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THE AWARE CONSUMER

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HORIZONS

Emerging Economies To Power The Growth Of Global Insurance Industry

OUT OF THE BOX

Web Aggregators: The New Kids On The Block

PLUS ROUND UP • MY MARKET • THE PRESCRIPTION

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QUALITY IN PATIENT CARE

VIEW POINT

BEJON KUMAR MISRA | bejonmisra@consumerconexion.org

Make The Consumer Aware Or Continue Denying Them Protection

THESE ARE HEADY times for India's insurance industry. While it had been growing at a steady clip post liberalization, it received the real impetus when the Government raised the FDI limit from 26% to 49% in 2014. With the entry of foreign players and tie-ups, the market became vibrant, innovative and competitive. It was good news for the Indian consumer who now could buy insurance at competitive rates, had a wider portfolio to choose from and could expect better services. So far so good. But why is insurance penetration at an abysmal 3.69%? What is preventing the Indian consumer from actively seeking insurance cover?

The short answer is lack of awareness, and for the long answers we bring to you this issue of The Aware Consumer with insurance as the month's theme. My concern primarily is with the 'unaware consumer'. Despite the Government stepping in with a slew of measures to boost insurance adoption, this section remains slow to take up protective cover. It is not just the rural folks and the urban poor, but a large segment of the middle classes too who make up the unaware consumer. Or if aware, do not want to invest in insurance.

The reasons for this are many. Let me just take up the most pressing ones here. The first is lack of education, as is the case often in India. Low literacy level coupled with poverty deny the poor benefits of Government's schemes. They are too busy working for two square meals to spare a moment for insurance ironically designed to alleviate their lot.

As regards the educated middle classes, they are yet to overcome their conditioning. Living in denial is a habit for them – nothing will happen to me and whatever happens we will see when it happens – is how they think.

Insurance frauds are the third important reason for many not taking insurance. They fear losing their savings. For others, insurance is just a savings instrument but not part of financial planning. They do not see it as preventive cover.

Slow digitalization of the insurance sector is the fourth important reason. To reach the millennials and the net savvy population of India, insurers must rapidly adopt and adapt emerging technologies to Indian needs.

We must make the consumer aware or continue denying them fruits of insurance.

Low literacy level coupled with poverty deny the poor benefits of Government's schemes. They are too busy working for two square meals to spare a moment for insurance ironically designed to alleviate their lot.

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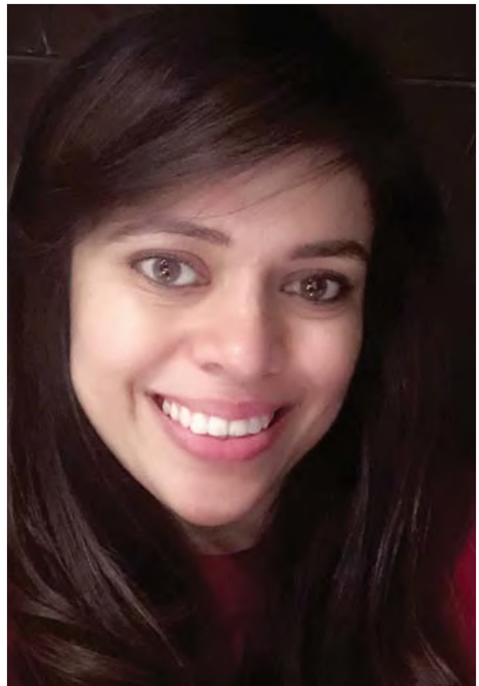

DESKTALK

Message from the Editor-in-Chief

POOJA KHAITAN

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HARNESS TECHNOLOGY FOR INSURANCE AWARENESS

2019 IS POISED to be a banner year for the insurance sector in India. The vast pool of uninsured, supportive regulations and positive investor sentiment make it an interesting market for insurers. Reports of the Government mulling 100% FDI in the sector and the mammoth merger of four public general insurance companies on the anvil are all spiking market interest. For insurers already in the market, competition is hotting up. Yet in some ways, the insurance sector continues to work at its own pace and in its own traditional ways.

Even as emerging technologies like Artificial Intelligence, Machine Learning, Blockchain and automation are revolutionizing the global insurance industry, Indian players are slow on the uptake. For example, when the biggest public sector life insurer, Life insurance Corporation (LIC) launched its new website, many of the existing subscribers of the old website could not log in. Though the new website asked visitors to file complaints about the issue, despite it nothing was done.

Technology needs to be intelligently and innovatively deployed with consumers at the center of it. Today's tech savvy customers prefer transactions online and at speed. The slow, traditional way of working irks them. They prefer to do direct business and do most things by themselves. Not many Indian insurers could satisfy this segment. Little wonder, web aggregators with their online interface, took the Indian insurance scene with a storm. With IRDAI regulation giving them structure and recognition, they are growing apace.

Technology is evolving fast and insurers must adopt, adapt or perish. It is an important tool to tap the uninsured segments of Indian market. Armed with technologies that allow deeper insights through data mining, more targeted products can be developed to cater to the diverse Indian market. AI and automation can be harnessed to replace repetitive mundane jobs and employees can then be deployed into more complex roles. Blockchain can we imaginatively employed to detect and prevent frauds and drones can be used to assess claims.

But above all, technology needs to be harnessed to make the consumer aware of the many benefits of insurance.

INSIDE

THE AWARE CONSUMER AUGUST 2019

REGULARS

You may be voiding your insurance unknowingly by not disclosing facts. It pays to read the insurance proposal carefully, ask questions and understand the terms and conditions fully before signing on the dotted line. You may risk forfeiting your entire premium amount, leave alone the principal assured over the smallest legalese.

Reforms, supportive regulations, opening up of the market, and InsurTech boost insurance business in emerging economies. The high growth in these economies will propel the growth of the global insurance industry in the next decade.

Himanish Chaudhari
Partner, Deloitte India

Insurance consumers are changing propelled by digital innovations as their experiences with other industries shape their expectations from the insurance sector.

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UNLOCKING CONSUMER POTENTIAL
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ABHIJIT GULANIKAR

PRESIDENT – BUSINESS STRATEGY – SBI LIFE INSURANCE

"Buying a life insurance product is a decision not taken very often. The life insurance contract is a long-term one and requires commitment from the customer to pay the premium on time for a long period. Hence, most customers still make the decision only after receiving inputs from trusted or known individuals."

ROUNDUP

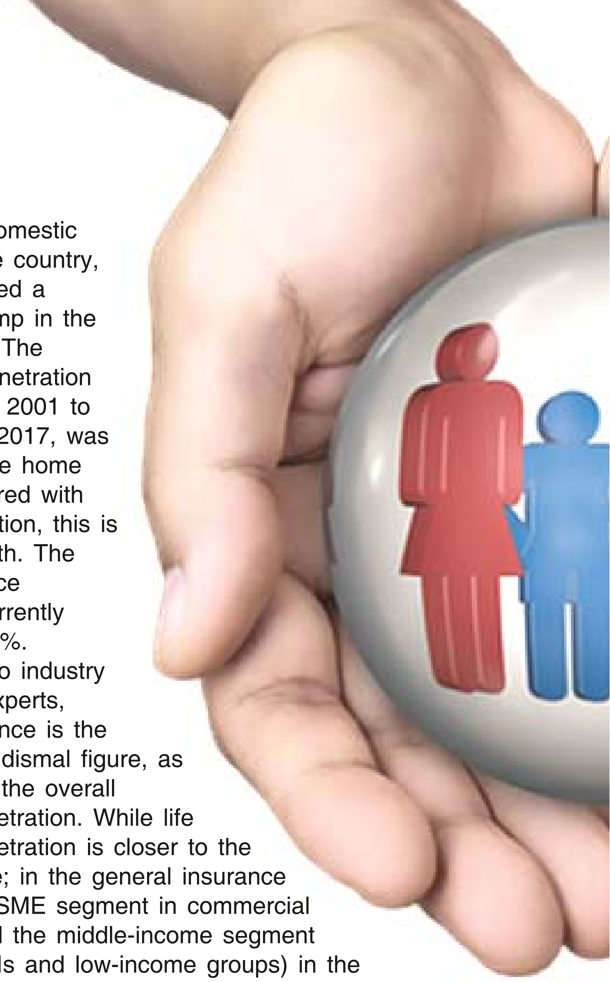
Low Penetration, Dependence On Intermediaries And Low Adoption Of Digitized Channels Hallmarks Of Insurance Sector In India

Insurance penetration increased from 2.17% in 2001 to just 3.69% in 2017, says a PwC India and Confederation of Indian Industries (CII) report.

DATA BRIEFING

55%

Indians still buy insurance via agents



THE COMPLEX STRUCTURE of insurance in India continues to confuse the masses. Inevitably, they turn to agents for help in choosing the right insurance products and also for paying premium. Add to it the low internet penetration and web literacy of the masses, insurance agents become indispensable to the insurance industry. The low literacy and exposure levels also mean that not many are aware, or if aware, savvy enough to decode the fine print of the insurance products. Insurance agents thus help to push various products via contact programs and personal effort.

It is not surprising then that about 55% Indians still buy insurance from agents or brokers. A recent report by PwC India Pvt Ltd, a consultancy firm, and Confederation of Indian Industries (CII) titled *'Competing in a new age of Insurance - How India is Adopting Emerging Technologies',* reveals that Indian consumers are motivated by convenience or ease of buying an insurance policy and for 41% of the respondents, this was the reason for adopting a particular mode to purchase insurance. For the report, 200 customers, agents and insurers were interviewed.

A report in Livemint quoted Rakesh Wadhwa, chief marketing officer and executive vice-president, Strategy, Future Generali India Life Insurance Co. Ltd, as saying that insurance sector requires a lot of human interaction, not only because insurance is a push product, “but also that it requires a lot of solicitation as it is a long-term commitment”. He added that almost 95% of online sales of products such as term plans, critical illness plans and Ulips (unit-linked insurance plans) is assisted by call center executives.

According to the report, insurance penetration, measured as the ratio of insurance premiums paid and GDP (gross domestic product) of the country, hasn't witnessed a remarkable jump in the last 17 years. The increase in penetration from 2.17% in 2001 to just 3.69% in 2017, was nothing to write home about. Compared with global penetration, this is a dismal growth. The global insurance penetration currently stands at 6.13%.

According to industry players and experts, general insurance is the culprit for this dismal figure, as it drags down the overall insurance penetration. While life insurance penetration is closer to the global average; in the general insurance category, the SME segment in commercial insurance, and the middle-income segment (excluding HNIs and low-income groups) in the personal insurance side have the lowest penetration.

In India, for most people who buy life insurance, it is a tax-saving instrument. Yet, it is not among the list of key financial planning tools for many. Experts say financial inclusion is the key to increasing insurance penetration and this can be achieved by introducing initiatives to broaden the consumer base, like those being done in the mutual fund industry.

All Eyes On The Motor Vehicles (Amendment) Bill 2017

Insurers stand to gain if liability capped; for consumers it may not be good news

HOPES OF INSURANCE companies are pinned on The Motor Vehicles (Amendment) Bill 2017. The bill was pending for almost three years and was approved by the Union Cabinet recently. Now it will be taken up for debate and discussion in Parliament in the current session that began on June 17.

At present, an insurance company has no fixed liability for third party motor insurance. Therefore, in the case of an accident in which say a person dies after being hit by a vehicle, his/her family can claim any amount from the insurance company. What insurance companies are hoping for is changes in the “unlimited liability” provision.

Notably, third party motor insurance is mandatory for all vehicles running on Indian roads.

In an earlier version of the bill, the liability had been capped at Rs 10 lakh, but it drew loud protests from the transport lobby, and the proposal had to be scrapped.

Given the fact that compensation for death in a rail accident is fixed

Further, though the role of intermediaries remains important, players in the market can adopt novel ways that would make the buying process quicker and simpler. This would increase consumer understanding of products and embolden buyers to make direct purchase from the companies. Even where traditional methods are employed and agents used to sell products, once a buyer has identified a preferred product to the agent, the entire process can be digitized. Digitization would enable a policyholder to fill forms, get assets inspected, and pay premiums digitally.

Digitization is already taking place in the market with most insurers launching apps that simplify the purchase and claims settlement process. However, the adoption rate of these apps continues to be low. This despite the rising penetration of smartphone in India, which has grown at a rate of 19.43% during the period 2015–18 and is expected to grow by 7.80% by 2022. (According to Cisco's 13th annual Visual Networking Index (VNI), by 2022 there will be 829 million smartphone users accounting for 60% of the population.) The reason for the slow uptake could be that a consumer would not be compelled to download an app unless it comes bundled with exclusive benefits and has high-frequency usage. Also, many are not accustomed to simple tools like WhatsApp and cannot be expected to master complex insurance apps.

Insurance products by nature are complicated, have several inclusions and exclusions, which are difficult for the end-user to decipher. As such, given the limited user experience, they are not designed for unassisted sales across various distribution channels.

The increase in penetration from 2.17% in 2001 to just 3.69% in 2017, was nothing to write home about. Compared with global penetration, this is a dismal growth. The global insurance penetration currently stands at 6.13%.

It is noteworthy that 67% of insurance customers prefer to leverage aggregators or online platforms as they help in making informed decisions by comparing products. The Indian regulatory body does not permit insurance companies to compare products on their own platforms. This lacuna is filled by independent platforms provided by web aggregators.

A large-scale awareness program on the benefits of insurance is required to build credibility among the masses and to strengthen the efforts of the government and the insurance regulator. This will help harness the potential of the market.

at Rs 8 lakh and for air accident it is determined by the special drawing rights; insurance companies feel justified in their demands for a “limited liability” third-party motor cover. This contentious issue has led to the accumulation of thousands of cases in courts and in Lok Adalats pertaining to the quantum of compensation payable when death occurs in a motor accident.

The industry, meanwhile, complains that the average compensation payout has been increasing by 15-20 percent annually. On the contrary, the insurers' grouse is that the permitted motor third party premium hike annually is not commensurate with the increase in the claims paid.

To overcome the impasse, insurance companies have suggested two components in each motor TP product – limited liability and unlimited liability. Those policies that have limited liability will have a fixed limit of Rs 15-20 lakh payable if death occurs. Under such a policy, the person responsible for a death during a road accident, would be liable to pay any compensation amount over and above the limited liability of the insurer.

On the other hand, if an individual has opted for an unlimited liability TP cover, the insurance company will have to pay the total compensation in case of death. The unlimited liability TP cover would also attract a higher price than a limited liability cover.

The bill becomes critical at a time when general insurers are battling rising underwriting losses in the motor TP segment. If the payout is capped, insurers will stand to benefit; but for customers' it would mean higher liabilities.

Giant Leap For Auto Insurance Business Boosted By AI

Artificial Intelligence (AI) is changing the face of many industries. Insurance sector too may soon benefit from the transforming effects of AI. In a move that is set to change the face of auto insurance sector dramatically, ICICI Lombard has partnered with Microsoft to bring to market India's first AI-enabled car insurance claiming feature. This is set to make the claims process much more efficient and smoother.

Insure is an app developed by Microsoft using which the interested can purchase policies and soon would be able to claim the repair costs as well.

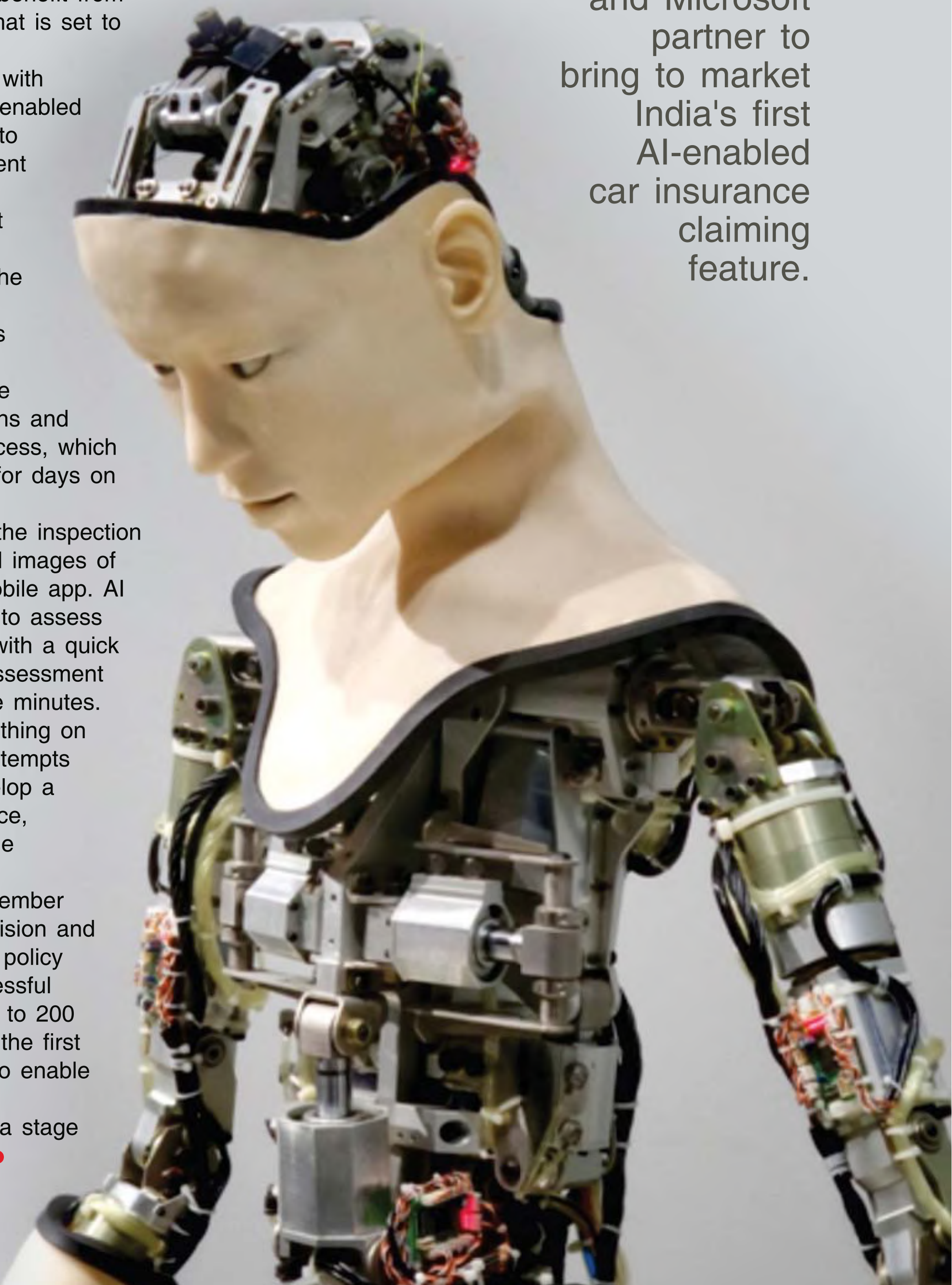
India has more than 230 million vehicles and 1,200 auto accidents occur every day, Microsoft said in a press release. Given the cumbersome process, scheduling inspections and getting approvals can be a time-taking process, which keeps cars and policyholders off the road for days on end.

The partnership is aimed at simplifying the inspection and claims process. Customers can upload images of their vehicle and the damage using the mobile app. AI and machine learning then come into play to assess damage and in most cases can come up with a quick report. The time taken for the claim and assessment process is thus reduced from days to mere minutes.

ICICI Lombard had been keen for something on these lines and after some unsuccessful attempts with startups approached Microsoft to develop a solution. Once the collaboration was in place, software engineers of both companies came together to develop a prototype.

The AI-based app was launched in December 2018 and uses Azure platform, computer vision and machine learning (ML) technologies. While policy renewal online via the app has been successful with the company processing between 150 to 200 cars per day, using AI for renewals is just the first step. The ultimate aim of the company is to enable damage claims and assessment with quick turnaround. Currently, the solution is in beta stage and is expected to be launched this year.

ICICI Lombard and Microsoft partner to bring to market India's first AI-enabled car insurance claiming feature.



Now Insure Your Mobile Screen

You can get insurance for your mobile screen against damages or can buy a new one with the sum insured.

BUTTER FINGERS OR not, it is a rare individual who has not experienced mobile screen damage. Often, the steep cost of new screen proves a deterrent and instead of sinking more money in a used mobile, users opt to buy another expensive set. Good news for the manufacturers, but for the consumers, this means an unnecessary expense.

It would appear insurers have been taking note of the consumers dilemma. A new-age non-life company, Go Digit General Insurance, has launched an innovative policy that covers damages to the mobile screen. It will compensate the user for any screen damage.

A low-value cover, the policy is powered by a small software that makes it possible for Go Digit to assess the condition of the phone remotely. This works both for underwriting and claim settlement.

The company uses software similar to those that enable e-commerce companies to evaluate used phones offered under their exchange program. The Go Digit software checks the mobile phone only to assess the screen condition, detect the phone's make, model and IMEI number, and all this within minutes. The policy cover that was earlier being offered by the company to new mobiles on e-commerce sites, has now been extended to used phones.

There is sound business proposition behind the policy cover – India's huge untapped market for mobile phone insurance and the equally big used phone market.

According to company sources, the cost of the insurance cover has been kept around Rs 1,700 for a mobile phone screen that would cost around Rs 12,000 to replace. What adds to the policy's attraction is the cash compensation of Rs 12,000 in case of screen breakage. The customer can use the money to replace the screen in any outlet or even part-fund a new purchase.

With such an insurance cover in place, consumers can relax their guard and will not need to use hideous screen cover or screen guard and compromise on the resolution quality.

Source: Secondary research & media reports

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Don't slip up! Be on guard.

PHOTO: PIXABAY

IN JUNE THIS year, the Central Bureau of Investigation, booked Life Insurance Corporation of India (LIC) officials and nine agents for allegedly misappropriating death claim proceeds of 190 policies, amounting to a sum of Rs 3.13 crore. The fraudsters were so confident of pulling off the scam that they had declared a majority of policyholders in these cases dead when they were alive!

