply for PoP license - The Hindu Business Line – 19th August 2024

DSP Pensions, a recent newcomer to the pension fund management industry, plans to diversify into NPS distribution and will apply for a Point of Presence (PoP) license with the regulator by the end of this year, its Chief Executive Officer, Rahul Bhagat has said. "We are in the process. We are geared up to apply. It will be done in the near future. We are going for the licence before this year end", Bhagat said when asked about plans to be a PoP for NPS. A PoP is the first point of contact for National Pension System (NPS) account holders in the NPS architecture. Bhagat said that he was very positive about the pensions industry and had big plans to place DSP as a significant player in this space, and not just as the 11th player. DSP Pensions, which launched its pension fund management business at fag end of December 2023, has in the eight months (January 2024- August 2024) this calendar clocked assets under management of ₹577 crore. Of this, about ₹250 crore is invested in equity and the rest in debt portfolio, Bhagat said.

On its equity portfolio, DSP Pensions has in the last eight months clocked return of 25 percent CAGR and the return on the debt front being 7.6 percent CAGR. Asked about growth aspirations, Bhagat said he wants DSP Pensions to ramp up its AUM to ₹1 lakh crore level in the next ten years. In ten years from now, Bhagat expects the overall NPS assets in the pension industry to grow to about ₹60 lakh crore, which is the current mutual fund industry size. Currently, overall NPS assets stood at about ₹12.86 lakh crore as of August 16. A PoP licence would enable DSP Pensions to reach out to mutual fund distributors to distribute the NPS products to retail customers, also leverage its parent's network (DSP Group) for corporate NPS and expand its footprint. "We want to reach out to common people through MF advisors and distributors. That is where we will see a game changer. We can start distributing NPS through them once we get a PoP licence", Bhagat said.

"We have started engaging with MF distributors to talk about NPS, how it is better. Given that we have significant number of MF distributors associated with DSP MF, we will engage with them more actively as and when we get a licence". He highlighted that Pension space is exciting given the opportunities. There is also an encouraging signal from the government that NPS is future and they want the society that is pensionable and financially independent, Bhagat added. "In term of fund performance, in short span of eight months we have given exceptional fund performance in both debt and equity. Our funds are performing the best in industry. Our investment framework is robust", Bhagat said. "We are establishing ourselves in the market and growing the way we expected ourselves to do". Bhagat also asserted that DSP Pensions would continue to be a digital company and had no plans to establish physical branches across the country.

(The writer is KR Srivats.)

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IRDAI CIRCULAR

Circular	Reference
First year premium of Life Insurers as at 31.07.2024	https://irdai.gov.in/web/guest/document-detail?documentId=5502249

TOP

GLOBAL NEWS

China: Growth in agricultural insurance slows – Asia Insurance Review

Agricultural insurance in China saw a slowdown in premium growth, increasing by only 6% year-over-year in the first half of 2024, with some provinces seeing declines of 20-30%. In some provinces, such as Xinjiang, Guangdong, Jilin, and Yunnan, the premium volume decreased by approximately 20% to even 30% year-over-year, reported Caixin Global.

Agricultural insurance has consistently been a stable growth sector within the property insurance industry. Compared to the auto insurance market, which has limited growth potential and intense market competition, and credit guarantee insurance, which carries high risks and loss ratios, agricultural insurance not only achieves profitability on the underwriting side but also boasts high premium growth rates, maintaining a year-on-year increase of around 20% for over a decade.

Although the agricultural insurance situation varies by province and the reasons for the slowdown in agricultural insurance premium growth also differ, many industry insiders point out that an underlying common factor is the financial pressure faced by local governments. To resolve this, experts suggest reducing county-level subsidies and refining financial management to ensure continued support for key agricultural areas amidst tight budgets.

TOP

Taiwan: Around 60% of homes lack basic earthquake insurance - Asia Insurance Review

Taiwan's basic residential earthquake insurance scheme had a coverage of 38.6% as of 31 July 2024, based on 9.32m households islandwide, indicating that more than 60% of homeowners are still uninsured.

This is despite Taiwan being an earthquake-prone territory. The latest quakes took place off the coast of Hualien on 16 August and Yilan on 17 August and were felt across Taiwan. Meanwhile, Taiwan is marking the 25th anniversary of the 1999 earthquake this week. The M-7.6 quake was one of the worst natural disasters to hit the island, claiming 2,400 fatalities.