In one of the cases, Banoth Beech Naik, assistant administrative officer of LIC Kodad branch, and one of the key conspirators, declared his father dead when he was very much alive, and claimed the proceeds of his LIC policy. He got the amount credited in his wife's account. Naik's partners in crime were higher grade assistant G Harya and nine agents, who together misappropriated Rs 3.13 crore by submitting fake death certificates of more than 190 policy holders.

CBI registered a case based on a complaint lodged by LIC Chief Manager Yedla Venkateswara Rao. The fraud that had been committed over a period of six years, came to light during the course of internal audit.

This is but one case in the insurance sector, which has been struggling with rampant corruption and fraud. The Insurance Regulatory Authority of India (IRDAI), on its website, provides comprehensive warnings to policy holders to beware of such frauds. Financial crimes in the insurance sector are one of the most devastating in nature as they affect the lives of innocent people as well impact the industry.

Hard Frauds and Soft Frauds

Insurance frauds can be classified into two categories – hard frauds and soft frauds. Hard frauds are deliberate in nature, for instance the above case, or when a policyholder manufactures death, theft of vehicle or arsons his property, kills spouse/policyholder all for getting his/her hands on the assured sum of the policyholder. Soft frauds, called so as they do not include crimes of a hard nature, are more common. These occur when a policy applicant hides facts, preexisting medical conditions or exaggerates legitimate claims. They are also referred to as opportunistic frauds.

Frauds are also perpetrated by insurance companies, intermediaries, and agents either in connivance with policyholders or on their own. The market is replete with false agents conning people to part with their hard-earned money.

The IRDAI, on its part, has issued alerts to the public on the nature of frauds and also the kind of due diligence required of them to avert being defrauded.

Vigilance is the key

In a public notice, the insurance authority clearly lay down as to who is an insurer. “An entity can function as an insurer or an insurance intermediary only after obtaining a license/certificate of registration from the IRDA under the relevant provisions of the Insurance Act, 1938 and the IRDA Act, 1999 for carrying on such business." Please note only licensed entity/ies (by IRDA) are allowed to sell an insurance product and collect/charge insurance premium.

Asking the intermediary for their bona fides hence is a logical step before engaging in any conversation regarding insurance.

Spurious calls, emails, SMSs, WhatsApp messages are among the other means used by fraudsters to net the unsuspecting public. In fact, in a public notice, IRDA had highlighted such an incident. Some members of the public had drawn its attention to spurious calls claiming to represent the authority and offering insurance policies of various insurance companies with the promise of benefits. These unidentified callers had adopted different modus operandi to con the unsuspecting public. They were claiming that the policy buyers/holders would be given bonuses by IRDA from the fund invested in it by different insurance companies; that policyholders would receive the bonus after a few months of buying the policy; and advising the policyholders to surrender their old policy and buy a new one which would become eligible for additional enhanced returns or benefits after a few months of purchase. The conmen went so far as to tell the people that their 'Survival Benefit or Maturity Proceeds or Bonus' is due under the existing policy and they must invest in a new policy to be able to claim their maturity amount. They advised the public to invest in insurance policies to be eligible for gifts, promotional offers, interest free loans, or setting up of telecom towers or other such offer.

The IRDA had to come out with the advisory informing the public that it is a regulatory body established by an Act of Parliament, i.e., the Insurance Regulatory and Development Authority Act 1999, with the express purpose of protecting the interests of the policyholders, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto. It also informed that:

- IRDA does not involve directly or through any representative in sale of any kind of insurance or financial products.
- IRDA does not invest the premium received by insurance companies.
- IRDA does not announce any bonus for policyholders or insurers.

Furthermore, any kind of transaction with such individuals/agents would be at the risk of the individual. IRDA exhorted the public to remain alert and not to fall prey to frauds or scams perpetrated by miscreants who impersonate to be employees/officers of IRDA or other insurance companies and to lodge a police complaint in such cases with the miscreant's details.

As is obvious from the above, the safety of any individual lies in their hands and hence exercising extreme caution in insurance related matters is a sensible thing. Here are a few simple ways to secure yourself:

PHOTO: PIXABAY

Ask relevant questions

The first rule of safety is to ask questions. When you are approached by any individual, company representative or even bona fide intermediary/agent, ask him/her about their registration details, company details, personal details, in short do a background check. It would be better still if you could crosscheck with the company they claim to represent to find out their credentials.

There are many agents who after selling the policy and pocketing the commission earned from the company, just drop out of the scene, leaving the policyholder to fend for himself/herself.

Financial frauds are closer than you think. All the more reason why you should be on your guard to safeguard yourself and your loved ones.

Take simple precautions

A few simple precautions can help you safeguard your interests.

1. If you pay your premium through cheques to your agent, always draw the cheque in favor of the insurance company and not the intermediary.
2. Keep tabs on the status of your policy on the company website or ask for updates.
3. Before signing any document provided by your agent, read it carefully.
4. Never give the original policy papers to anyone.
5. Spurious calls from unidentified individuals asking for policy details, premiums or offering bonuses on behalf of insurance company/companies must be ignored. Insurance companies do not seek such information or premiums on phone.
6. Make your premium payments via net banking which is much safer and you can maintain these records easily.

Conclusion

Insurance works on the principle of Latin phrase uberrimae fidei which means in utmost good faith. The rampant abuse of faith on both sides – by policyholders and by insurance companies, intermediaries or agents – as also the conmen; has eroded the general public's faith in the industry. This ultimately hurts the common people, the millions who have invested their money and faith in their insurance policies. It also hurts the industry as it incurs huge losses in fraudulent practices. Furthermore, insurance is a push product and despite the necessity of insurance not many come forward voluntarily to sink their savings in the industry. Frauds and the resultant bad reputation earned by the industry will push people further away which is not good news for anyone.

Source: Secondary Research & Media Reports

Understand Your Insurance World, Enjoy The Benefits

PHOTO: PIXABAY

You may be voiding your insurance unknowingly by not disclosing facts. It pays to read the insurance proposal carefully, ask questions and understand the terms and conditions fully before signing on the dotted line. You may risk forfeiting your entire premium amount, leave alone the principal assured over the smallest legalese.

TAKING OUT INSURANCE is a daunting task in most countries. The reams of documents you need to sign, the jargon that just flies over your head, pages filled with terms and conditions, clauses and what not or the fine print – you are just tempted to skip over all this and just affix your signature wherever the agent has marked. Beware! You may end up harming your ability to claim by skipping any of the details. More so, if to avoid all these little troubles you choose to forgo taking out an insurance at all!

If you knowingly ignore the terms and conditions laid out in your insurance policy, skip small details or skimp on making full disclosures, you risk getting your claim denied. There are small technicalities that if ignored knowingly or unknowingly may invalidate your claims. Here are some ways in which your insurance can be voided…

PHOTO: PIXABAY

Home Insurance

Popping out to the neighbors? Do ensure you have locked all the doors and windows. For many insurers this can be the top reason for voiding a home insurance. Insurance claim is also voidable in cases of misrepresentation, misdescription or non-disclosure of any material particular by the insured. You may also be required to seek the permission of your insurance company for any alteration, addition or manufacture that is liable to damage the building. You run the risk of voiding your claim on any such damage in the absence of permission.

Most home insurers provide insurance coverage for loss of or damage to the building for what they term 'covered accidents'. Covered accidents include damage or destruction by fire, loss, destruction or damage caused by aircraft, other aerial or space devices and articles dropped there from, riot, strike and malicious damage claims, natural disaster like storm, cyclone, typhoon, tempest, hurricane, tornado, flood and inundation excluding those resulting from volcanic eruption or other convulsions of nature, impact damage, for instance, loss of or visible physical damage or destruction caused to the property insured due to impact by any rail/road vehicle or animal by direct contact not belonging to or owned by the insured or any occupier of the premises or their employees while acting in the course of their employment; subsidence and landslide; bursting and/or overflowing of water tanks, apparatus and pipes; missile testing operations and leakage from automatic sprinkler installations. But all the covered accidents come with exclusions and if you have avoided reading these, you run the risk of forfeiting your claim.

Some basic precautions such as informing the insurer about renovations, intended sale or any other changes, can save you a lot of pain.

All the covered accidents come with exclusions and if you have avoided reading these, you run the risk of forfeiting your claim.

PHOTO: PIXABAY

PHOTO: PIXABAY

Car Insurance

Vehicle insurance is mandatory in India and comes bundled with technical terminologies, complex jargon, umpteen riders and incomprehensible details. But as with other insurances, here too, honesty, due diligence and complete understanding are the key.

Vehicle insurance makes sense especially in our country which has high accident and fatality rate. Despite being a signatory to Brasilia declaration in 2015 and its commitment to decreasing road accidents, India saw a whopping 1.47 lakh people died in road deaths in 2017 which went up to 1.49 lakh in 2018. That said, let's first understand what motor insurance is. As any other insurance you may have, motor insurance, too, acts as a safety net. It safeguards your vehicle against theft or damage due to various reasons. One other component of motor insurance that sets it apart from others is the third party cover under which it provides protection to you in case a third party vehicle is damaged as the result of an accident.

Some common terms that you must know when taking out motor insurance are:

1. **Insured Declared Value (IDV):** This is the current market value of your vehicle. In case of theft or damage beyond repair, this is the amount that you can claim from the insurer. Thus, IDV is the highest sum payable by the insurer for a vehicle insurance policy. Many wrongly quote a lower market value when taking a policy in a bid to pay lower premium. But be warned, this could lead to lower amount being paid to you when you make a claim.
2. **Own Damage Premium:** This forms major part of the comprehensive motor policy and insures your car against events outside your control, for instance, natural disasters like earthquakes and cyclones and manmade calamities like fire and explosion. Damage to and theft of the vehicle are also covered under this.
3. **Zero Depreciation Cover:** It is advisable to opt for this though the premium may be higher, as it waives off depreciation on replaced parts. And allows you higher claim amount.
4. **No Claim Bonus:** This is the discount you can claim in case you have made no claims in the previous year. NCB discounts begin at 20% for the first year and go up to 50% for the 6th year. Therefore it makes sense not to claim for minor damages.
5. **Third Party Cover:** This cover protects you from third party claims for death, injury or damages to a third party. The claims for in such cases are paid by your insurer. Third Party Cover is compulsory in India.
6. **Personal Accident Cover:** It is wise to insure yourself against accidental death or permanent disability due to accident. But not all motor insurance policies cover this. Be vigilant and ensure you are covered.

Hiding any small detail of your motor, like a repair or part replacement, may invalidate your claim. Hence, it you must keep your insurer in the picture. Some other exclusions include:

- Driving your car under the influence of alcohol or drugs may also invalidate your claim.
- Also, if you allow your minor child to drive your car without license, your claim will be voided.
- Oil leakages can damage the car engine, but this cannot be claimed under the motor vehicle policy. Hence, keep your engine humming happily.
- Cranking up the car in water logged areas can damage the engine and is not covered as it is a consequential loss. Whether by accident or intentional, such losses are not covered under the policy as they are not the outcome of an uncertain event.
- If you or third party deliberately causes accident, you forfeit you claim.
- Loss or damage under a contractual liability is not covered. Say, you have lent your car on contract to ferry school children and it has an accident. You cannot claim damages under such circumstances. However, if you happen to be the driver, though the car is on contract to someone else, you can still claim.

- In some cases, the insurer rejects the claim. It becomes your responsibility to take it up in the court within the next 12 months or your insurance is voided.

Do remember motor vehicle insurance is annual and it is incumbent upon you to renew it. No claims can be made if the policy is not in force.

Travel Insurance

Travel insurance makes good judgement for if you happen to fall sick when abroad, the costs can be ruinous. Loss of baggage or thefts are other common occurrences. To avoid your claim being voided, always inform the insurer if you have any preexisting medical conditions. File away receipts for easier claiming process. Holidays are fun but taking this too far can have unwanted repercussions. For example, accidents under the influence of alcohol are common and not covered under the policy.

PHOTO: PIXABAY

Let us now understand what travel insurance is. Travel insurance is a comprehensive cover that protects you while traveling in India or abroad from travel related accidents, unexpected medical expenditure during travel, losses such as baggage loss, loss of passport etc., and interruption or delays in flights or delayed arrival of baggage, etc. It can be called by different names and usually provides cover for specific periods of time. It can cover either domestic travel or foreign sojourns or both. In some countries, travel insurance is mandatory for visa. Further, travel insurance can be for individuals, families, group travellers or corporate travellers. Generally, it provides protection against medical expenses with or without cashless facility (most travel insurance products offer cashless facility), personal accident, loss of baggage, delay in baggage arrival, loss of passport, travel delay, repatriation, transportation of dead body, etc. Different policies provide a combination of these and you must look around for the right combination that suits your requirement.

The sum assured also varies with different insurers depending upon age, medical history, period of travel, and other criteria.

The Insurance Regulatory Authority of India's (IRDAI) 'Handbook on Travel Insurance' provides comprehensive guidelines for taking a travel insurance cover. It advises one to be careful, ask questions and understand all the terms and conditions before opting for a plan.

One must pay heed to the exclusion criteria that generally are preexisting diseases, war risks, suicide or insanity and hazardous sport.

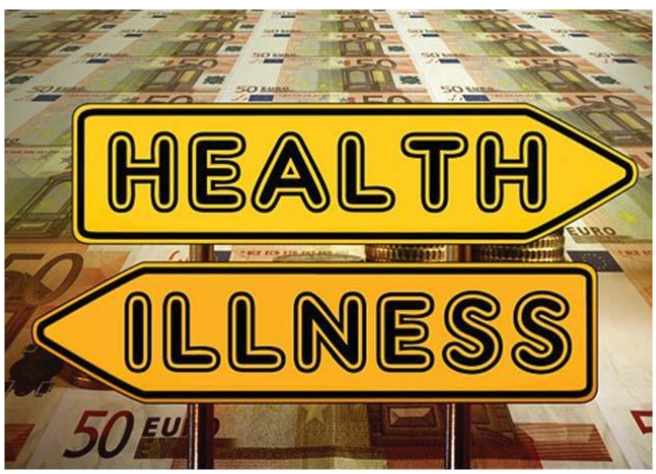
In case a claim situation arises abroad, informing the insurer and all the concerned authorities, for instance, embassy, local authorities, transportation company, etc., must be done.

Health Insurance

India's healthcare cost is costing its citizens dearly, especially the poor. In 2018, Mint carried out an analysis of data from the last National Sample Survey Office health survey (2013-14) that showed 36 million households incurred health expenses exceeding the annual per capita consumption of those households. Nearly one in five households of the bottom of the pyramid face a health shock that wipes out the annual consumption expenses of at least one member of that household. An EY report, 'Global Analysis of Health Insurance in India' found India has one of the world's highest rates of out-of-pocket spending in health care, as few Indians carry health insurance.

IRDAI's detailed 'Handbook on Health Insurance' provides much clarity on health policy. Health insurance essentially covers medical expenses and is a contract between the insurer and an individual/group. It can also be family health insurance. Many companies provide health insurance to their employees. Normally, a health insurance policy covers, subject to ceiling of sum insured:

PHOTO: PIXABAY



a) Hospital stay, i.e., is room and boarding expenses
b) Nursing expenses
c) Fees of surgeon, anesthetist, physician, consultants, specialists
d) Anesthesia, blood, oxygen, operation theatre charges, surgical appliances, medicines, drugs, diagnostic materials, X-ray, dialysis, chemotherapy, radio therapy, cost of pace maker, artificial limbs, cost or organs and similar expenses

Health insurance policies may also cover expenses incurred on health check-up. A minimum stay period in hospital is required to be eligible for claim, though in cases of accidental injury and some specified treatments, this may not be applicable. Health insurance policies may also cover pre and post hospitalization costs in cases where it relates to the disease for which one is hospitalized.

Several insurers offer certain benefits as add-ons. There are also standalone policies that provide varied benefits like critical illness benefit, surgical expenses benefits or hospital cash benefit. There are top up policies that help the insured meet the expenses over and above the basic health policy limit.

Some insurers have tie ups with hospital chains, and in such cases the insured's hospital expenses are covered through third party administrator (TPA).

Benefits like Cumulative Bonus are offered on some policies at the time of renewal. In such cases, the cover is increased by a certain percentage for every claim free year subject to a maximum of 50%. But for every claim cumulative bonus will be reduced by 10% at the time of renewal.

Health policies generally exclude:

A. Preexisting diseases, as defined by insurer
B. Insured cannot make a claim during the first 30 days from the date of policy. This is however not applicable in the case of accidents
C. During the first year, you cannot claim for diseases like cataract, benign prostatic hypertrophy, hysterectomy for menorrhagia or fibromyoma, hernia, hydrocele, congenital internal diseases, fistula in anus, piles, sinusitis and related disorders
D. Circumcision unless to treat a disease is excluded
E. Cost of spectacles, contact lenses and hearing aids
F. Dental treatment and surgery unless it requires hospitalization
G. Convalescence, general debility, congenital external defects, VD, intentional self-injury, use of intoxicating drugs/alcohol, AIDS, expenses for diagnosis, X-ray or lab tests not consistent with the disease requiring hospitalization
H. Pregnancy and childbirth including C-section
I. Naturopathy treatment

The permutations and the combinations may vary from insurer to insurer. Hence, before buying a policy, it becomes essential to scrutinize the document carefully to understand what kind of coverage it offers. It is also necessary to make all pertinent disclosures at the time of taking out a policy. For instance, for several genetic diseases, the policy may or may not be offered, or if available could be at a higher premium. To avoid voiding your policy claim, ensure you are not omitting any details of preexisting conditions.

Pet Insurance


PHOTO: PIXABAY

A rather novel concept in India, pet insurance is definitely here to stay. According to estimates, India's pet market, a $800 million plus industry is the fastest growing globally. While house pets like dogs, cats and exotic birds make up for the bulk of pets in urban areas; in the villages cows, horses, donkeys, etc., are more common. Insuring a pet in cities is wise, given the gray breeder market which thrives on stolen exotic pets. Even otherwise, the healthcare cost of a pet can add up to several lakhs of rupees in its lifetime. For the farmers who depend on their cows and goats, pet insurance at nominal premium can be a godsend.

Insurance policies generally cover medical care, accidents and provide third party cover, for your pet may bite and injure a person or damage and destroy someone's property. Some policies even provide cover for annual vaccination and regular health checkup.

Here again, you need to explore the market before opting for one, especially because pet insurance is a nascent market in India. To avoid voiding your claim, you need to take similar precautions as with your own insurance. Understand the clauses and any hidden terms and conditions. Disclose any preexisting conditions and also the correct age of your pet. Policy premiums are higher for older dogs. When traveling with a pet, find out if there is a provision for travel policy for pet. It would help take care of any accidents, thefts or health scares abroad.

Conclusion

Just as hiding small facts can lead to fraud on your part, hiding some crucial points in fine print is a kind of dishonesty by the insurer. As it is your money and your safety, health, home, car or pet that is at stake, it is your duty to not leave any loopholes that can be exploited. A few precautions can ensure that you get the maximum benefit out of your various insurance policies. Under standing the terms and conditions, decoding the jargon, reading the fine print and uncovering any hidden clauses can go a long way in ensuring your claim is not invalidated. It can be quite painful to find you have been denied your rightful claim over an oversight. Take care!

Source: Secondary research & media reports

REPORT

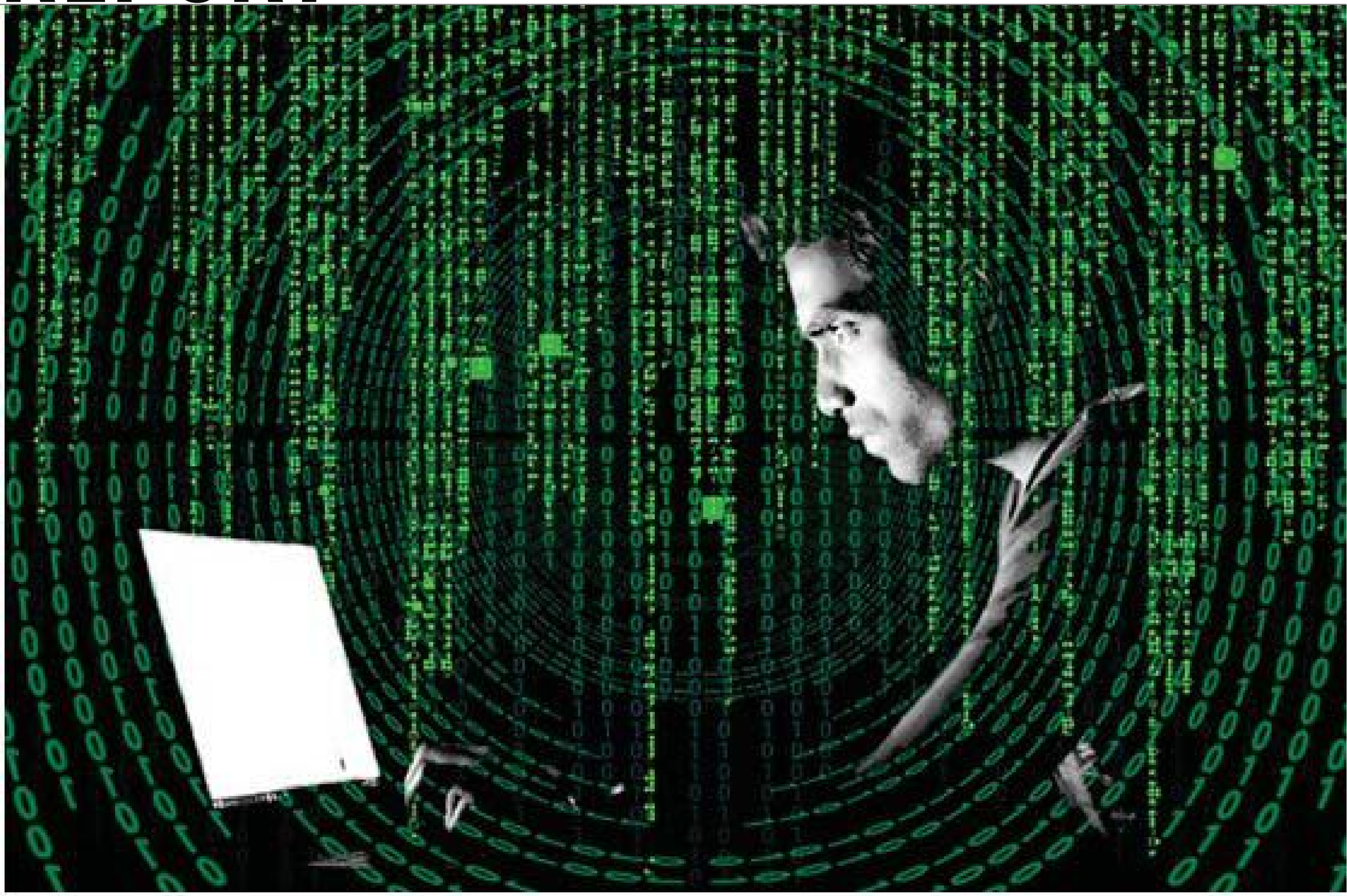


PHOTO: PIXABAY

FRAUDS – BANE OF INDIA'S INSURANCE SECTOR

Insurers have embarked on an exercise to identify fraud prone areas and may adopt measures like not granting insurance in such areas or charging a premium for it. This is not just unsustainable but is an infringement of consumer rights. Instead of adopting such half measures, insurers must strengthen their fraud prevention mechanisms.

FINANCIAL CRIMES ARE everywhere but in the insurance sector perhaps these are unavoidable given the nature of the industry, the decreasing ethics across society, the retail character of customers, the lack of availability of data/information, and the unhealthy focus on numbers. But the nature of frauds in the insurance sector in India is another matter altogether. A study by India Forensic Research revealed insurance companies in the country lose more than $6.25 billion to frauds. *'Strengthening the life insurance industry in India by mitigating financial crime risks',* a report by EY found 56% of the respondents in the life insurance sector confirmed that there has been up to 30% increasein the financial crime rate in the last two years; while 7%confirmed that there has been up to 50% increase in the crime rate in the last two years.

One would expect financial crimes in insurance to be a largely big town phenomenon. But surprising, fraudsters have been popping up with rare regularity in India's small towns. These conmen come in all hues – they are in Punjab, largely unidentified, buying life insurance from the anonymity of bogus accounts on the internet; they are in some nondescript town in Gujarat pulling off the well-known modus operandi – fake death certificates; they are in Assam, Bihar, and every other state.

But it is not just the life insurance sector that is in the grip of frauds. They are equally prevalent in the general insurance industry. According to a report, of the total outgoings in health insurance, nearly 25% are fraudulent claims. Deloitte in its report *'Cover your policy before it matures – Addressing fraud risks in the General Insurance Industry'* lists some of the ways in which general insurance frauds take place:

- By issuing fake cover notes and pocketing the premium or issuing cover notes to a vehicle after it has met with an accident or to one which has caused third party death/injury
- Particular types of vehicles – like SUVs – being the target of an organized theft syndicate
- Claims fraud by inflating expenses, staging accidents, multiple claims being lodged, collusion between any two or all the third parties (like surveyors, agents, garages and hospitals), customers and employees, identity theft especially in case of health insurance, etc.

Life insurance business is both complex and at the same time pretty black and white. An insurer's understanding with the customer is simple – the family receives the sum insured upon the death of policyholder. But for those intending to con, there are many variations of grey in between this deal.

It is true that frauds can be committed by insurance companies and against insurance companies. But in the

Deloitte.

Types of Insurance Fraud

	Internal Fraud	Intermediary Fraud	Customer Fraud
Definition	Fraud against the insurer by its Director, Manager and/or any other officer, staff member	Fraud against the insurer or policy holders by an agent or any other third party administrator	Fraud against the insurer in the purchase or execution of an insurance product.
Examples	• Misappropriating funds • Fraudulent financial reporting • Forging signatures and stealing money from customers' accounts	• Non-disclosure or misrepresentation of risk to reduce premiums • Commission fraud – Insuring non-existent policy holders while paying premium to the insurer	**Soft Fraud:** • Exaggerating damages/loss • Deliberate or subtle lagging of claims resolution **Hard Fraud:** • Staging the occurrence of incidents • Medical claims fraud
Control Framework	Internal audit teams independently examine the processes and report weaknesses in control mechanisms	Having documented policy for appointment of new intermediaries, appropriate sanction policy in case of non-compliance by the intermediary	Adequate client acceptance policy, client should be identified and identity verified. Professional judgement based on experience should be used.

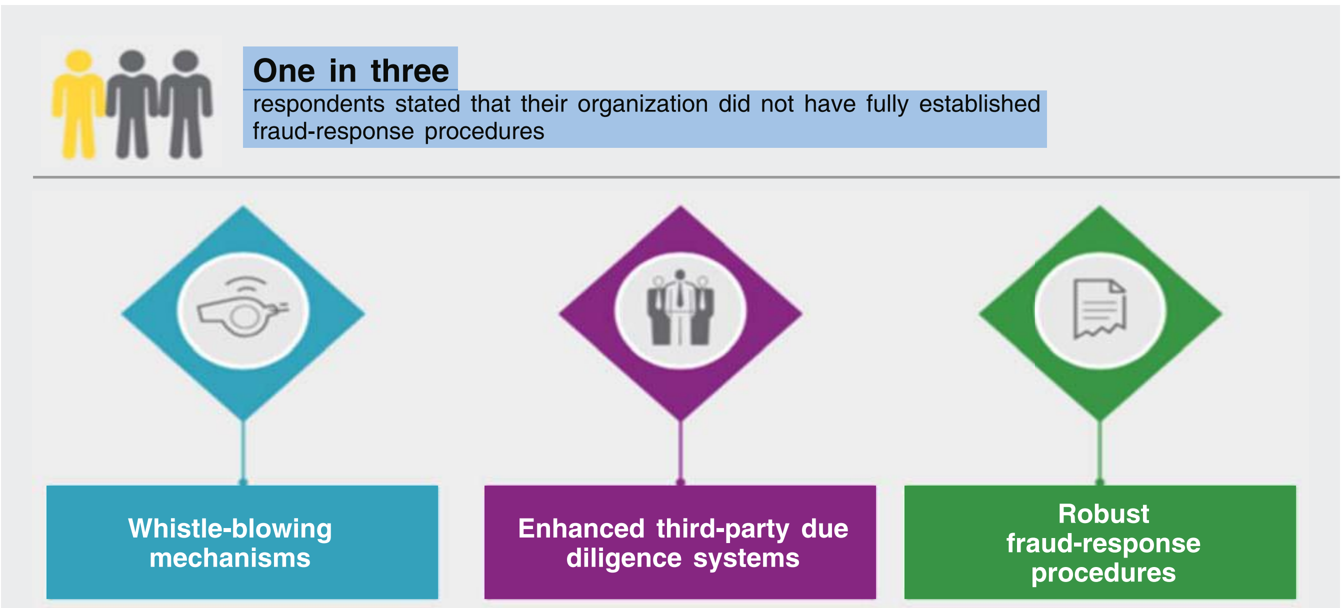
current case the industry is reeling under frauds of a strange nature. In these cases, some of which came to light recently, the police, panchayat sachiv, lawyers and family members are hand in glove and are employing different modus operandi to defraud insurer. Claims of policyholders still alive are being pushed, someone is made to sign a policy on death bed, and in some cases the policyholder is a fictitious character.

While not too original, we have seen these frauds in movies and thrillers, what is surprising is the fact that these crimes are very organized in nature and are rising steadily. According to media reports, cases of fraud have risen to 2-4% of total rejected claims from well below 1 per cent a few years ago.

their organization did not have fully established fraud-response procedures.

The industry needs to work on some emerging areas where frauds are becoming common. These include underwriting, commission payout to agents and intermediaries and vendor management. Some of the vulnerabilities that continue to impact fraud management in insurance companies are data leakage and cybercrime issues, fake documentation, and unauthorized modifications to customer data. KYC and money-laundering are other two prominent areas of concern.

Insurance employees, agents and intermediaries lack the requisite skill sets and investigative mindset that would enable them to spot frauds and monitor red flags.



In a meeting in Mumbai recently, which was attended by more than 15 private life firms, the hotbeds for fraudsters were identified. These include: Sabarkantha, Modasa, Kheda and Mehsana in Gujarat; Jalgaon, Dhule and Nandurbar in Maharashtra; Ganjam in Odisha, and Morena in Madhya Pradesh. Places like Khammam (Andhra Pradesh), Kubernagar, Sunder Nagar and Bhavnagar (in Gujarat), and parts of Punjab where are also on the list but have not taken alarming color.

This has prompted life insurers to take an unofficial decision to stay away from selling policies in these regions, particularly online and especially those with high sum assured. If this is true, the official sufferers will be the poor masses.

Lapses and loopholes

The EY survey found some grave lapses by the insurers. Life insurance companies are still not compliant with implementation of IRDAI-mandated Fraud Monitoring Framework. Further, one in three respondents stated that

Data analytics and analytical capabilities can reduce frauds but the employees do not have exposure to it. Deloitte notes that lack of appropriate skill enhancement programs for staff – especially in the fraud management domain – lead to:

- Errors of omissions especially related to review of documents like KYC documents, invoices, surveyor documents, etc., by the claims/operations teams
- Discipline issues especially related to aspects like categorizing expenses/claims into 'others' or 'miscellaneous' which does not provide a correct picture

Demand draft transactions made through cooperative banks is also one big source of fraud. Another is the lack of adequate resources or methodologies with insurers to validate income claimed against the occupation of applicants for insurance.

Over 35% of the respondents to the EY survey felt that “effective whistle-blowing mechanism” and “enhanced third party due diligence” were either not implemented or were in the process of implementation within their organizations. Further, over 40% of the respondents believed that collusion with third parties is one of the top three areas susceptible to fraud and over 20% highlighted that vendor management and payouts is another function prone to fraud. The survey brought out the need for effective background checks or due diligence on third parties.

Deloitte too in its report has flagged lack of proactive and robust monitoring framework and highlights:

- Conflict of interest issues like employees/agents have close relationships with other entities auxiliary to the company like surveyors, agents, hospitals, medical centers and dealers
- Lack of appropriate oversight and monitoring at the regional office(s)
- Enhanced due diligence not in place for claims relating to break-in policies or other high-risk claims
- Incidents of higher claims from a particular garage/workshop or from a combination of such locations or any other third party
- Lack of robust due diligence procedures resulting in the on-boarding of inappropriate employees, agents or third parties

Frauds also occur due to vulnerabilities in the control structure, when companies rely on manual controls or ineffective or inadequately designed system controls. This can lead to double payment for the same claim especially if the amount is small. Many frauds have their roots in diversion of direct business to other channels – especially the agency channel – to claim the commission. Concentration of the use of a particular intermediary/third party in a region/location also can lead to frauds. Frauds are easy to pull off when the process followed by certain distribution channels is not as rigorous and diligent as mandated by the company. In the EY survey, 40% of the respondents said there is lack of experience in process reviews, with specific focus on financial crime and monitoring of red flags.

Way forward

Experts feel the absence of strong law to act as a deterrent is also leading to unmitigated frauds in the insurance sector. Insurance frauds should attract strict punishment or a jail term, like for criminal activities. Blacklisting fraudsters is not of much help, as they can relocate to a different region and find ways to spring back to their old fraudulent ways. Furthermore, laws enacted before the insurance sector was privatized are a hindrance.

Scrutinizing policies at entry level or using analytics, forensics, credit bureaus, and courts could mitigate frauds. As highlighted above, insurance companies have begun aggregating data on geographical areas where insurance fraud is rampant and take measures like denying insurance coverage to people there or charging a premium on policy. However, this is not a sustainable course of action. EY suggests instituting a fraud containment unit that is proficient. This could help lower the costs of fraud considerably and improve bottom-line numbers.

More sustainable measures include predictive modeling as outlined in a Deloitte report – *'Fraud in Insurance – Applications of Predictive Modeling'.* Predictive modeling is the process of transforming data insights into an estimation of future outcomes upon which actionable decisions can be made. With predictive modeling, one can identify fraud and refer the claim to fraud experts in less than 30 days, which under normal circumstances could take three times longer, claims the report. However, as it concludes, “There is no one correct or complete approach to detect fraud but the best way is to use a combination of supervised and unsupervised techniques to maximize the prediction power and thus prevent fraud.”

EY supports forensic data analytics and calls it a dependable enabler to prevent frauds. In its survey, 71% of the respondents said “proactive data analytics” is one of the primary enablers to identify irregularities or red flags from a financial crime perspective. It involves analyzing data intelligently as a preventive strategy to mitigate fraud risks. Forensic analytics can help improve the process but a strong fraud mitigation and detection framework complementing it will be important, it adds. Data analytics can assist in spotting patterns of fraudulent behavior in enormous amounts of structured and unstructured data. Establishing data analytics through the organization can be a one-time investment for the companies and may see a huge return on investment.

Conclusion

Reports peg loss due to insurance frauds close to $6 billion in India. This works out to about 8.5% of all the premiums collected every year. Operating an insurance business in India has huge risks because of the abnormally large number of fraud cases. No insurance policy is absolutely insulated from fraudulent claims and the nature of the industry makes fraud endemic. Yet, if insurers follow due diligence and put in place strict controls, many of the frauds can be prevented. Given the proportion of the country's uninsured population and the supporting macro and micro economics, India remains one of the biggest markets for global insurers, frauds notwithstanding.

Source: Secondary research & media reports

Emerging Economies To Power The Growth Of Global Insurance Industry

Reforms, supportive regulations, opening up of the market, and InsurTech boost insurance business in emerging economies. The high growth in these economies will propel the growth of the global insurance industry in the next decade.

PHOTO: PIXABAY

THE SHORT-TERM OUTLOOK of the global insurance industry for 2019 is positive, buoyed by improving economic condition. However, this growth may not be reflected everywhere or for everyone equally. While insurers will get many opportunities to improve their top and bottom line, there are plenty of challenges that they may have to tackle. The insurance industry will be facing a plethora of internal and external pressures; but how each insurer copes with these will determine its health. In short, it means how "committed and prepared each insurer is to adapt quickly to a rapidly changing economy and society," a Deloitte report titled '2019 Insurance Outlook' says summarizing the industry trends. Broadly, the challenges and opportunities that the insurance industry would face include technology, talent, regulation, product development, mergers and acquisitions, and tax reform. It will depend on each insurer as to how they turn every challenge into an opportunity for growth.

Emerging Markets Propel Growth, But Recession is a Threat

Growing economies will bolster the global insurance industry, a trend that most experts agree with. Swiss Re Institute's Sigma study released in March this year also emphasized the importance of developing markets in the global insurance industry's growth. The report says that emerging markets "will remain the growth engine of the global economy and insurance industry over the next decade". This also shows how the shift of economic power from west to east continues in 2019 and over the next decade. Some key highlights from Sigma forecast include:

- Emerging market premiums will more than double over the next 10 years and outpace advanced market premium growth by four times.
- Emerging Asia, particularly China, will drive global insurance market growth. Premiums in emerging Asia will grow three times faster than the global average over the next two years.
- Industry-specific factors such as introduction of international best practice in regulation, improving market access and early adoption of technology will support insurance sector development in emerging markets. Given the heterogeneity of the markets, insurers which look to diversify by line of business and take a long-term view stand to benefit most from the opportunities that the emerging markets present.

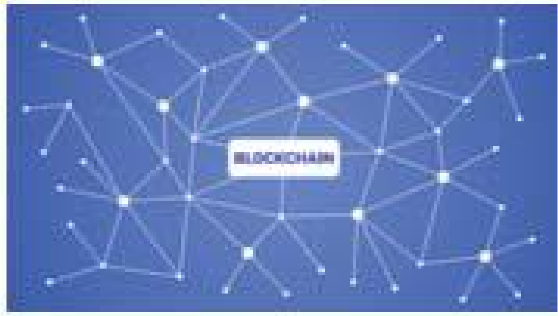
The report notes, while the growth in emerging markets has moderated as they mature and also owing to external cyclical factors, they will still account for 60 percent of global growth in 10 years. Quality rather than speed would be the hallmark of this phase of growth and would also be the differentiating factor among the emerging economies.

However, Deloitte cautions that recession could prove to be the dampener for insurers as economies slowdown by 2020.

Tech Trends

Cloud is becoming big in the insurance sector as insurers embrace technology to leverage cost savings. Cloud models as pay-as-you-consume will continue to push usage and in 2019 insurers will be looking to the cloud for other benefits that it offers like speed, flexibility, and scalability. Deloitte report notes, "More and more core business capabilities are likely to move into the cloud as carriers continue to pursue legacy system modernization." A look at the markets proves that insurance players are embracing technology like cloud and blockchain for competitive advantage that they bring.

While 2018, was a year spent in studying and understanding distributed ledger technology or blockchain, 2019 is the year of adoption. Deloitte report says, "2019 will likely see the industry move past basic education and proofs of concept to preparing for the launch of an increasing number of real-world blockchain applications impacting day-to-day operations."



Sigma however notes, that though insurers acknowledge that the use of technology in the sector can make "products more affordable, business more profitable and provide access to new risk pools", the adoption of technology is not uniform across emerging markets. This is mainly because of regulatory barriers that InsurTech is still in the nascent stages. Consequently, many emerging market players are still to fully experience the transformative power of technology on their business models.

The new-age consumers who are internet savvy and work their world on their mobile devices seek more control over their specific coverage. Deloitte notes that a survey of life insurance consumers indicated that 90 percent of buyers would like to self-manage existing policies through digital channels. This can only be achieved by enlisting innovative technologies.

InsurTech hence is a rising trend globally and emerging markets are not far behind their developed counterparts in adopting the latest technology to better service their vast and growing consumer base.

Evolving Regulations, Increasing Access

This is certainly a beneficial trend across emerging economies. To ensure market growth and enable a wider reach of insurance safety net to the citizens, many governments are coming up with regulations that promote the growth of the industry. For example, in India making third party cover in motor insurance mandatory is a big step.

The second important development in emerging markets is the easing of barriers and rationalization of protectionism by allowing a level playing field to foreign players. Government policies are now more concerned with deregulation and liberalization of the market in order to increase competition and provide better consumer protection with wider choices better service and more affordable insurance cover.

Use of Mobile Devices Catalyzing Growth

The growing use of mobile devices has aided wider penetration of insurance as more and more people are interacting with insurers and intermediaries online. Sigma says, in emerging markets this trend in mobile insurance and the growth of the internet "is enabling insurers to distribute, underwrite and pay claims online, which in turn helps expand the reach of insurance and close existing protection gaps".

Push from Urbanization

Growing urbanization is a common phenomenon in emerging economies. The increasing pressure on limited infrastructure has brought about enhanced investment in infrastructure to accommodate the growing urban population. The increasing infrastructure investments provide insurance opportunities to the insurance sector in these economies.

Talent, a high priority for Insurers

As the insurance markets grow, they need to increase their staff strength to tackle the growing volume of work. However, they also need more digitally qualified personnel as they invest in innovative technologies and undertake their digital transformation journeys. Technologies like robotic process automation and artificial intelligence are being explored and adopted for repetitive manual work and this means the insurance industry would be eliminating some jobs as they automate. The changes brought about by technology mean retraining and repurposing workers impacted by tech upgrades. Insurers face the challenge of making more productive use of their time and talent, even as they look out for talent trained in newer technology.

Widening Net of Financial Inclusion

In emerging economies especially, insurance provides a safety umbrella to the poor and the rural populace with low and uncertain incomes. Droughts, floods, illnesses due to low nutrition diet and life-threatening disasters are catastrophic for low income population. For insurers, as Sigma observes, this opens up an opportunity – "a new risk pool of several billion customers on the cusp of transformative growth".

Conclusion

Emerging economies provide a readymade market for insurers to tap into. As the emerging economies are liberalizing and bringing in regulations that promote foreign participation in the domestic insurance market, competition is hotting up in the market. Technology adoption both by consumers and insurers is further changing the ways that the industry functions. While consumers are spoilt for choice, the industry too has a wider playing field. 2019 is certainly the year of the emerging economies' insurance market.

Source: Secondary research & media reports

Social security schemes in the insurance and pension sectors provide the poor a safety net against unforeseen disasters and promote an inclusive society.

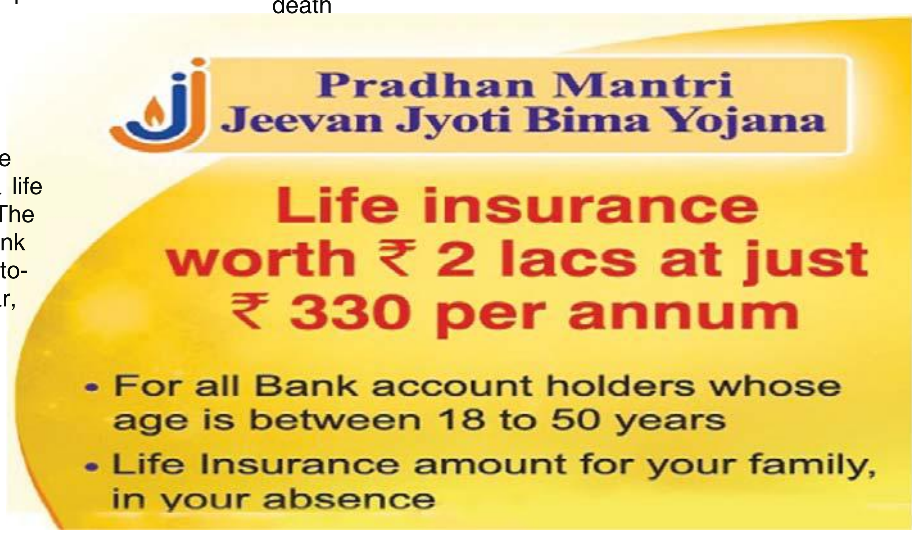
INSURANCE FOR INCLUSION

THE PRO POOR and inclusive agenda of the incumbent government is best exemplified by the number of insurance schemes it has launched for the country's low income and rural groups. Some of the most talked about social security schemes that promise protection to the masses at nominal premiums are of immense significance not just to the poor, but the economy as a whole. Here are some schemes that you can help the needy around you avail – domestic help, your driver, vegetable seller, gardener or any such person from low income families.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

Available to Indian residents in the age group of 18 to 50 years, PMJJBY is a life insurance cover for the underserved. The only requirement to be eligible is a bank account and consent to join/enable auto-debit. To apply one also needs Aadhar, which functions as the primary KYC for the bank account. The life cover provided under the scheme is of Rs 2 lakh and covers one-year period stretching from 1 June to 31 May. The scheme is renewable. The insured will have to shell out a premium of Rs 330 per annum which will be auto-debited in one installment from the subscriber's bank account on or before 31 May of each annual coverage period under the scheme. PMJJY can be availed from Life Insurance Corporation. Other life insurers can also offer the product provided they fulfill the prescribed terms.