Construction costs to increase

Meanwhile, Taiwan's Non-Life Insurance Association (NLIA) has revised the "Residential Construction Cost Reference Table in Taiwan", increasing the construction-cost factor in residential property insurance and natural disaster insurance branches, starting in January 2025. The NLIA said that while the insurance coverage for residential property insurance will increase, the premium will not. For natural disaster insurance, the premium will be raised slightly based on the insured amount.

The association said that the insured amount for residential fire insurance and natural disaster insurance must be calculated appropriately to avoid underinsurance. The Taiwan Residential Earthquake Insurance Fund was established following the 1999 earthquake. The fund started operations in 2022 to provide basic earthquake coverage.

TOP

COI TRAINING PROGRAMS

Mumbai – September 2024

Sr No.	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Management of Fire and Property Insurance (Material Damage and LOP)	09-Sep-24	10-Sep-24	ClickHere	Register
2	Strategic Selling in Life Insurance	11-Sep-24	11-Sep-24	ClickHere	Register
3	Mega Risk Insurance	11-Sep-24	12-Sep-24	ClickHere	Register
4	Suitability Assessment and Product Recommendation	12-Sep-24	13-Sep-24	ClickHere	Register
5	Liability Insurance Focus - Financial Lines	17-Sep-24	18-Sep-24	ClickHere	Register
6	Comprehensive Financial Planning –Focus Insurance Planning	17-Sep-24	18-Sep-24	ClickHere	Register
7	Emerging Issues of Regulatory Compliance in Life Insurance	18-Sep-24	18-Sep-24	ClickHere	Register
8	Enterprise Risk Management (ERM)	18-Sep-24	19-Sep-24	ClickHere	Register
9	Health Insurance Underwriting	19-Sep-24	19-Sep-24	ClickHere	Register
10	Challenges in Fighting Fraud - Motor OD Insurance	19-Sep-24	20-Sep-24	ClickHere	Register

11	Appreciation of Project Insurance – Customer Perspective	23-Sep-24	23-Sep-24	ClickHere	Register
12	Social Media Marketing-Tools and Techniques for Insurers	26-Sep-24	26-Sep-24	ClickHere	Register

Kolkata – September 2024

Sr. No	Program Name	Program Start Date	Program End Date	Details	Registration Link
1	Handling Customers Grievances, Cases before Ombudsman, Consumer Cases, Mediation and Arbitration	04-Sep-24	04-Sep-24	ClickHere	Register
2	Workshop on Communication Skills for frontline Marketers	10-Sep-24	10-Sep-24	ClickHere	Register
	Managing Motor TP Claims and Controlling Frauds	18-Sep-24	19-Sep-24	ClickHere	Register
3	Financial Planning for Golden Years (Retirement)	23-Sep-24	23-Sep-24	ClickHere	Register
4	Managing Marine Hull, Oil & Energy Insurance-Underwriting & Claims	25-Sep-24	26-Sep-24	ClickHere	Register

COI COURSES

Post Graduate Diploma in Health Insurance (PGDHI)

Particulars	Details
Duration of the course	one year (2 semesters)
Mode of Teaching	Weekend Class Room sessions (Saturdays and Sundays (full day)) and Research Project
Eligibility	Graduates in any faculty are eligible. Students appearing in their final year degree examination are also allowed to apply*. Fresher's, working professionals (including medical doctors) in the health insurance sector can join this course to upgrade their professional qualifications, knowledge and for career advancement [*subject to their passing the examination].
Fees for the course	Rs.45,375/-
Cash Award Prize Scheme	Rs.15,000/- for the best performing candidate of III-PGDHI
Contact Email id	pgdhi@iii.org.in

Post Graduate Diploma in Insurance Marketing (PGDIM)

Particulars	Details
Duration of the course	one year (2 semesters)
Mode of Teaching	Weekend Class Room sessions (Saturdays and Sundays (full day)) and Research Project
Eligibility	Graduates in any discipline are eligible. Students appearing in their final year degree examination are also allowed to apply*. Fresher, working professionals

	in life/general insurance sector can join this course to upgrade their professional qualifications, knowledge and for career advancement [* subject to their passing the examination].
Fees for the course	Rs.45,375/-
Cash Award Prize Scheme	Rs.15,000/- for the best performing candidate of III-PGDIM
Contact Email id	pgdim@iii.org.in