WHAT's ON OFFER: Life insurance cover which offers Rs 2 lakh to dependents of the policyholder upon his/her death



HOW MUCH IT COSTS: Annual premium of Rs 330

WHO CAN APPLY: Residents of India in the age group of 18-70 years with a savings account in a bank offering the scheme

WHY OPT FOR IT: Poor income households with sole breadwinner must opt for it as it provides comprehensive cover against sudden shock

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

PMSBY, an insurance cover for accidental death and full disability, is a safety net for workers like those in factories and construction sites where accidents that can render them incapable to work or even result in deaths are a constant threat. People in the age group 18 to 70 years are eligible to apply for this scheme. All an applicant requires is a bank account and will have to give consent to join/enable auto-debit on or before 31 May. The coverage period is 1 June to 31 May, and the scheme needs to be annually renewed. Aadhar is the primary KYC for the bank account. The risk coverage provided under the scheme is Rs 2 lakh for accidental death and full disability and Rs 1 lakh for partial disability. The premium amount is a mere Rs 12 per annum and is deducted from the account holder's bank account through 'auto-debit' facility in one installment. PMSBY is offered by all public sector general insurance companies. It can also be offered by any other general insurance company on prescribed terms and necessary approvals.

Pradhan Mantri Suraksha Bima Yojana

WHAT'S ON OFFER: Rs 2 lakh in accidental death and disability cover

HOW MUCH IT COSTS: Annual premium of Rs 12 only

WHO CAN APPLY: Anybody with a savings account in the banks that offer this scheme, can apply

WHY OPT FOR IT: This scheme is a must for people who are exposed to daily risks of accidental death or disability like drivers, security guards, vendors, factory workers, construction workers, et al

Pradhan Mantri Jan Dhan Yojana (PMJDY)

Pradhan Mantri Jan DhanYojana (PMJDY) is a unique accident insurance cover aimed at comprehensive financial inclusion of the poorest of poor. Under the scheme, a basic bank account is to be provided to every family who are unbanked. With the bank account, every family gets a RuPay debit card bundled with accidental insurance cover of Rs 1 lakh. A life cover of Rs 30,000 in addition was announced to those subscribing to a bank account with a RuPay debit card before 26 January 2015. The Rs 30,000 is to be paid on death of the life assured, due to any reason, to the deceased's family. The premium subscription for the life cover under PMJDY is borne by the Government of India.

WHAT'S ON OFFER: The unbanked get a savings account with no minimum balance bundled with a Rupay ATM-cum-debit card which has in-built accident and life cover of Rs 1 lakh and Rs 30,000 respectively

HOW MUCH IT COSTS: Nil

WHO CAN APPLY: Anyone from the economically weaker sections can apply and must apply as all future welfare and subsidy schemes may be linked to it

WHY OPT FOR IT: It is a no premium basic life cover and accident insurance with no strings attached

Atal Pension Yojana (APY)

APY was launched on 9 May 2015. This scheme aims to address the old age income security of the working poor and is focused on encouraging and enabling them to join the National Pension System (NPS). This is for the workers in unorganized sector who are at longevity risk. The unorganized workers constitute 88 percent of the total labor force of 47.29 crore as per the 66th Round of NSSO Survey of 2011-12. However, they are bereft of any formal pension cover. To tide over this critical gap, the Government launched the APY. Depending on the contribution of the insured and the period of deposit, it provides a defined pension upon the insured attaining 60 years of age. Subscribers to the APY would receive the fixed minimum pension of Rs 1000 per month, Rs 2000 per month, Rs 3000 per month, Rs 4000 per month, Rs 5000 per month. The contributions to APY are based on the age of joining, with the minimum age of joining being 18 years and maximum 40 years. The minimum period of contribution by any subscriber under APY is 20 years or more. The benefit of fixed minimum pension is guaranteed by the Government.

WHAT'S ON OFFER: Rs 1,000 and Rs 5,000 a month in pension

HOW MUCH IT COSTS: To get Rs 1,000 monthly pension, a 40-year-old subscriber to APY will need to invest just Rs 291 per month for 20 years; while an 18-year-old, the contribution per month is just Rs 42 per month for 40 years

WHO CAN APPLY: All individuals between 18 and 40. They will need to contribute till the age of 60, post which they will start receiving the pension

WHY OPT FOR IT: It is guaranteed security in old-age for working population in the unorganized sector, who have no other means of sustenance once they are old

Pradhan Mantri Vaya Vandana Yojana (PMVVY)

PMVVY aims to go beyond usual pension schemes and insulate elderly persons from volatile market conditions which may lead to a fall in their interest income. It also provides social security during old age with an assured pension of 8 percent. Life Insurance Corporation (LIC) of India is the implementing agency for this scheme. A simplified scheme, it is open to citizens who are 60 years and above. Subscribers are required to pay an initial lump sum amount ranging from a minimum purchase price of Rs 1,50,000 for a minimum pension of Rs 1,000/per month to a maximum purchase price of Rs 15,00,000 for maximum pension of Rs 5,000/per month. The policy term is 10 years. It became available for subscription from 4 May 2017 and will be open till 31 March 2020. According to LIC, the minimum and maximum pension are as follows:

WHAT'S ON OFFER: Assured monthly pension of Rs 1,000 and maximum of Rs 5,000 depending on the lump sum amount deposited

HOW MUCH IT COSTS: Rs 1,50,000 and a maximum of Rs 15,00,000 purchase price for monthly pension scheme

WHO CAN APPLY: Senior citizens aged 60 years and above

WHY OPT FOR IT: For assured pension at a guaranteed 8 percent rate of return per annum

Pradhan Mantri Jan Arogya Yojana (PM-JAY)

PM-JAY is aimed at reducing the financial burden of hospitalization on the economically weak and vulnerable sections. As per the latest Socio-Economic Caste Census (SECC) data there are to 10.74 crore poor, deprived rural families and identified occupational categories of urban workers' families (approx. 50 crore beneficiaries). The scheme provides financial protection (Swasthya Suraksha) to these underprivileged groups. PM-JAY offers a benefit cover of Rs 500,000 per family per year (on a family floater basis) and covers hospital stay and medical expenses for almost all secondary care and most of tertiary care procedures. Under the scheme, 1,350 medical packages covering surgery, medical and day care treatments including medicines, diagnostics and transport have been identified for the poor. There is no cap on family size to ensure that no one is left out of this safety cover. It is a cashless and paperless scheme. People can avail healthcare under this scheme at public hospitals and empanelled private hospitals. No charges for the hospitalization expenses will have to be borne by the beneficiaries. The benefit also includes pre and post-hospitalization expenses. PM-JAY is an entitlement-based scheme and is touted will be the world's largest government funded health protection mission, once fully operational. Under it, the Government provides health insurance cover of up to Rs 5,00,000 per family per year.

WHAT'S ON OFFER: Rs 5,00,000 per family per year

HOW MUCH IT COSTS: Nil

WHO CAN APPLY: Beneficiaries identified as per latest Socio-Economic Caste Census (SECC) data

WHY OPT FOR IT: It is a boon for the poor at a time when healthcare across India is skyrocketing

Varishtha Pension Bima Yojana (VPBY)

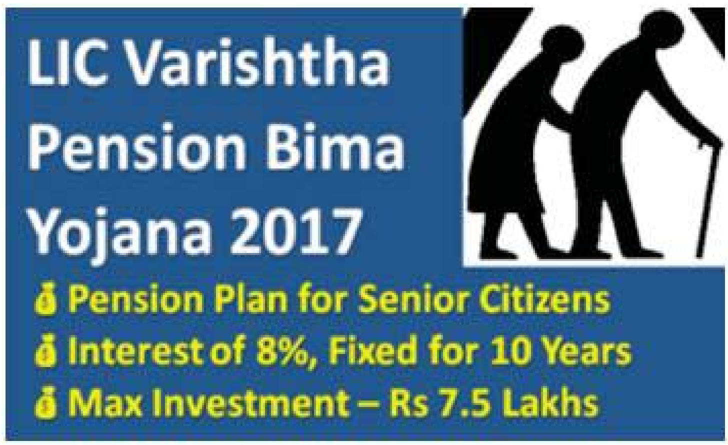
This is a pension scheme for senior citizens aged 60 years and above. The revived Varishtha Pension BimaYojana (VPBY) was formally launched on 14 August 2014 with a limited period window stretching from 15 August 2014 to 14 August 2015. Under VPBY, 3.16 lakh annuitants are drawing a pension and the corpus amounts to Rs. 6,095 crore. All those who subscribed in the limited offer period, are receiving an assured guaranteed return of 9% under the policy. Life Insurance Corporation of India (LIC) is administering the scheme. Subscribers had to pay a lump sum amount to get pension at a guaranteed rate of 9% per annum (payable monthly). The Government of India covers any gap in the guaranteed return over the return generated by the LIC on the fund by way of subsidy payment in the scheme. The scheme allows withdrawals of deposit amount by the annuitant after 15 years of purchase of the policy.

WHAT'S ON OFFER: Monthly pension on the amount deposited at 9% per annum interest rate

HOW MUCH IT COSTS: However much you can deposit as a lump sum

WHO CAN APPLY: Senior citizens who are 60 years or above

WHY OPT FOR IT: Senior citizens can get a monthly income and can withdraw the deposit amount after 15 years



Conclusion

No country can hope to progress if more than half its population is denied quality life. Insurance provides the much-needed cover against health scares and unforeseen disasters to the underprivileged. It can prevent farmers from committing suicide upon repeated crop failure due to inadequate monsoon or draught. It can provide succor to the migrant labor from a life of unmitigated poverty. It can be the succor to a poor family when there is an accident, illness or death preventing earning members from working. It can be the safety net for the street hawkers and vendors, rickshaw pullers and auto drivers.

The Government of India is working with the mandate “Sabka Saath, Sabka Vikas” to ensure India becomes an inclusive society. These insurance schemes are a giant step in that direction. With a little help from educated and informed citizens, it can be ensured that none are left out in the cold or the rain.

Source: Secondary research & media reports

"There Is Definitely A Clear Focus By A Lot Of Players In The Industry And The Maturity Level Is Currently In An Emerging State"

Himanish Chaudhari
Partner, Deloitte India

... in a chat with The Aware Consumer throws light on the trends shaping India's insurance sector and the factors driving its growth.

Q Various research findings say in 2019 emerging economies' insurance sector would drive the growth of global insurance industry. Please throw some light on this.

Yes emerging economies are expected to drive the growth of the insurance sector over the next decade, particularly large emerging markets in Asia.

Insurance premiums in emerging markets have grown by 11% per annum against a mere 1.3% growth in the industrialized markets. Projections indicate that emerging economies will account for about 60% of total insurance growth over the next decade.

Some of the factors that are in favour of growth of insurance in emerging markets are

- Favourable regulations that aim to increase penetration
- Technology that enables faster and seamless distribution of insurance products
- Mobile revolution
- Government push in countries such as India where there is a government backed life insurance scheme (PMJJBY – Pradhan Mantri Jeevan Jyothi Bheema Yoajana)

Q How is India's insurance sector placed on the global map and how do you see it going forward?

Current penetration of insurance in India is 3.69% of the GDP and this is amongst the lowest in the world. In terms of insurance density India is ranked at the 73rd position globally with an overall density of USD 73. India is quite an underpenetrated market when compared to the rest of the world, which also means that there is a significant scope of growth of insurance in India.

Growth in the financial services industry, population demographics, an increasing working population coupled with higher disposable income and government push towards insurance suggests that India has a solid platform and is poised to grow over the next few years.

Q What are the emerging trends in Indian insurance sector?

Insurance has been disrupted with Technology and companies are now looking at moving digital as quickly as possible. Along with the impact of technology there are also other trends which we are seeing

- Innovate modes of distribution – Companies are looking beyond bancassurance and moving towards innovative partnerships with E-commerce companies, Government organizations and telecom companies. Companies have been looking at direct interfaces with the customer and have been selling policies over communication platforms.
- Cyber insurance products – Companies are under-writing cyber insurance products and have been pushing for sale of these policies. The cyber insurance market has been witnessing a rapid growth in the range of 40%
- Several insurance companies have been listed on the stock exchanges in the last few years and many others have plans to get listed in the next year or two
- Technology – Emerging technology adoption such as Artificial Intelligence, RPA, Chatbots, Block Chain, Big Data and Data Analytics tools

Overall, the industry is currently witnessing a dynamic environment with emerging trends across the spectrum, and it will be interesting to watch the developments.

Q Experts, insurance industry and in fact, IRDAI are all in favour of 100% FDI in the insurance sector in India. What are arguments for and against this move? What is your opinion?

Increase in FDI for insurance intermediaries to 100% has been deliberated for a while now. Distribution been impacted due to limited channels and increase in FDI for intermediaries would provide the much-needed capital boost to increase distribution capabilities while also improving the overall quality of services provided by these intermediaries.

Reservations against the increase in FDI are that the entry of specialized foreign companies that may restrict smaller Indian players from entering the intermediary market and lead to consolidation between the players.

There is need for a comprehensive industry level discussion; with participation from the regulator (IRDAI), relevant ministries and the industry representatives; on the exact modalities of any such move.

Q A mega merger of 4 huge public sector general insurance players is on the anvil. How will this impact the market?

The proposed merger of the insurance companies follows the government's move of consolidating public sector undertaking across various industries. The merger of large public sector banks and insurance companies is part of the government's strategy to bring about efficiency in these undertakings while assisting them in their divestment objectives.

While there are obvious benefits in the form of enhanced scale and distribution capabilities, synergies in digital transformation and operational efficiencies; the ensuing challenges such as varied technology platforms, differentiated policies and products, customer contracts and commitments, impact on the human resources needs to be deliberated and addressed appropriately in order to build a customer centric, profitable enterprise which will expand the overall insurance market.

Q Technology is set to change the way insurance sector has been functioning in India. What are these big technologies? What is India's tech adoption like? How will technology impact the sector?

Technology adoption has been very rapid amongst Indian insurers in the recent past. Artificial Intelligence, RPA, Chatbots, Block Chain, Big Data and Data Analytics tools are some of the technologies being considered. There is definitely a clear focus by lot of players in the industry and the maturity level is currently in an emerging state. In the next 3 to 5 year horizon, the same is expected to progress in a significant manner.

The biggest impact of technology will be the impact on customer service, operational excellence and customer journeys. Technology will be a critical element in defining the end customer experience and may well determine who goes onto become the market leader.

Q Indian insurance sector is plagued by frauds – by consumers and by players, intermediaries, agents and fraudsters. How do frauds impact the market?

Insurance frauds have been a menace the industry has had to deal with. Not only do these frauds have a financial impact on the companies they also increase the premiums for customers and dent the confidence of genuine policyholders.

As per the General Insurance Council, about 10-12% of all claims are fraudulent or suspected fraudulent. The Industry needs to focus on defining a robust fraud management mechanism, leverage the technology and the analytics to setup an early warning mechanism and a formal sharing of information and modus operandi across the industry to enhance the overall fraud risk management.

Q Can technology help curb frauds? How?

Yes technology can definitely help curb frauds. Use of technology to effectively analyse trends in the data can help throw alerts that can prevent frauds. Further, a robust early warning mechanism, particularly in the areas of claims management, can also aid the insurers in effectively utilising the data and analytics to enhance their preventive fraud risk capabilities. Organizations need to invest in building a strong data architecture, data quality and analytics framework to implement such early warning capabilities.

Q What advice do you have for Indian insurance consumers? How can they protect themselves against frauds?

Consumers must be particularly careful while undertaking all types financial transactions and not only while purchasing insurance. Consumers must follow good internet practices and not share any confidential details such as usernames or passwords with anyone.

While purchasing a policy, the consumer must take all steps to satisfy himself that the policy is genuine and being sold via an authorized intermediary. The consumer should ensure that their communication details are correctly updated with the insurer so that all policy related communication is addressed to them.

Further consumers must obtain all documentation like premiums receipts and keep it secure. In the event of a fraud occurring, the consumer must be quick to bring it to the insurers notice.

Q Lack of awareness is said to be the biggest impediment in Indian's accessing insurance cover and in market expansion. How can the government and private players ensure that the right information and awareness reaches consumers?

This requires a two-step approach. One is to design products that are simple to understand and purchase and second is to communicate that effectively. There is a need for the industry to come together and promote insurance as a product. Best practices followed by other financial services industry players such as Investor education and protection fund, depositors education and protection fund, financial inclusion awareness programs needs to be studied to draw parallels and enhance the outreach programmes.

Pyush Misra
Director,
Consumer Online Foundation

Far-reaching changes are taking place in the insurance industry on the back of innovative emerging technologies.

Transforming Digitally, Evolving Technologically

TECHNOLOGY IS EVOLVING rapidly, and every industry is in the race to keep up with tech innovations and become smarter. The market focus is also moving from being product to consumer centric. A company must constantly innovate and adapt to these changing realities to stay ahead of competition. Technological breakthroughs help businesses achieve these goals. The insurance industry too is in the throes of digital transformation, as competition intensifies with existing players trying to maintain their lead and the new entrants with savvier tech teams ready to upstage them. There are a host of emerging technologies that the insurance players must adopt and adapt to if they want to remain relevant and maintain the winning edge.

In 2019, experts predict insurance technology will mature as more and more insurers adopt emerging technologies. Here is a list of technologies that will change the way insurance industry functions.

Machine Learning (ML)

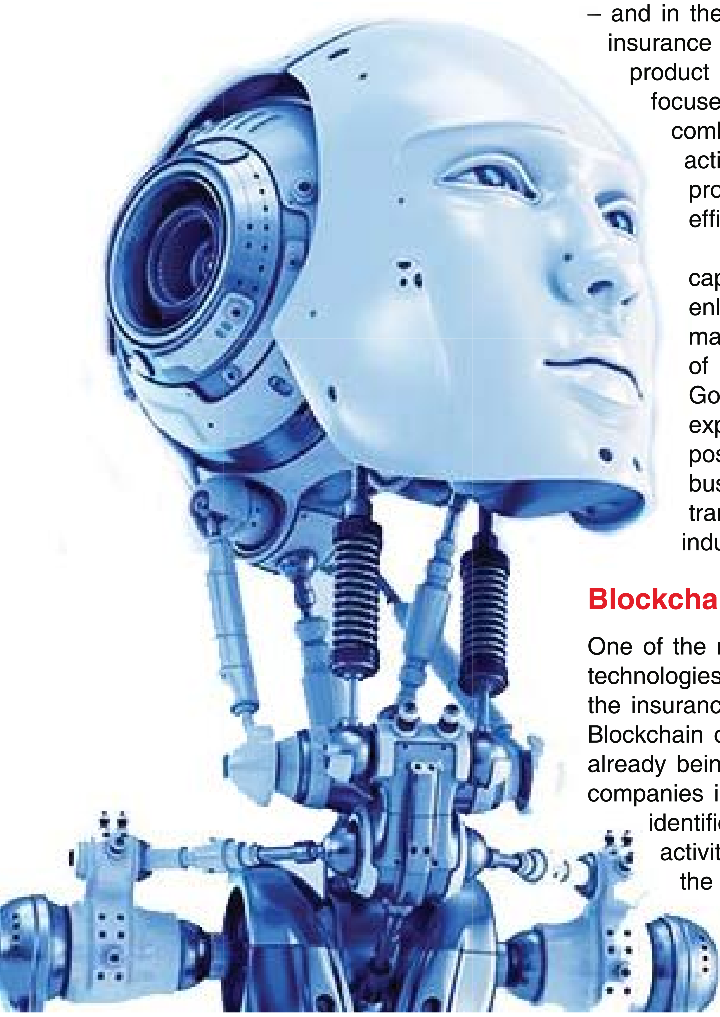
In a bid to improve accuracy, more and more technologies will overlap. Machine learning is one of the top tech trends for the insurance industry in 2019, which is being employed by many insurers to improve accuracy of operations, optimize costs, and ensure high quality multi-channel customer service. Forbes defines machine learning as technically a branch of AI, but more specific, "based on the idea that we can build machines to process data and learn on their own, without our constant supervision." Insurers are adopting ML to automate and improve the functioning of claims processing. Digital files on the cloud are accessible and can be analyzed using pre-programmed algorithms. This improves processing speed and accuracy. This kind of automated

review has implications beyond just claims processing and can be employed in policy administration and risk assessment. Insurers can use also ML to provide multi-channel customer service at optimized cost and to improve operations right from marketing and underwriting of the insurance products to settlement and reimbursement.

Machine learning and automation have been employed in the industry for some time but its use was restricted to simple processes like data entry, carrying out compliance checks and in routine communication with customers. Now the usage is becoming much wider as insurers explore automation in claims inspection, verification and settlement.

Artificial Intelligence (AI)

According to a PwC report – 'AI in Insurance: Hype or reality?' – the initial impact of AI in the insurance sector will primarily relate to improving efficiencies and automating existing customer-facing underwriting and claims processes. AI's impact will become more meaningful as insurers innovate its uses to identify, assess, and underwrite emerging risks and identify new revenue sources.



Currently, some insurers are enlisting AI to provide personalized experience. AI helps in creating unique experiences for customers at speeds that meet the demands of the tech evolved customer. It is also helping insurers improve claims turnaround cycles and is fundamentally change the underwriting process. AI enables insurers to access data faster and eliminate human element to provide more accurate reporting in shorter periods of time. It has already found use in evaluating risks and matching insurance offers to customer's needs – and in the process is changing insurance business from being product focused to customer focused. Some insurers are combining AI with core activities like claims processing to improve efficiencies.

Given its analytical capabilities, AI can be enlisted to improve and manage various processes of insurance business. Going forward, insurers will explore the innumerable possibilities to innovate business with AI. It will transform the way the industry functions.

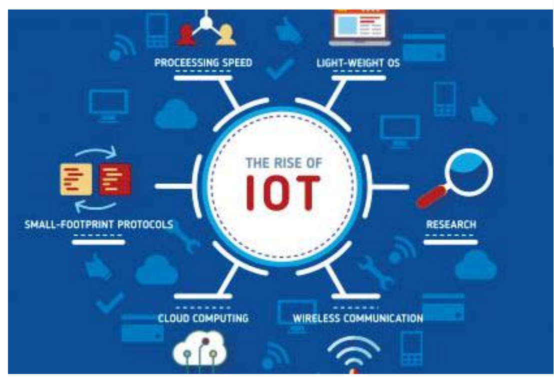
Blockchain Technology

One of the most powerful technologies that will revolutionize the insurance space in 2019 is Blockchain or Distributed Ledger. It's already being used by some companies in client validation and in identification of fraudulent activities, which has plagued the industry for ages. As criminals become more sophisticated using the

anonymity of online transactions for false claims and approvals, Blockchain has come to the insurers' rescue. Transactions on Blockchain platform are highly secure and remain traceable at each point, which helps insurers track them.

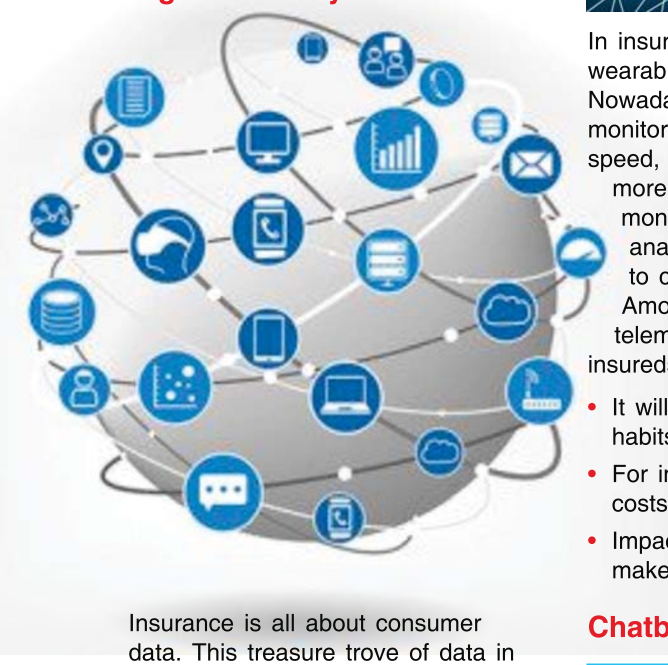
Counterfeiting, double booking, contract alterations and fraudulent claims, are not possible on highly secure Blockchain platform. With its many uses, Blockchain can make insurance activities transparent and secure.

Internet of Things (IoT)



Consumer data is a mine of information. With IoT technology, this data sharing can be automated and used to price policies and premiums tailored to consumers' needs and in insurance of motor vehicle, it can help in developing next generation insurance products suited to the profile of individual customer. For insurers, data from IoT devices used in smart homes and wearable technologies can be of help to determine rates, mitigate risk, and even prevent losses. IoT can be used to bolster other insurance technologies with first-hand data. For the insured, IoT will be more power in their hands as they can directly impact their policy pricing. In short, IoT will play the role of connector – connecting the insurance sector with consumers and their risks.

Big Data Analytics



Insurance is all about consumer data. This treasure trove of data in the new age of IoT has wider scope. Even the format of information has changed drastically with data flowing in from new innovative tech sources, including wearable fitness devices that are connected to the IOT, telematics and social media.

Predictive modeling is already being used in motor insurance sector to accurately assess driving behavior and even damages that can occur. The behavioral data of consumers can be used to tailor targeted products and leveraged by insurance providers to arrive at innovative insights that can help in business objectives.

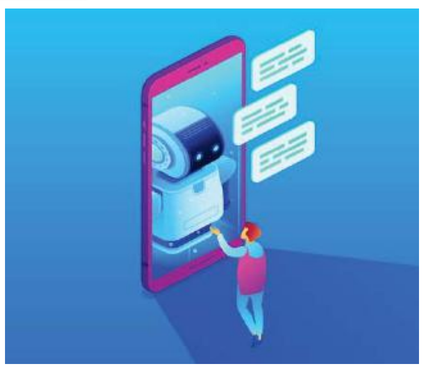
Social media too has more pertinent uses for the insurance sector than just for marketing and advertising. A rich data source, insurers can mine social media data to improve risk assessment, fraud detection, and develop new customer experiences.

Telematics

In insurance business, telematics is wearable technology for the car. Nowadays cars come equipped with monitoring devices that can measure speed, location, accidents, and more. All this data can be monitored and processed with analytics software by the insurer to calculate policy premium. Among the many benefits of telematics for insurers and insureds are:

- It will encourage better driving habits
- For insurers, it will lower claims costs
- Impact customer relationships and make it more proactive

Chatbots



Reports estimate that by 2025 95% of all customer interactions will be powered by chatbots. Chatbots can use AI and machine learning for personalized interaction with customers. This would lead to time savings for personnel and better deployment of them in more meaningful roles. Instead of a human agent, a bot can be utilized to walk a prospect through a policy application or claims process. Human intervention can be reserved for more complex operations. With chatbots performing many roles, insurance companies can save big bucks.

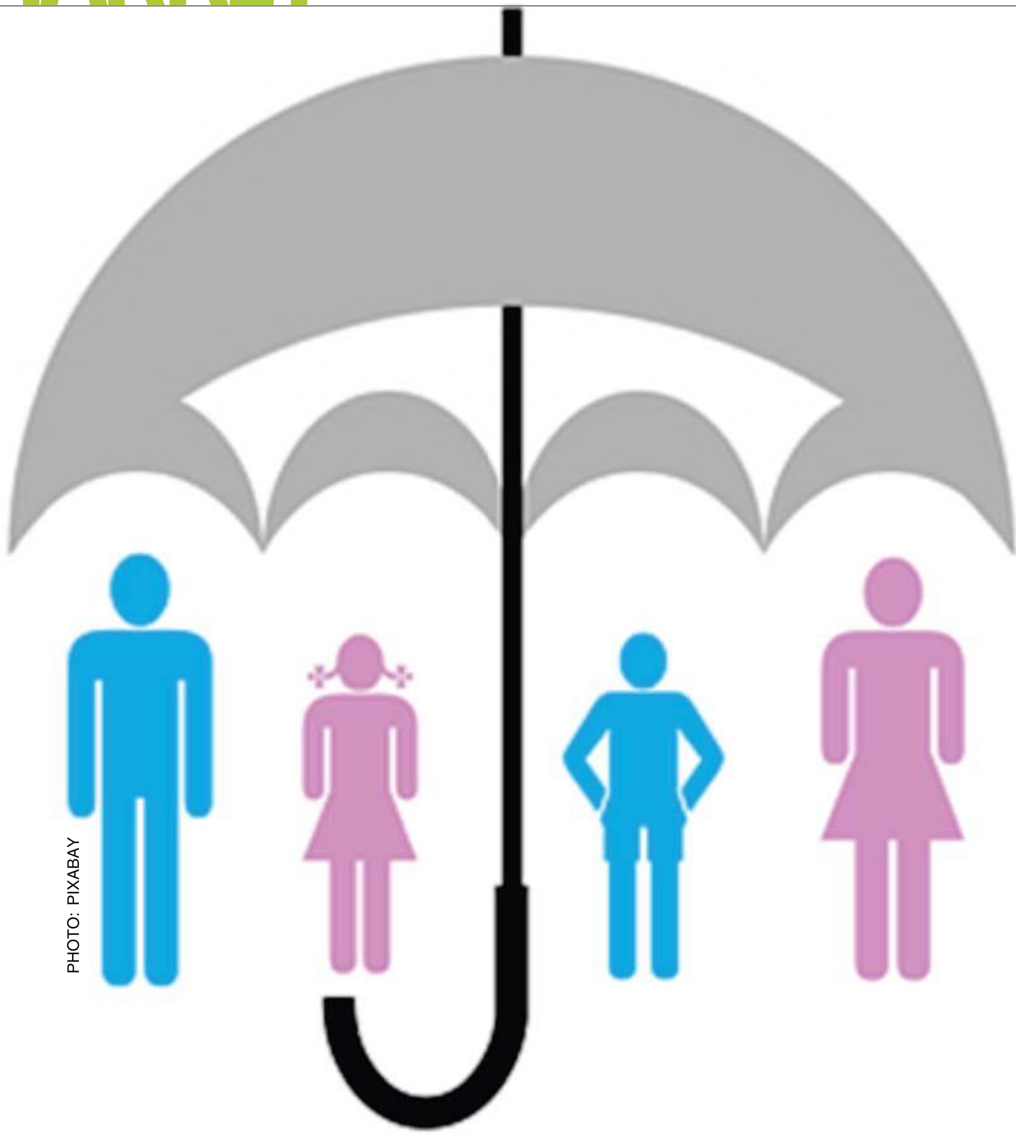
Drones

Drones in the sky will become a common sight soon, and we do not mean only for food deliveries or parcel packets. Insurers will be taking to the sky with their drones for uses that range from collecting data to calculate risk before a policy is issued, preventative maintenance to damage assessing, especially in sectors like farm insurance.

Conclusion

2019 can be billed as the year of digital transformation of the insurance industry as insurers adopt newer technologies to drive efficiencies. Innovative uses of emerging technologies in hitherto unthought of areas will transform the way insurance industry performs. From mining customer data for deeper insights and developing tailored products to risk and damage assessments and routine roles like walking the customer through a policy or complaints redressal, all will undergo systemic transformations with technology. The industry will become more focused on customers as tech savvy consumers will demand their price's worth. There is a lot to watch out for.

Source: Secondary research & media reports



CHANGING CONTOURS OF INDIA'S INSURANCE SECTOR

Insurance consumers are changing propelled by digital innovations as their experiences with other industries shape their expectations from the insurance sector. Insurers must adapt to these changes, adopt technology and innovation or be ready to be replaced by more savvy new entrants into the market.Photo: Pixabay

THE INDIAN INSURANCE sector is at the crossroads of development. According to an IRDAI report, insurance penetration in India at 3.69% is one of the lowest globally. In 2009, it was a little higher at 4.6%. This is still much of an improvement from the 1% in FY2000-2001, when the industry opened up to the private sector.

History of Insurance Industry in India

India's insurance sector has a rather checkered history. It began as an open competitive market, was nationalized subsequently and went back to being a liberalized market eventually. The genesis of insurance in India dates back to 1818 with the opening of the Oriental Life Insurance Company in Kolkata. The next milestone came in 1912 when the Indian Life Assurance Companies Act came into force to regularize the life insurance business. Later, in 1928, the government enacted the Indian Insurance Companies Act to enable it to collect statistical information on both life and non-life insurance businesses. A decade later, in 1938, the earlier legislation consolidated with the Insurance Act with the aim to safeguard the interests of the insuring public. By 1956, there were 245 Indian and foreign insurers and provident societies. All these were taken over by the central government and nationalized. It was in this year too that Life Insurance Corporation was formed by an Act of Parliament – the LIC Act, 1956.

On the general insurance front, in 1907, the first company called The Indian Mercantile Insurance Ltd was established. It was much later in 1957 that a code of conduct was framed. Further improvement in the industry came about in 1968 as the Insurance Act was improved to regulate investments and set minimal solvency levels. The Tariff Advisory Committee was also set up this year. Later, in 1972, the general insurance sector was nationalized by The General Insurance Business (Nationalization) Act, 1972, and came into effect on 1 January 1973. This brought about the integration of 107 insurers into four companies – National Insurance Company Ltd., New India Assurance Company Ltd, Oriental Insurance Company Ltd and United India Insurance Company Ltd. General Insurance Company (GIC) was incorporated as a company.

Thus, the two state-owned insurance companies came into being – the Life Insurance Corporation in 1956, and the General Insurance Corporation in 1972 for the non-life insurance business.

GIC had four subsidiary companies – The Oriental Insurance Company Limited, The New India Assurance Company Limited, National Insurance Company Limited and United India Insurance Company Limited – that were later delinked from it with effect from December 2000. GIC was made the National Reinsurer.

The real development of the insurance industry in India began post liberalization when the industry was opened up. The Insurance Regulatory and Development Authority of India (IRDAI) was established in 1999 to regulate the insurance industry. Once the insurance sector was opened to private players, foreign players began collaborating with Indian entities to enter the sector. In a major move in 2014, the government increased foreign investment upper limit from 26% to 49% in insurance sector, including insurance intermediaries. Insurance broking, third party administrators, surveyors and loss assessors came under intermediaries. Last year, it was widely reported in the media that the Government is considering allowing 100 per cent foreign direct investment (FDI) in insurance sector including intermediaries. The aim is to give a boost to the sector and attract more funds.

Current Scenario

Post liberalization and with foreign participation, the Indian insurance sector grew rapidly. Today there are 63

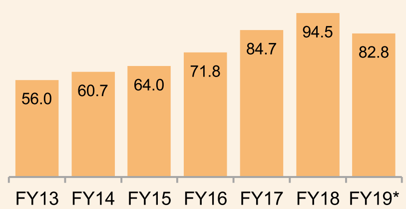
Insurance penetration

Source: PwC

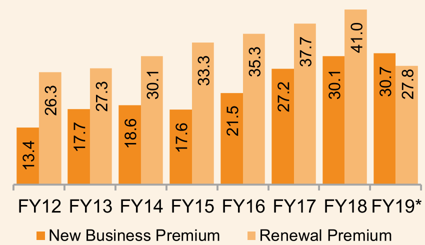
Insurance

Market Size

Gross Premiums Written In India (US$ bn)



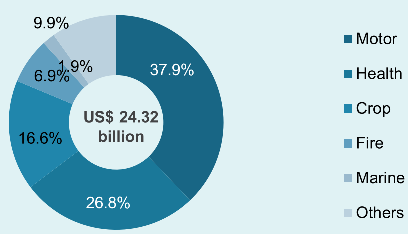
Growth In Life Insurance Premiums (US$ bn)



Note: *New business premium is up to March 2019 and Renewal premium is up to December 2018*

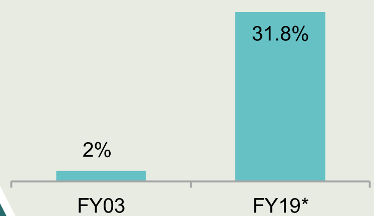
Sector Composition

Non-Life Insurance Market In India (FY19)

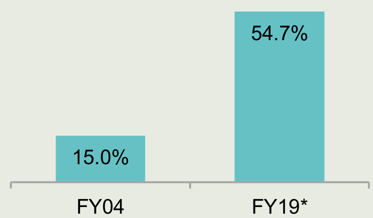


Key Trends

Share Of Private Sector In Life Insurance



Share Of Private Sector In Non-Life Insurance



Note: ** up to September 2018*

Government Initiatives

Pradhan Mantri Jeevan Jyoti Bima Yojana

Pradhan Mantri Jeevan Jyoti Beema Yojana

Atal Pension Yojana

Atal Pension Plan

Pradhan Mantri Suraksha Bima Yojana

Pradhan Mantri Swasthya Bima Yojana

Source: www.ibef.org

insurance companies making the sector vibrant and competitive, and offering more choices to the end consumer at more affordable prices. Apart from the one public sector life insurance company – Life Insurance Corporation (LIC) – there are seven public sector non-life insurers and two national reinsurers.

The Government's inclusive agenda has given a huge push to insurance penetration in the country, with a proliferation of insurance schemes aided by rapid digital adoption by the masses and the insurers. The Government of India has also taken a number of initiatives to boost the insurance industry. According to Indian Brand Equity Foundation (IBEF), National Health Protection Scheme launched under Ayushman Bharat in September 2018 to provide coverage of up to Rs 500,000 (US$ 7,723) to more than 100 million vulnerable families is expected to increase penetration of health insurance in India from 34 per cent to 50 per cent. Further, over 47.9 million famers were benefitted under Pradhan Mantri Fasal Bima Yojana (PMFBY) in 2017-18.

The IRDAI has been taking several regulatory steps to strengthen the sector. Among the most notable are its plans to issue redesigned initial public offering (IPO) guidelines for insurance companies in the country, which are looking to divest equity through the IPO route. IRDAI has also allowed insurers to invest up to 10 per cent in additional tier 1 (AT1) bonds that are issued by banks to augment their tier 1 capital, in order to expand the pool of eligible investors for the banks.

Further, gross premiums written in India reached Rs 5.53 trillion (US$ 94.48 billion) in FY18, with Rs 4.58 trillion (US$ 71.1 billion) from life insurance and Rs 1.51 trillion (US$ 23.38 billion) from non-life insurance. Overall insurance penetration (premiums as % of GDP) in India reached 3.69 per cent in 2017 from 2.71 per cent in 2001. In FY19 (up to Jan 2019), premium from new life insurance business increased 3.91 per cent year-on-year to Rs 1.59 trillion (US$ 22.04 billion). In FY19 (up to Jan 2019), gross direct premiums of non-life insurers reached Rs 1.39 trillion (US$ 19.28 billion), showing a year-on-year growth rate of 12.65 per cent.

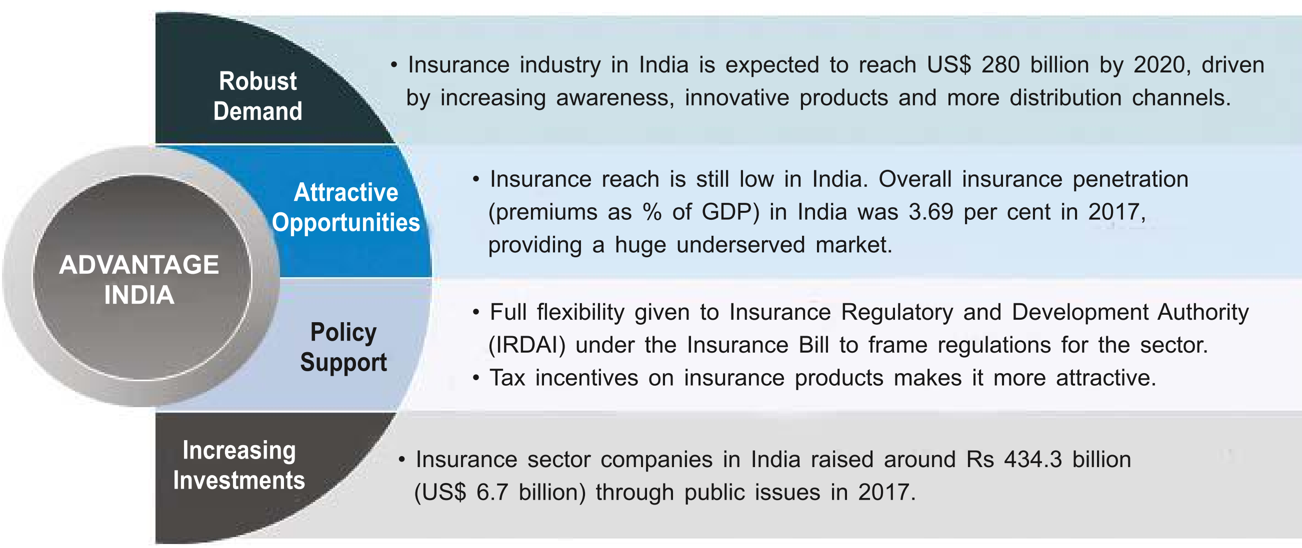
As is obvious, the insurance industry in India is going through a fundamental shift. Among the key factors aiding the sectors forward march of the sector are rising awareness of the masses, accessibility to a variety of products, affordability of insurance, regulatory reforms and economic growth. As the industry goes through transformative changes, insurers are going through a phase of re-establishment and keeping themselves relevant. Dealing with the disruptors in the sector is critical to the survival of stakeholders. For insurers in business for at least 10 years, the decision to allow them to raise capital through initial public offerings (IPOs) has energized the market.

Future Forward

The future of the insurance industry is promising in India. The main drivers of this growth are:

Untapped potential: The penetration level of insurance in India is the lowest in the world. This indicates significantly latent potential waiting to be tapped. With Government mulling 100% FDI in the sector, this could lead to substantial increase in investments in the industry, more foreign players and aggressive expansion of the market.

Supportive regulatory environment: The recent regulatory changes with an aim to strengthen the market are bound to increase investor confidence and further change the way the industry conducts its business. Strong regulations with consumers interest at the center are also changing the way in which the industry engages with its customers.



Source: www.ibef.org

Changing the Game withDigital

Technology is driving change in the insurance sector as in other industry verticals. Rapid digitalization has meant adoption of innovative technologies that can break the traditional barriers to insurance sector's expansion in India. As technology makes the business environment more dynamic and competitive, insurers would employ digital means to increase product awareness level among the target markets with differentiated offering and campaigns. The rapid penetration of internet and mobility also means more customer touchpoints, access to knowledge anywhere anytime, service availability and payments, among others. Technology also brings about transparency in product features, costs and services providing a level playing field for all.

The Changing Consumer

Access to the internet and mobile phones has meant the consumer is no longer the archetypal uninformed customer to whom companies can push any product. The new digital customer looks for quick and seamless buying experience, transparency in costs and quality in services. To tap this customer, service providers must adopt new marketing techniques and multiple access points as traditional channels do not work.

Customer expectations from insurers

Customer

Digitisation
Go digital by reducing human-centric processes

Customer centricity
Evaluate initiatives and investments from customer experience perspective

Personalisation
Connect with customer with personal touch and relevant interactions

Simplicity
Ensure simple processes and better awareness of terms and benefits

Source: PwC, Competing in a new age of insurance

Overall insurance penetration (premiums as % of GDP) in India reached 3.69 per cent in 2017 from 2.71 per cent in 2001. In FY19 (up to Jan 2019), premium from new life insurance business increased 3.91 per cent year-on-year to Rs 1.59 trillion (US$ 22.04 billion). In FY19 (up to Jan 2019), gross direct premiums of non-life insurers reached Rs 1.39 trillion (US$ 19.28 billion), showing a year-on-year growth rate of 12.65 per cent.

Developments in Distribution Channel

Cost effectivediverse distribution channels and distribution strategies will be instrumental in driving the growth of insurance sector. The value chain is evolving with the entry of innovative models like web aggregators. After the regulation to govern web aggregators was passed in 2013, and the subsequent amendments in 2017, sent insurers rushing to tie-up with these online platforms. Web aggregators that numbered just 11 in 2013 shot up to 21 in March 2017 and subsequently to 53 in 2018-19. The increasing competition amongst web aggregators and among the insurers to tap these platforms will boost the business further.

Changing Business Model

The business model too is changing from the earlier product centric and marketing driven one to a customer centric one. According to PwC report 'Competing in a new age of insurance: How India is adopting emerging technologies', in the modern business model, customer will be at the core along with a suite of digital technologies and ecosystems that will tap into the customer base. Insurers will have to adopt the changing business models or they risk losing a major chunk of business to new participants.

Customer Centricity is Key

Not just the needs but preferences as well are changing among Indian consumers. The need to cater to this new aspirational class has made the ecosystem vibrant with innovative and diversified products and services, and equally vibrant distribution channels. Marketing and promotional campaigns have become more targeted. There is innovation in what benefits come bundled with the product and also in the delivery mechanism through different marketing collaborations. The insurers are

moving closer to the customer to make their services and products more relevant.

Government Focus on Financial Inclusion

The focus of the Government to extend the safety net to cover the uninsured and underserved sections is also shaping the insurance sector and boosting its growth. Tapping into the immense potential of India's vast uninsured population will spur the growth of the industry.

Trends in Indian Insurance Industry

Talking about the emerging trends specific to the Indian insurance industry, the PwC report says, "All of the industry trends are slowly converging and ultimately pushing a sector that is slow to adapt by challenging traditional business processes, products and assumptions. To rise to the competitive forefront, insurers are rethinking and realigning their business models as per customer needs and the expectations of future target groups who are likely to become their customers in the next 10–20 years." That is to say that the industry is awakening to the needs of a new kind of customer and shaking its stupor to cater to their evolving requirements.

Conclusion

According to IBEF, by 2020, the insurance industry is expected to reach US$ 280 billion. To fulfill increasing consumer expectations, insurers need to not just adopt technology and go digital and online, provide round-the-clock access, competitive prices and diversified portfolio of products, but also move to becoming a more personalized and "high touch" space. "High-quality interactions are known to be directly correlated with loyalty," says the PwCreport.

There is also a need to offer innovative products as consumer needs are shifting. Insurance then becomes the core of a diversified "ecosystem of interconnected services". Industry boundaries are blurring rapidly with digital interconnectedness and insurers must adopt "an ecosystem-based approach offering a holistic set of interconnected products/services related to a given dimension of someone's life, e.g. home, wealth, mobility or lifestyle".

The other important trend in the insurance industry is the rise of FinTech/ InsurTech which allow insurers to provide better consumer experience, leverage data and analytics to derive deeper insights into consumers to develop newer products and into risks to enable safer consumer experience. InsurTech also enables companies to simplify processes and make it more efficient. Robotics and automation will be the key technologies and Indian insurers must move to adopt these along with cloud platforms.

For the insurance industry it is a vast playing field, provided they play their cards right.

Source: Secondary research and media reports

Customer archetypes

Traditionalists

- Conventional approach
- Prefer human touch
- Apprehensive about digital modes
- Trust is more crucial in driving loyalty than cost
- Attracted towards highly responsive insurers who put customer's interest on priority

Transitionalists

- Rational customers whose decisions are largely based upon 'value for money'
- Price conscious
- Prefer human advice but don't mind moving to computer-only advice
- Ready to change channels of purchase

Digital natives

- Have recently entered the working population in urban areas
- Technologically advanced
- Demand flexibility
- Highly receptive to innovative models
- Not comfortable with complex T&Cs and benefit structures

Web aggregators have not just made buying insurance easy for consumers, they are also bringing about sweeping changes in the insurance industry and providing an impetus for its growth. Poised to grow on the back of expanding internet population base, these online portals are revolutionizing India's insurance industry.

WEB AGGREGATORS

THE NEW KIDS ON THE BLOCK

PHOTO: PIXABAY

THOSE OF US who subscribed to our first insurance policy before internet became a rage, will still recall the pain, harassment and nagging fear of being duped which surrounded the insurance business. Many an unsuspecting subscriber had one or more horrific tales of being taken for a royal ride, their savings being wiped out or missing deadlines to pay premiums leading to some or the other penalty. In the last decade or so, though frauds persist and unscrupulous agents abound, things have much improved. Thanks to insurance companies going online and more so due to the presence of insurance aggregators in the market. So, who or what are these aggregators, how do they function and how can Indian consumers take their help?

Web Aggregators Explained

Web aggregators are essentially insurance portals, where end consumers can find relevant information, quotes on financial products from across diverse market players, and comparisons of similar products. Once a visitor has made up his mind regarding a product, the web aggregator either guides the prospect to the insurer or directs the insurer to the consumer for final purchase.

To define: A web aggregator is a company registered under the Companies Act and approved by IRDAI which maintains or owns a website and provides information on insurance products of different insurers. The IRDAI grants a license to a web aggregator which is valid for three years. The web aggregator can apply for renewal of the license after three years. According to IRDA "Web Aggregators compile and provide information about insurance policies of various companies on a website." It lists 24 web aggregators on its portal.

Role of Web Aggregator

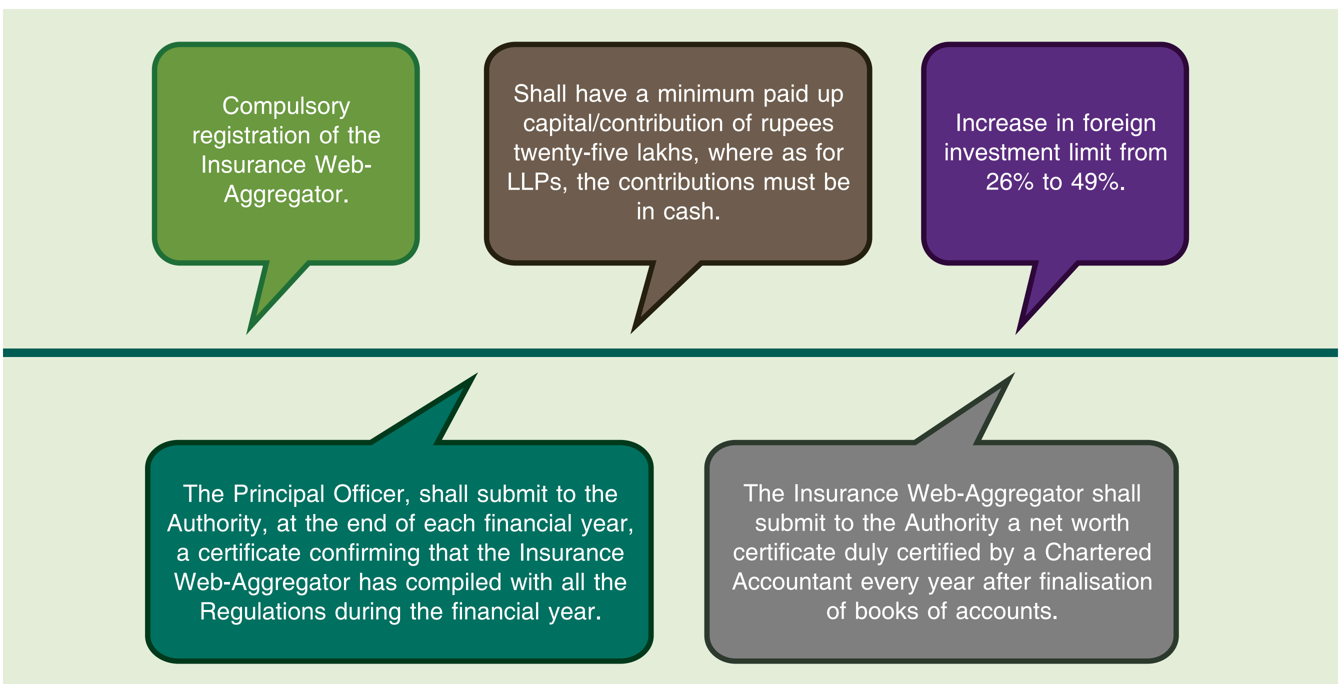
The aggregator primarily provides comparison across insurance products in the same category. The idea is to enhance user experience and enable the user to decide on the best suited policy. In other words, a web aggregator acts as an insurance broker and can contact the potential buyer directly and also provide the prospect's contact details to relevant insurance companies. However, the prospective buyers must be made aware that their contact details are going to be shared with an insurance company/companies.

The comparison criteria basically include insurance premium and sum assured apart from other criteria that allow a thorough comparison of products. Insurers, on their part, have to provide all relevant information to the aggregator, under agreements between them. There is a set format for displaying this information on the aggregator's portal. Under IRDAI guidelines web aggregators are however not allowed to display ratings, rankings, endorsements or bestsellers of insurance products. Web aggregators also cannot display any product other than insurance products or carry advertisements.

Regulating Web Aggregators

The Insurance Regulatory and Development Authority of India (Insurance Web aggregators) Regulations 2017 superseded the Insurance Regulatory and Development Authority (Web Aggregators) Regulations, 2013. Under the new guidelines some of the rules governing web aggregators are:

a) No insurance web aggregator can promote or push a



Source: BIMABAZAAR

particular product of a particular company either through its website or through distance marketing.

b) The web aggregator will sell products based on need analysis of the prospect.

c) In case the web aggregator has tie-ups with more than one insurer, they must provide details such as scope of coverage, term of policy, premium payable, premium terms and any other information which the prospect seeks on all products available across insurers it has tie-ups with.

d) IRDA guidelines also define the ambit within which web insurance aggregators can function. These include the business model and remuneration of web aggregator, that are governed by regulations set by IRDAI.

e) The industry also had to switch from a cost-per-lead model to a cost-per-sale model. The guidelines mandate that a particular lead cannot be transmitted to more than five insurers within same class of business, or more than one broker. Same lead cannot be shared with both. Also, the lead has to be shared with broker/insurer within five days of making an inquiry on website.

f) The new guidelines clearly define and explain some of the key activities and functions of the web aggregators. These include how product comparisons are to be displayed on website and conditions thereof, transmission of leads by web aggregator to the insurer have to be done in the specified manner, the manner and process to be used for sale of insurance online, rules for sale of insurance by tele-marketing mode and other distance marketing modes for solicitation of insurance based on the leads generated from designated website of the web aggregator.

g) The regulations also provide guidelines for attaining a license from IRDAI to act as a web aggregator, disclosure norms, penalties for aggregators without a license, remuneration of web aggregators and other relevant matters.

Since web aggregators are classified as insurance intermediary with a website, it was felt necessary to bring them within the ambit of IRDAI and frame regulations to govern them. The new rules have given web aggregators a structure and recognition and a platform for greater participation in the industry.

Are Web Aggregators a Boon?

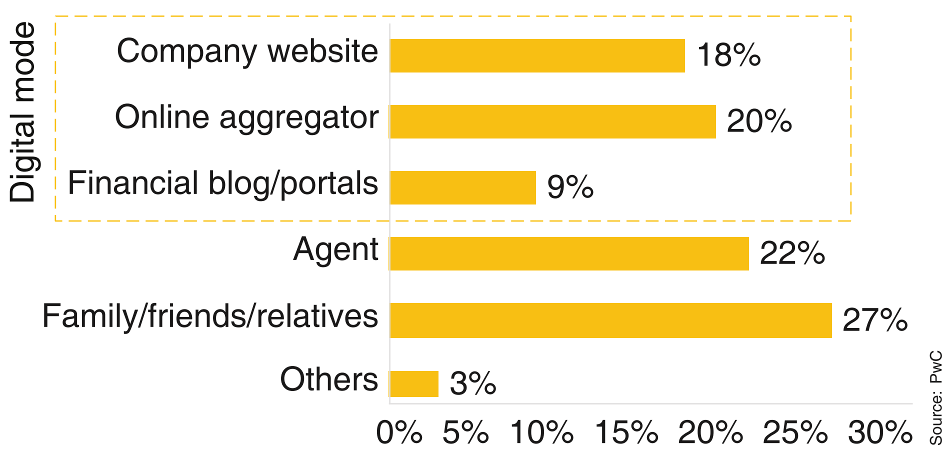
The credit for web aggregator phenomenon goes to the UK insurance industry, where they were introduced for the first time in 2002 with the launch of the site 'confused.com'. It took just a decade for web aggregators to become an indispensable part of the global insurance industry. However, the world is their oyster as many insurance markets remain to be explored and conquered.

As insurance products and insurers multiply, the need for demystifying insurance has become paramount. Web aggregators, with all relevant information, make insurance simpler. As the interface for prospective insurance buyers and for today's consumers who prefer online modes of transaction, they provide easy access to insurance products, with product comparisons for informed decision making. Without the help of these aggregators, consumers would face the daunting task of researching all relevant products, comparing premiums, sum insured and other features. Under IRDAI mandate, web aggregators provide unbiased information on different types of policies including life insurance, term plan, health insurance, endowment, annuity, etc., on their portals.

This means massive time and effort saving for consumers. The other advantage is that the consumers personal information and contact details will not be divulged without consent. The fact that an insurance product is listed online on the web portal makes it authentic and gives assurance to the consumer against frauds. With many insurers competing in a neutral marketplace, every market player gets a fair opportunity to get prospects and that too due to their product utilities rather than marketing. For consumers, given the absence of pestering ads and marketing, intermediaries and agents, it becomes a more trustworthy space to buy a product.

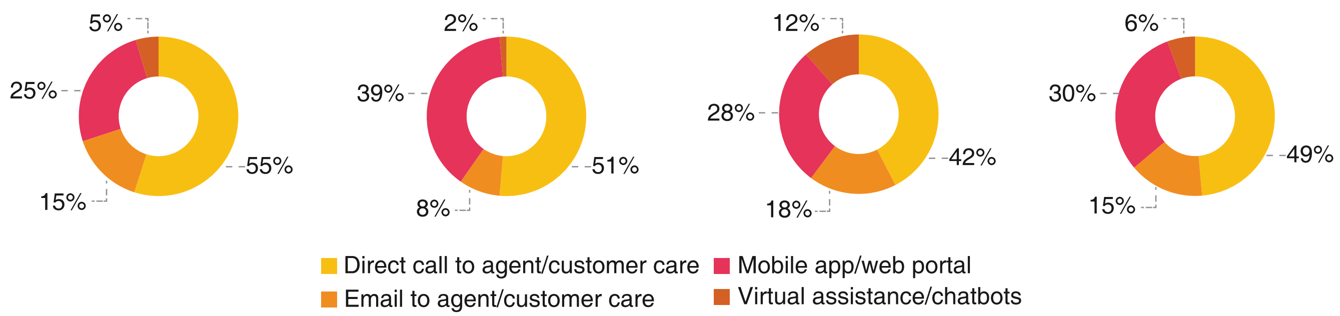
There is no subterfuge to dupe clients. Web aggregators can solicit policies, transfer the lead or call the prospect themselves to sell a policy, ensuring that no inconvenience is caused to consumers. Web aggregators are required to prominently display the message on their homepage that a visitor's particulars could be shared with insurers. Now it is up to the consumer whether they want

Most valuable source of information



Customer-preferred platform for interaction

For understanding the insurance terms/benefits/ limitations/cost | **For insurance purchase** | **For service-like queries, complaints and account details modification, etc.** | **For insurance claim**



Source: PwC India's Insurance Technology Adoption Survey 2019

to continue on the website and share their particulars or exit. If a prospect agrees, the lead's details can be shared with three insurers in the same class of business, which can be chosen by the prospects themselves.

A Win-Win for All?

PHOTO: PIXABAY

While consumers and insurers are in a win-win scenario, there are some concerns regarding whether the rules are skewed in balance for the web aggregators. The Regulations mandate that only licensed aggregators can display products and price comparisons of insurance company products. An insurer has to hence tie-up with a web aggregator of choice and pay a flat fee of not exceeding Rs 50,000 per year towards each product displayed in the comparison charts of its website. No charges are paid for leads provided by the web aggregator through their Lead Management System. A web aggregator can also undertake outsourcing activities such as premium collection for a fee. For products such as health insurance, motor insurance and home insurance, in the general insurance space, web aggregators are entitled to renewal commissions. However, this is not applicable to life insurance policies as they are long-term contracts, wherein they are entitled to only first-year commission.

Many experts credit the recent spurt in growth of the insurance sector, or at least in part, to the growth of insurance web aggregators in the market. Netizens are extremely receptive to web aggregators. Insurers too are realizing the reach of the internet and the power of online aggregators, especially post the IRDA regulations. As the internet population in India grows; it is likely to reach 627 million by end 2019, with 251 million internet users in rural India, expected to reach 290 million by the end of 2019according to a Kantar IMRB ICUBE report; the scope for growth of web aggregators is immense. For insurers, tie-up with aggregators thus makes business sense.

Insurance industry meanwhile is witnessing massive changes too as insurance aggregators transform it from a seller's market to a buyer's market globally. Competition is hotting up for web aggregators too as more enter the market to cut into the pie. The other challenge for web aggregators is the rising cybersecurity threat and privacy concerns of consumers. They also need to invest in technological innovations that can enable more personalization of products according to the profile of the customer. However, for the time to come aggregators will continue to be the most popular choice for consumers for purchasing insurance products.

Conclusion

Web aggregators are the need of the hour for an industry which is still a laggard in technology adoption. Businesses today are reinventing and innovating to become consumer-centric. Insurance being a push product, there is more of a need to change the business model with consumer as the focus. As insurance involves money and is a contract in faith, consumers are naturally wary. Web aggregators by facilitating direct touch with consumers online take away much of their apprehension. A comparative analysis of various products in a single category further bolsters the consumer's confidence. Web aggregators thus are the necessary interface between the consumer and the insurer and are filling an urgent gap in the insurance industry. Little wonder, the emergence of insurance aggregators has revolutionized the insurance industry for good.

Source: Secondary research & media reports

To Merge Or Not To Merge

While there is some unanimity on the benefits of consolidation of PSU insurance companies, for instance, to unleash economies of scale, experts are divided over the route to be adopted for this purpose.

THE BIGGEST BUZZ since the incumbent government returned to power has been news that the Union government may be considering the merger of four public sector general insurance companies – New India Assurance, United India Insurance, Oriental India Insurance, and National Insurance Company Limited. This is much on the expected lines that the Government will continue with the radical reforms it had undertaken in its last term.

Last year, while presenting the Union Budget, the then finance minister Arun Jaitley had outlined the Government's vision to merge three public sector general insurance companies – National Insurance, Oriental Insurance and United Insurance. The idea was to create a public sector giant on the lines of Life Insurance Corporation of India. The Modi Government, as a policy, has advocated merger and consolidation of public sector companies in a bid to pare the cost, promote economy of scale and streamline the functioning of PSUs.

Lat fiscal, the Government could not proceed with its merger plan, as the Department of Financial Services (DFS), which oversees the operations of state-owned insurance firms, had written to the Department of Investment and Public Asset Management (DIPAM) asking for time to scrutinize the proposal and understand the complex operational issues involved. The merger plan hence got deferred to the next fiscal from the Government's disinvestment calendar.

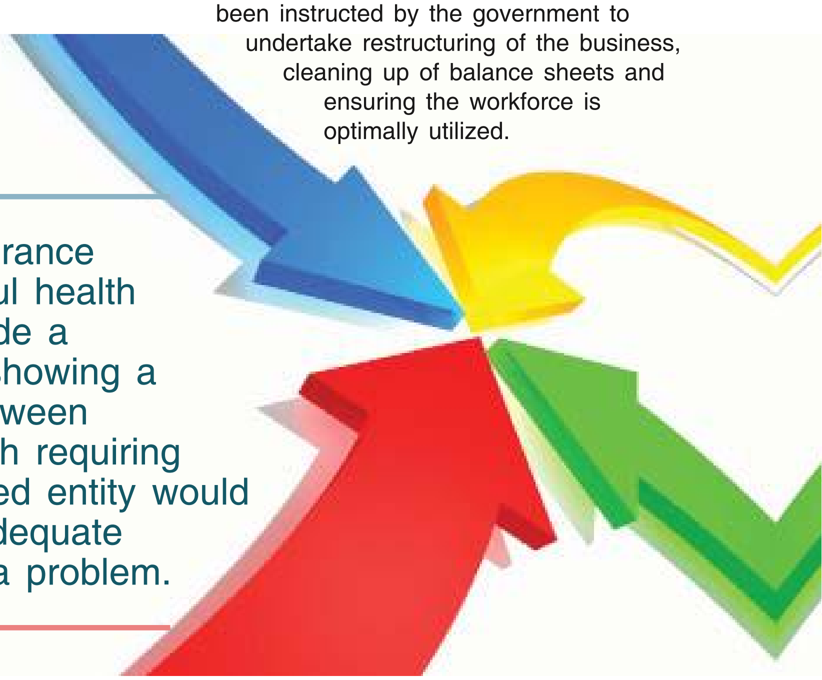
Why Merge?

The Government aims to consolidate the position of state-owned general insurance companies in the market by adopting the merger route. The merger will also help the Government in meeting its disinvestment target. There is unanimity among experts over the move as most feel operating four separate companies in the same vertical by a single owner does not make fiscal sense. However, they have divergent views on the way the merger should take place, given that each option comes with its a string of advantages and disadvantages.

According to reports, there are two options for merger before the Government. Under the first option it can allow New India Assurance, which is the largest, to acquire the other three companies, taking the takeover route, on the lines of the 2018 ONCG acquisition of HPCL. The second option is to merge all the four and create a behemoth like the Life Insurance Corporation (LIC). The process for this could be to first merge the three smaller entities and then merge this single entity with New India Assurance. Among the other options discussed include creating two public sector general insurance companies.

The final merged entity would then be India's largest general insurer, worth around Rs 2.5 lakh crore and would have a staff strength of 59,000-70,000 employees across 82,000 offices.

Merging the four companies has its advantages. Apart from market consolidation and helping meet Government's disinvestment target, the merger would also lead to optimum utilization of a large workforce. There are rapid technological advancements in the insurance sector and the merged entities could take a transformational leap, facilitating the integration of large employee base with digital capabilities. Digitalization would also enable the new merged company to make rapid inroads into rural areas and expand its base. In fact, in preparation for the merger, the companies had been instructed by the government to undertake restructuring of the business, cleaning up of balance sheets and ensuring the workforce is optimally utilized.



United India Insurance, National Insurance and Oriental Insurance are in doubtful health financially, as last year they had made a presentation to the finance ministry showing a collective recapitalization need of between Rs 9,000 and 15,000 crore, with each requiring about Rs 3,000-5,000 crore. A merged entity would be strong, and hence, maintaining adequate liquidity to pay claims would not be a problem.

One of the reasons for the proposed merger is the government's bigger vision for these public sector insurance companies and to list the merged entity on the stock market. There are 34 private and government companies in the general insurance sector, of which The New India Assurance Company is the biggest and is listed on the stock market since 2017. Experts feel it would not be viable for New India Assurance Company to acquire the three other public general insurance entities as they all are quite large, and as it is listed. Further, the takeover may elicit negative reaction in the market.

There are also practical considerations, for example, getting all the stakeholders on board would not be easy especially in the short time-frame. The merger would require a string of approvals and go ahead from regulatory authorities, competition commission, labour unions, etc., which is a complex and time-taking process. Notably, the merger process was prolonged earlier due to the delay in appointment of a consultant. The merger stakeholders too could not arrive at a consensus over the structure of the deal. These issues, as per reports, are now being worked out.

The final merged entity would emerge only after approval of the final deal by the company boards, IRDAI, the insurance regulator, and the Securities and Exchange Board of India.

How the merger will help

State-owned insurance companies have been unable to maintain a solvency ratio of 150 percent, which is mandatory for all insurance companies, or have been able to maintain just the minimum criteria. The slippage is due to a variety of reasons including the several natural disasters in the past some years and the high claims ratios in segments like crop insurance and third-party motor insurance.

The market share of state-owned general insurance companies is below the private sector insurance companies. In the last financial year, for the first time, the market share of National Insurance, Oriental Insurance, United India Insurance and New India Assurance fell below the private sector players.

As per the data from IRDAI, the market share of all public sector general insurance companies together, including Agriculture Insurance Company and Export Guarantee Corporation of India, stood at 45.35 per cent; while the private sector companies' was 54.65 per cent in FY19.

United India Insurance, National Insurance and Oriental Insurance are in doubtful health financially, as last year they had made a presentation to the finance ministry showing a collective recapitalization need of between Rs 9,000 and 15,000 crore, with each requiring about Rs 3,000-5,000 crore.

A merged entity would be strong, and hence, maintaining adequate liquidity to pay claims would not be a problem. Employees are positive about the merger too, as they see gains if the four state-owned insurance companies are merged. Employees feel that a merger would stop the public sector general insurance companies from competing with each other and help them reclaim their market leadership. Therefore, most employees are in favor of merging and creating a giant insurer, say reports.

The state-owned general insurance companies have also been plagued by other problems including understaffing and capital constraints. This gave the opportunity to the private players to grab a sizeable foothold in the market and claim a bigger share of the pie in the last few years. They marched upwards on the back of flagship crop insurance and health insurance schemes of the government like Prime Minister Fasal Bima Yojna and Ayushman Bharat, etc.

Further, for the past one year, there have been no recruitments in the public sectorgeneral insurance companies. Reports estimate the vacancy in the officers' grade in PSU general insurance firms, near about 600-900 posts and around 12,000 posts in the clerical and subordinate level. This short staffing could be further compounded as nearly 25 per cent of employees, especially in the clerical level, are expected to retire in the next two to three years.

Some experts suggest merger of all the four public sector general insurance companies so as to make it a strong entity, make it stronger with capital infusion so that it can underwrite big businesses and take on competition in the market. Some experts advise against a merger via takeover route on the grounds that this would put employees of the three merged entities – National Insurance, Oriental Insurance and United Insurance – at a disadvantage against the bigger entity taking them over.

From the point of view of shareholders merging the four makes more financial sense, though from the companies' viewpoint, merging the three makes better sense. This is because, given the financial health of the three companies that are proposed to be merged, there are doubts whether on their own they will make a healthy entity and it would be rough road ahead to make the merged entity viable and profitable.

The merged entities can also afford better technologies like the private sector. New age technologies like machine learning, automation and artificial intelligence will offer better insight into the massive amounts of data generated by these companies and help develop better products, make deeper inroads into the market and find virgin markets to spread out to.

Conclusion

The merger of three let alone four big companies in any sector would be a gargantuan task. The Government had hoped that the financials of the three merging entities would improve before the commencement of the plan. However, these companies have gone further into the red and have also lost market share. Beyond the financials, a merger can only succeed if the synergies of the separate entities match. However, at the moment there this is not the case and they are at cross purposes. A lot needs to be done before the Government can move ahead with the merger plan.

Source: Secondary research & media reports

HEALTH INSURANCE

A BIG OPPORTUNITY

India's health insurance sector is a billion-dollar opportunity waiting to be tapped. But before that happens, insurers must invest in educating Indians on benefits of preventive healthcare.

INDIA'S HEALTH INSURANCE sector is poised for heady growth. According to Oxford Economics, by 2021 the revenue from health insurance premiums is set to reach US$3.5b, representing growth of more than 12% annually since 2006. Growth averaged just over 11% from 2006 to 2014.

An attractive market for insurers

As the Government opened the doors to the insurance sector to foreign insurers, allowing 49% FDI, i.e., – foreign investors are now allowed to take up to 49% ownership of an Indian insurance company without the permission of the Indian Government – the Indian insurance sector became a lucrative market for global players.

Demography of India: The growing affluence has meant better lifestyles and access to better healthcare for Indians. This in turn has led to increase in life expectancy of the average Indian. According to reports, the population of those above the age of 65 in India is slated to increase significantly. Oxford Economics estimates that by 2021, 95m Indian citizens will be over the age of 65.

Rising incomes of Indians: The Indian middle class is also expanding by a CAGR of nearly 7% for the five-year period 2016 to 2021 and so is their income leading to demands for quality healthcare. This has brought in many private players to fulfill their requirements.

High potential market: 'Global analysis of health insurance in India', a report by EY estimates that India has enormous unmet needs for healthcare and a huge population of uninsured residents. Even among emerging markets, India is one of the least insured countries, with a health insurance penetration rate of only about 20%. This makes the untapped market potential a huge opportunity for insurers in the health insurance sector.

But challenges galore

Alongside the massive opportunities that Indian health insurance market presents, it throws up some daunting challenges too. Since healthcare is still to catch the fancy of Indians, the country has one of the world's highest rates of out-of-pocket spending on healthcare. According to World Health Organization (WHO) data, in 2018, India's public sector spent just 1.46% of gross domestic product (GDP) on healthcare, ranking 187th among 194

Figure 1 **India – composition of total health spending**

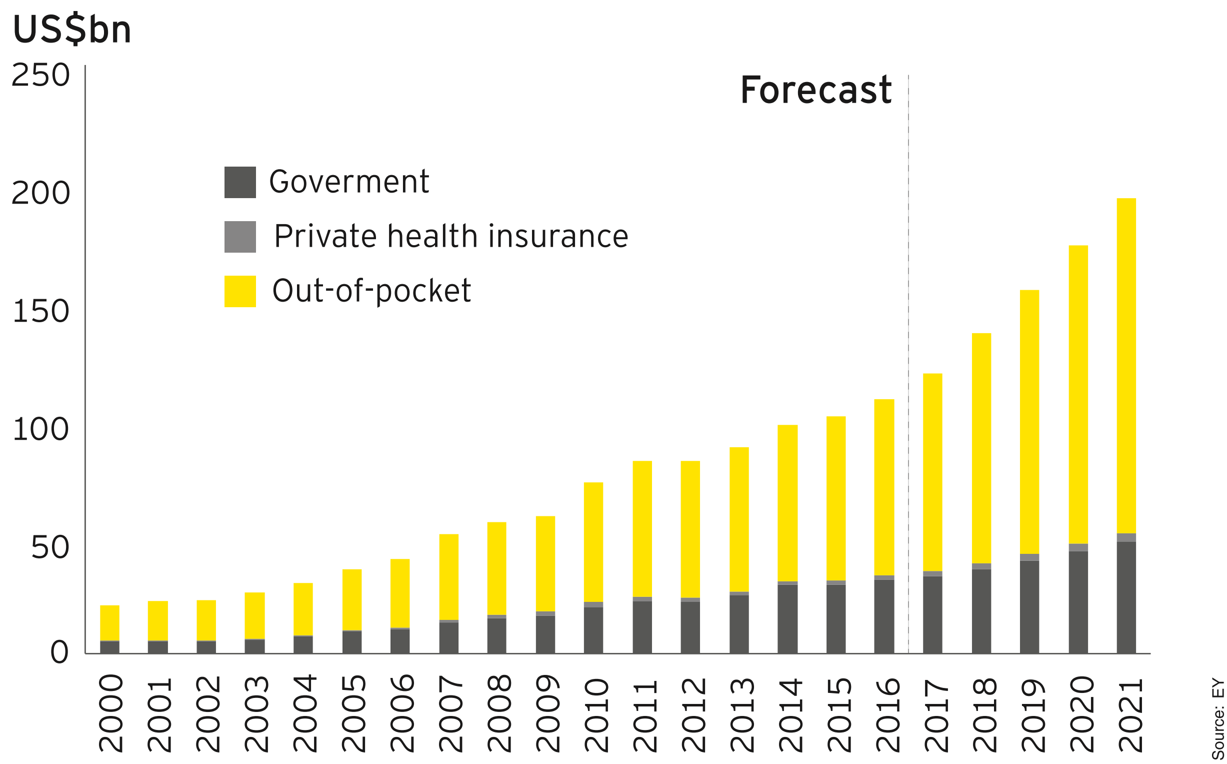
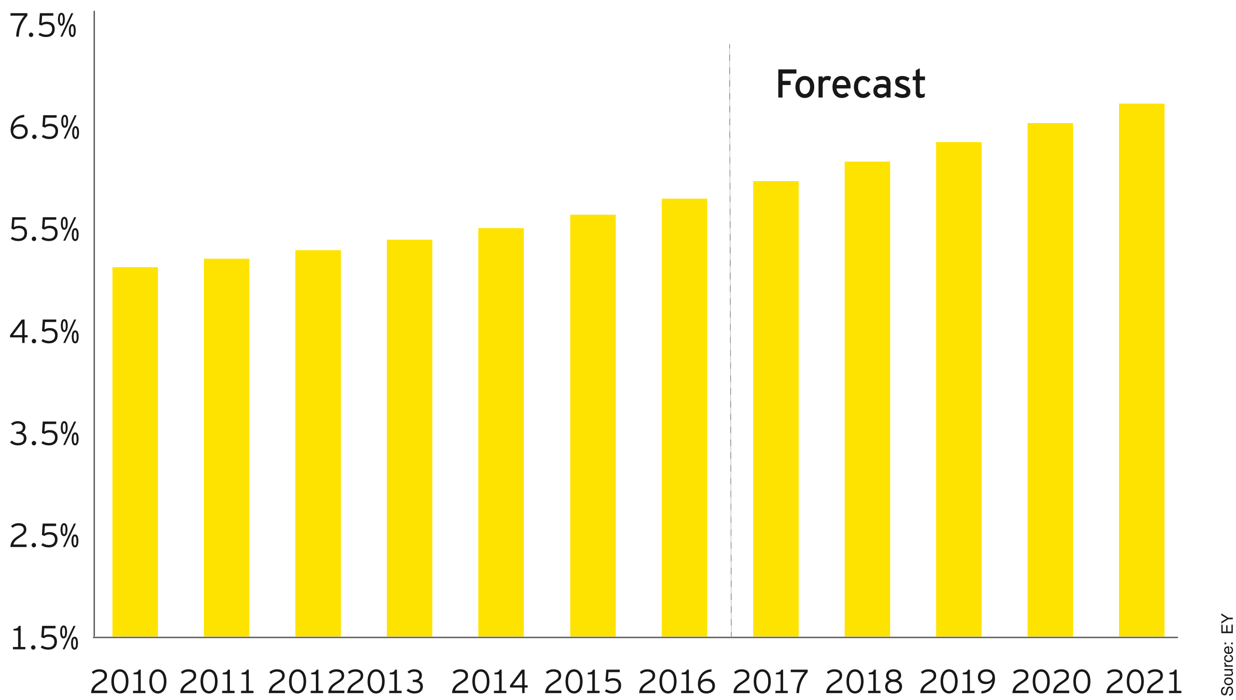
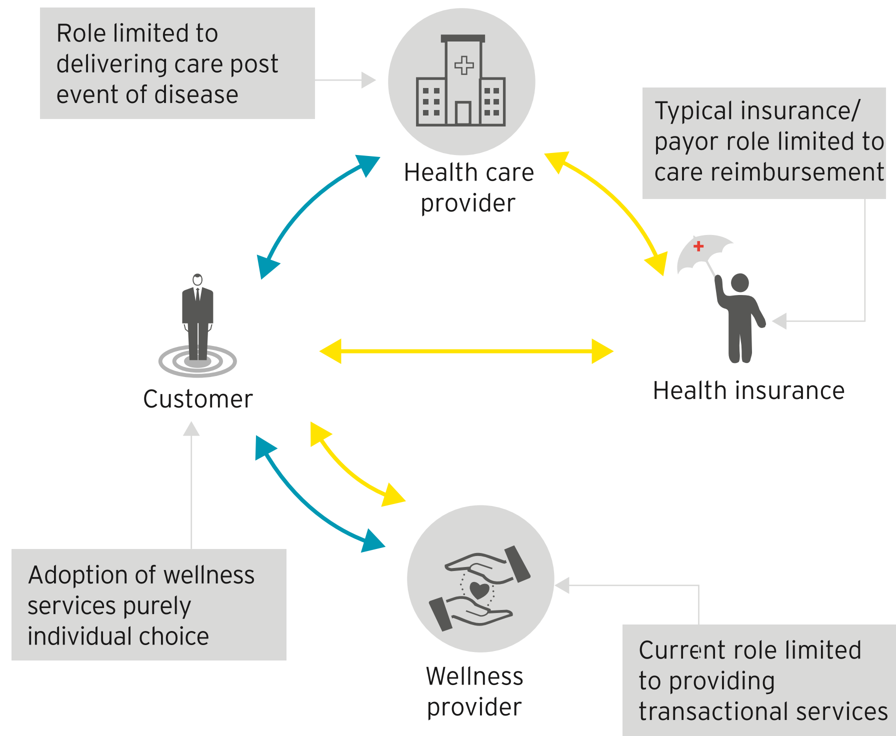


Figure 2 **Share of India's population over 65**

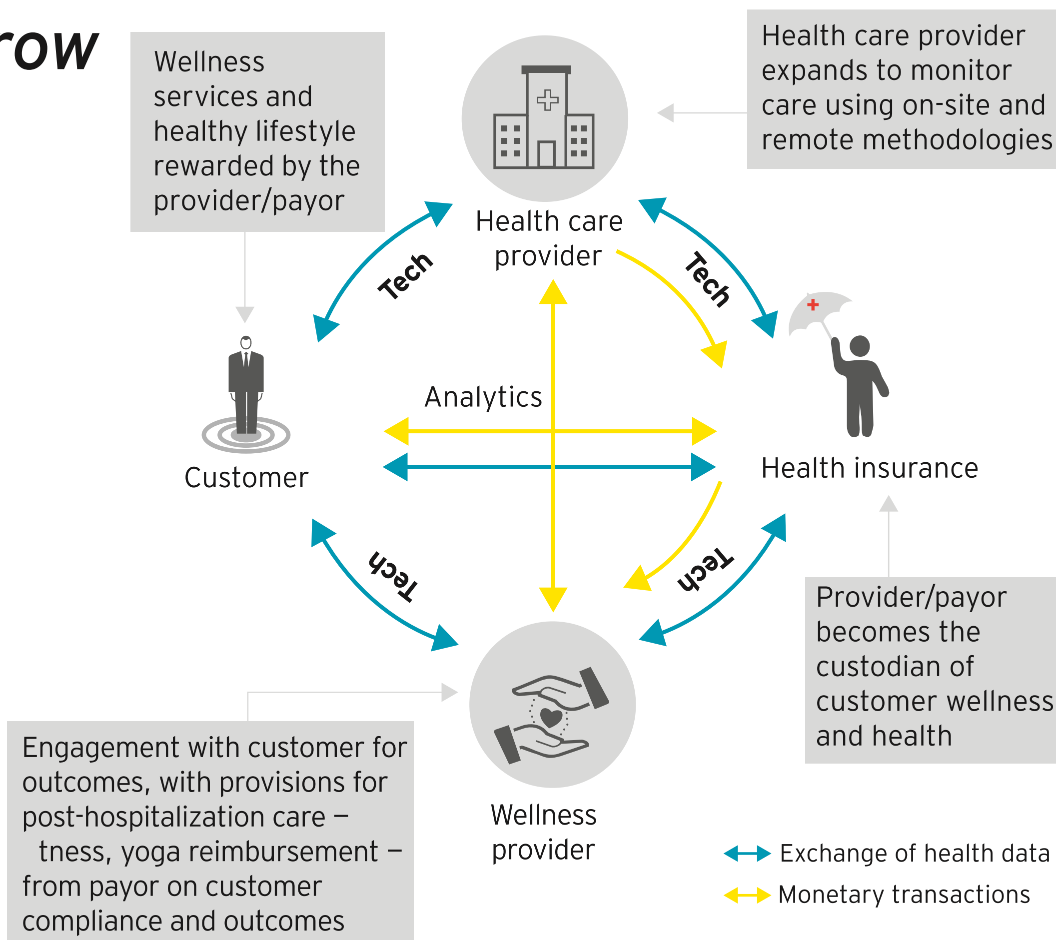


Source: Oxford Economics/Haver Analystics

Today



Tomorrow



Source: EY

countries and at a ratio about half that of neighboring China. While China has made health care a government priority; India began rising to the citizens' needs recently. Rural India is even more deprived of basic healthcare facilities.

In this scenario, health insurance remains the least priority even of the middle classes with far more disposable income. They are still to grasp the importance of preventive coverage. For most Indians, investing in insurance which they may not need is a waste of money. Moreover, since the out-of-pocket share of insurance is very high, getting wallet share is quite difficult.

Future prospects

According to various estimates, India's middle class comprises 40% of the population. The actual estimate of the size varies, depending on measures used, between 78 million (Economist, January 2018) to 604 million (Krishnan and Hatekar, EPW June 2017). The rapid proliferation of mobile devices and accessibility to the internet have made this educated middle class digitally savvy and globally aspirational. For insurers in the health vertical, this means massive opportunity to educate consumers on the value of health insurance and engage them to increase preventive care. This can help boost the efficiency and effectiveness of India's healthcare system.

Driven by the desire to tap this vast pool, insurers are becoming experimental with their offerings and there is a major surge in investment. The Indian customer is not just being offered hospitalization cover. There is a move to make health insurance more comprehensive to incentivize wellness and promote preventive care.

The rising use of smartphones in the country, smartphone penetration In India is set to reach 37.3 crore users in 2019, is attracting health insurers to invest in digitalization and new technologies to tap this consumer base. Market players are experimenting with tele-health models, micro-insurance plans for specific disease and smartphone-based apps that engage and monitor patient behaviors.

These tech-backed opportunities can help India's insurance sector zoom ahead of other emerging economies as well as developed markets. Insurers can design innovative products for the Indian market which can then be launched in advanced economies.

According to the EY report, the macroeconomic drivers of health spending in India for the next five years are very positive. Oxford Economics report says, there will be strong growth in household income, and spending from both the public and private sector is likely to increase. Total government spending is forecast to rise from US $287 billion in 2016 to US $407 billion by 2021, while total household spending is projected to reach US $2.2 trillion by 2021 compared with US $1.3 trillion today.

Given the Government focus on public health with initiatives like Ayushman Bharat, public as well as private spending on healthcare is bound to rise. Further, declining birth rate and increasing life expectancy are set to influence the pattern of health spending.

Population growth will underpin the healthcare spending as though the birth rate has declined considerably from 25 live births per 1,000 population in 2000 to 20 live births in 2014; the population of the country is still very high. It is also expected that the increasing life expectance would push up the proportion of the population aged65 and above significantly. In 2000, just 4.3% of the population was aged 65 years and above. Oxford Economics forecasts the share of this population will rise to 6.7% in 2021.

In addition to the favorable demographics, the growing proportion of middle class with their West inspired aspirations and their rising affluence, will mean an aged population that can afford the best of healthcare and hence increase the demand for it.

Conclusion

PHOTO: PIXABAY

India is a ripe market for health insurance pushed by the favorable macroeconomic and microeconomic factors. The number of uninsured and underinsured in the country is very high. The Government too is keen to bring the underserved under the health insurance umbrella. However, health insurance is not a one size fits all market. To tap this huge market, insurers need to up their innovation and develop products to suit the different needs of different segments of the people. There is abysmal lack of awareness among the masses and preventive healthcare is a largely unknown market. Hence, there is an urgent need to educate the masses through various innovative outreach and marketing programs about the benefits of health insurance. The mindset of the average Indian who would not like to sink their money in an unforeseen health issue needs to change. They must be convinced that preventive care is better than emergency care which costs them dear.

Meanwhile, innovations in digital distribution and effective underwriting tools that are already taking place are sure to galvanize the market. It is up to the insurers how they grab this mega opportunity.

Source: Secondary research & media reports

Lack Of Consumer Awareness Denies The Benefits Of Insurance

– Sonjai Kumar

PHOTO: PIXABAY

More efforts by both the Government and the private sector are required to educate the masses about the benefits of insurance.

INSURANCE IN INDIA is very old, dates back to 1818 when Oriental Life Insurance Company was first established to cater to the needs of European communities. Before the nationalization of the life insurance sector in 1956, there were 256 insurance companies which were all amalgamated into the LIC of India. Insurance sector operated with the monopoly of LIC for four and a half decades till the opening of insurance sector bill was passed in the year 1999-2000.

Insurance is the only financial tool that helps in reducing financial burden arising due to loss of life, property or motor damage or replacement of income due to hospitalization, etc. Despite its financial protection nature, it is not a very popular tool among the customers. Some of the reasons for relatively lower insurance penetration in the Indian market lie in the historic way insurance has been sold. There is a need to reverse this trend as it will help in increasing awareness of insurance as a protection tool in financial planning exercise.

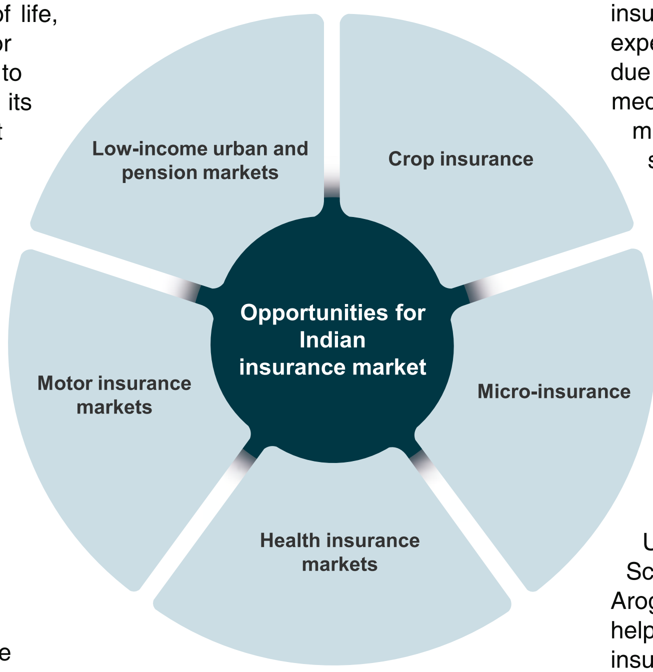
Historic reasons of insurance purchase

Earlier most of the insurance products that were sold were used as tax benefits tool. Also, these were treated to be savings in nature with the feature of the annual bonus declaration. Term insurance which is pure protection was hardly in the market or hardly marketed.

Most of the insurance business in those days was sold through the personal contact of agents and professional financial planner was rarely heard of. Cold calling or telemarketing was not there; this could be due to lack of telephone connections during the nationalized period of insurance. Most of the sales were initiated by the sales agent, which means that at most of the time sales were pushed based on product features rather than the needs of the customers.

Current level of insurance awareness

Post opening of the insurance sector in 1999-2000, insurance awareness increased; this can be judged from the fact that the insurance penetration rate was 1.93 in 1999-2000 which increased to 5.2 in 2009-2010 but slid to 3.69 in 2017-18. This is much lower compared to double-digit insurance penetration in the developed markets. Insurance penetration is measured as a percentage of annual premium collected over GDP.



There is a relative increase in awareness towards the purchase of life term plan where benefits are paid only in case death occurs. Such cover is cheapest because it does not have any survival benefits. Term life cover market is very competitive and price sensitive. The awareness of such a product is more in metro cities because consumers have started understanding the needs of life protection at a smaller premium. This is also driven by more frequent advertisement on television and print media.

The saving part of the insurance is still eluding the customer because they find better return in other savings instruments such as mutual fund and direct investment in the stock market. However, the key fact of the insurance is that long term and regular small savings help in developing a cash corpus over a period of time with guarantees.

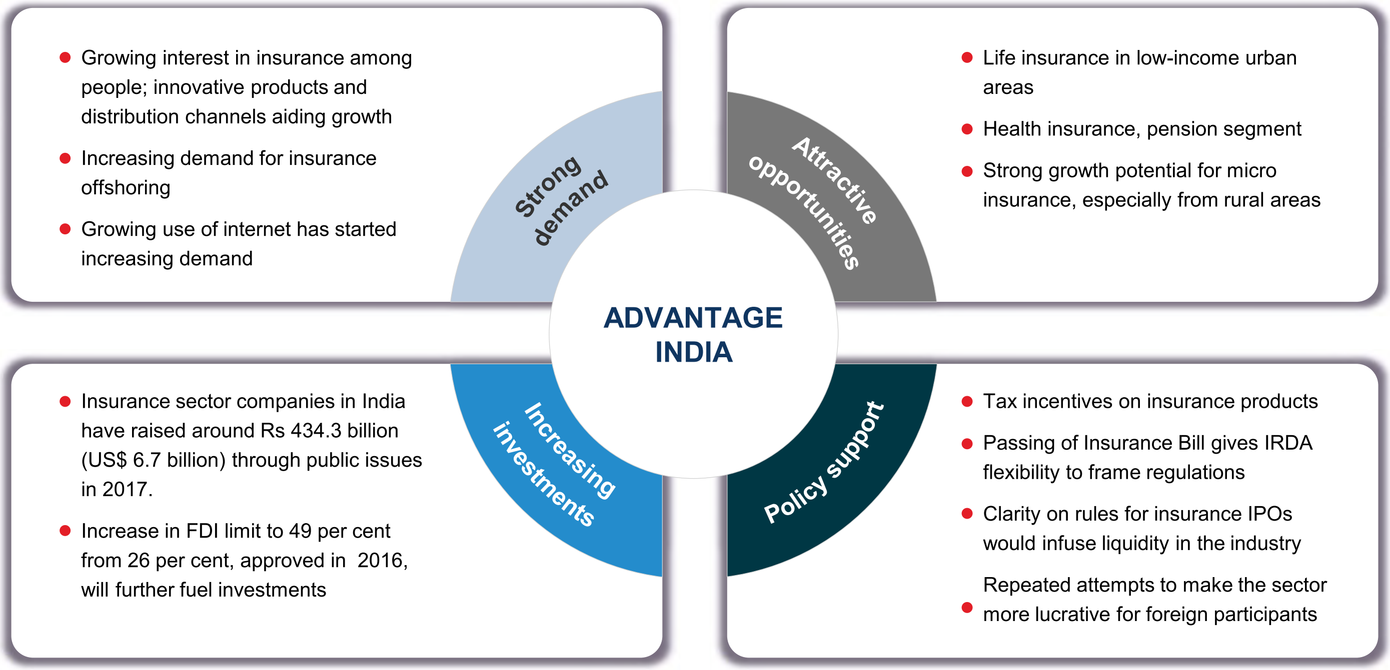
The guarantee part of the insurance is also eluding the customer; this means that whatever may happen to the interest rate movement, the insurance company is to pay the contracted sum assured agreed at the start of the contract.

In recent time, some awareness has also increased on medical insurance side where hospitalization expenses are reimbursed. This is due to the fact that the cost of medical treatment is increasing manifold. Also, some awareness is seen to have increased towards critical illness products with feature covering heart attack, cancer, and other life-terminating diseases.

Government sponsored insurance schemes such as Rashtriya Swasthiya Bima Yojana (RSBY), Employment State Insurance Scheme (ESIS), Aam Aadmi Bima Yojana, Central Government Health Scheme (CGHS), Universal Health Insurance Scheme (UHIS) and PM Jan Arogya Yojana (PMJAY) have helped reach the benefits of insurance to rural areas.

Despite the increase in awareness, insurance penetration is still less than 4% compared to the developed markets (double digit). This is due to the lack of education towards the benefits of insurance at different levels. Some part of lower penetration is attributable to lower disposable income compared to the more developed markets. Historically, Indian society depended on family and friends in case of a crisis, some of this mindset is still prevailing. Also, another mindset that “nothing will happen to us” leads to lower insurance awareness.

General insurance awareness is limited to motor insurance, more due to its mandatory nature; other perils such as household insurance, fire,



Notes: *2020E - Expected value for 2020; Estimate according to BCG, IRDA - Insurance Regulatory and Development Authority, Motilal Oswal Research*
Source: *IRDA*

windstorm, theft, etc., are not common with the public in general.

Changes to be made

Increase in consumer education is the mantra to increase awareness towards the benefits of insurance. Though some efforts have been made through advertisements by insurance players in electronic and print media, considering the size of the country and that majority of the population resides in rural and semi-urban areas, its full impact is not reaching the masses. Also, the lack of education is causing hindrances in understanding insurance as a tool for protection.

The Indian insurance regulator, Insurance Regulatory and Development Authority (IRDA) has created a website with the name “Consumer Education Website” http://www.policyholder.gov.in/ to increase consumer awareness towards insurance. This includes features such as how to buy insurance, how to make claims, how to lodge consumer complaints, etc. Some people may not even be aware of the existence of such a portal and others may not have gone through it.

Financial planning for life that includes insurance could be part of school/college syllabus which will prepare individuals on how to be self-reliant.

There could be more write-ups on the benefits of insurance, more advertisements in print and electronic media as well. If insurance companies sell insurance based on the needs of the individuals, their benefits will travel through word of mouth. However, many times, insurance is pushed through the agents that may not cover the needs, so adverse publicity becomes more prominent, instead of its benefits.

The Government may also help through tax relief on the premium paid to encourage the public to purchase insurance. As healthcare is becoming expensive, there could either be subsidy on premium or greater tax benefits on health insurance products. Pension is another area that can be encouraged by the Government to build pension fund for retirement. After healthcare, pension is the area that demands more attention from the Government.

Innovations in products to meet the emerging demand of the customers will also help in increasing awareness. Features such as premium holiday, favorable term on partial withdrawal and options to choose benefits, etc., will make the insurance products more popular among the masses.

Summary

There is a no doubt that insurance awareness has increased over the last two decades after the liberalization of insurance sector; however, a long distance has yet to be covered so that larger population takes up its benefits. In the last couple of years, the government has made efforts to extend insurance to the masses, however, a large section of society is yet to be covered. Consumer awareness through education is the need of the hour to increase insurance penetration to match the developed market.

About the author: Sonjai Kumar *is CMIRM, Independent Risk Management Consultant, with over two decades experience in the life insurance sector.*

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How The Lack Of Consumer Awareness May Result In The Denial Of The Benefits Of Insurance

The Government and the courts have instituted a protective framework to safeguard insurance consumers' interest. Learn the dos and don'ts for policyholders and how the law protects you.

– By Indranath Bishnu

AS AN INDIVIDUAL looking to purchase an insurance policy, it is fairly common to account for the purpose of insurance coverage, the risk proposed to be covered, cost of premium etc. These are matters which a consumer will normally enquire about. However, it is equally important to be aware of other aspects such as the rights and obligations of the consumer as a policyholder as well as reputation and performance of the insurance company. In this article, we will focus on matters that a consumer of insurance should be aware of and also discuss few of the checks and balances in the form of legislations, directions and initiatives of Insurance Regulatory and Development Authority of India ("IRDAI") as well as certain decisions of the courts, which establish a framework to protect the policyholders.

CSR and ICR – why are these important?

The claims settlement ratio ("CSR") in the case of life insurers and the incurred claims ratio ("ICR") in the case of non-life insurers are key indicators of policy servicing by insurance companies. Set out as Annexure 1 are tables with data published by the IRDAI pertaining to CSR of private life insurers and public sector insurer Life Insurance Corporation of India as well as ICR of non-life insurers.

CSR is the ratio between approved claims to the aggregate claims filed with the life insurer. A high CSR is indicative of a higher chance of a policyholder's claims being settled by the insurer, while a low CSR maybe a warning sign for the policyholder since there may be a greater chance of the insurance company rejecting claims. ICR is the total value of claims paid by an insurance company against the total premium amount collected. If ICR is in excess of 100%, it may imply that the insurance company has released more money as claims than the amount of money it is collecting in premiums. This could potentially lead to a hike in premium rates/ increase in number of claims. A significantly lower ICR, i.e. lower than 50%, could mean that the insurance company may be charging high premium rates or it is not settling an adequate number of claims made by their policyholders. Since these two extremes maybe detrimental to the interests of the policyholder, a consumer should be aware of performance indicators such as CSR (higher the better for the policyholder) and ICR (moderate ICR is better for the policyholder).

Claims Settlement Ratio – Individual Death Claims

Insurance Company	2017-18	2016-17	2015-16
LIC	98.04%	98.31%	98.33%
Max Life	98.26%	97.81%	96.95%
HDFC Standard	97.80%	97.62%	95.02%
Aegon Religare	95.67%	97.11%	95.31%
SBI Life	96.76%	96.69%	93.39%
ICICI Prudential	97.88%	96.68%	96.2%
Exide Life	96.81%	96.4%	89.36%
TATA AIA Life	98%	96.01%	96.8%
Canara HSBC	95.22%	94.95%	92.99%
Birla Sunlife	96.38%	94.69%	88.45%
Reliance Nippon Life	95.17%	94.53%	93.82%
Edelweiss Tokio	95.24%	93.29%	85.11%
Bharti Axa Life	96.85%	92.37%	80.02%
Bajaj Allianz	92.04%	91.67%	91.3%
Kotak Mahindra	93.72%	91.24%	89.09%
DHFL Pramerica	96.62%	90.87%	83.64%
Aviva Life	94.45%	90.6%	81.97%
IDBI Federal Life	91.99%	90.33%	84.79%
Sahara Life	82.74%	90.21%	90.3%
Future Genrali	93.11%	89.53%	90.26%
PNB Metlife	91.12%	87.14%	85.36%
Star Union Daichi	92.26%	84.05%	80.73%
India First Life	89.83%	82.65%	71.87%
Shriram Life	80.23%	63.53%	60.24%

Source: IRDAI Annual Reports

Key: **Highest** **Second Highest** **Third Highest**

Incurred Claims Ratio – Non-Life Insurers

Insurance Company	2017-18	2016-17	2015-16
Public Sector Insurers			
National Insurance	114.24%	97.25%	95.28%
New India	85.66%	91.26%	87.84%
Oriental	85.39%	112.11%	83.71%
United	94.38%	107.06%	87.81%
Private Sector Insurers			
Bajaj Allianz	66.72%	70.41%	72.30%
Bharti Axa	82.97%	86.84%	92.52%
Cholamandalam MS	72.54%	72.91%	72.38%
Edelweiss	70.09%	-	-
Future Generali	75.72%	77.31%	81.27%
HDFC Ergo	74.36%	76.90%	72.82%
ICICI Lombard	76.89%	80.38%	81.47%
IFFCO Tokio	82.89%	81.96%	79.13%
Kotak Mahindra	71.66%	73.09%	350%
Liberty General	69.60%	79.14%	91.78%
Magma HDI	82.92%	79.10%	85.42%
Raheja QBE	76.46%	68.97%	24.94%
Reliance General	84.71%	92.23%	89.40%
Royal Sundaram	80.41%	78.13%	77.71%
SBI General	71.47%	75.01%	82.96%
Shriram General	93.75%	102.57%	100.88%
TATA AIG	71.12%	72.32%	77.11%
Universal Sompo	56.30%	70.91%	70.80%
Standalone Health Insurers			
Aditya Birla Health	89.05%	110.68%	-
Apollo Munich	62.47%	54.99%	64.61%
Cigna TTK	46.29%	48.14%	78.65%
Max Bupa	50.19%	51.96%	59.53%
Religare	51.97%	50.52%	57.25%
Star Health	61.76%	60.51%	53.81%

Source: IRDAI Annual Reports

Common Reasons for Rejection of Claims

While the CSR and ICR data may help the consumer identify the well-performing insurers in terms of settlement of claims, it is critical to be mindful of the most common reasons provided by insurers for repudiation of insurance claims. Among other reasons, an insurer may reject claims on account of:

1. non-disclosure of any material information sought including medical conditions, lifestyle choices (such as smoking);
2. non-disclosure of existence of other insurance policies (for coverage of the same risk);
3. incorrect information being provided to the insurer;
4. non-consideration of terms and conditions including caps/ limits on claim amounts, exclusions to coverage of risk at the time of purchasing policy;
5. failure to update information about nominee/ beneficiary;
6. lack of adequate documentation to satisfy the insurer of bona fide loss/ damage incurred;
7. non-payment or irregular payment (non-payment within 30-days grace period) of premiums leading to policy lapse.

Though these are legitimate reasons for the insurer to repudiate claims, IRDAI as the regulator, the judicial system and grievance redressal intermediaries such as insurance ombudsmen have taken proactive steps to assist policyholders to ensure that claims are repudiated on merits rather than preliminary issues of admissibility. For example, the IRDAI vide a circular dated September 20, 2011 (Ref: IRDA/HLTH/MISC/CIR/216/09/2011) directed that insurers shall not reject genuine claims of policyholders especially when there is a delay in intimation or in submission of documents due to unavoidable circumstances. The IRDAI advised insurers not to repudiate claims unless and until reasons of delay are specifically ascertained, recorded and the insurers ought to satisfy themselves of rejection of the delayed claim even if it had been reported on time.

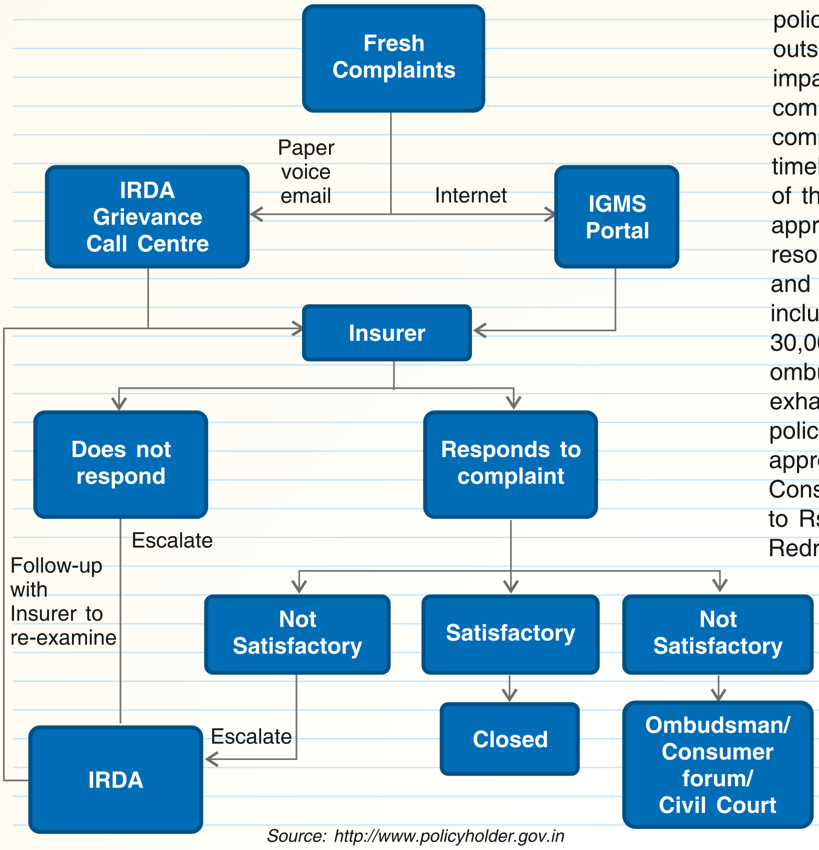
Dos and Don'ts for a Policyholder

In light of the abovementioned commonly provided reasons for repudiation of claims, set out below are some best practices to be an aware consumer and a smart policyholder:

"DO"s	"DON'T"s
▪ Buy only from a registered insurer or through authorised intermediaries ▪ Ask the intermediary for all information to make a decision – the intermediary is under an obligation to provide such information ▪ Fill the proposal form yourself, give complete and factual information ▪ Ensure a thorough understanding of frequency of premium (one-time or regular). Pay your premium regularly on the due dates/ within the grace period ▪ Read all terms and conditions of the policy carefully and check what is covered under the policy and what are the exclusions or caps/ limits on claim amounts ▪ Upon receipt of policy bond, verify if the terms and conditions are as agreed by you – if not, you have the right to cancel it during the free-look period (15 days from date of receipt of policy bond) ▪ In case of loss of policy bond, report it to the insurance company immediately and procure a duplicate copy of the same ▪ If the insurance company requisitions documents for settlement of claims, comply immediately ▪ In case of doubts, contact the intermediary/ insurance company official immediately for clarification.	▪ Do not sign a blank proposal form or leave any portion unanswered ▪ Do not conceal relevant information or make a false statement that could lead to disputes at the time of a claim ▪ Do not wait for a premium notice. It is only a courtesy. It is your duty to pay the premium to avoid lapse in policy or other penalties Make your own arrangement for paying the premium on time ▪ Do not delay in filing your claim ▪ Do not file incomplete documents ▪ Do not entertain spurious calls from imposters posing as IRDAI officials offering free insurance etc.

How Does the Law Protect the Interests of the Policyholders?

The IRDAI as the regulator of the insurance sector strives to ensure that the interests of policyholders are protected while also allowing insurance companies and intermediaries to conduct insurance business in a commercially viable manner. The IRDAI notified the IRDAI (Protection of Policyholders' Interests) Regulations 2017 ("Policyholder Regulations") on June 30, 2017 replacing the erstwhile regulations concerning protection of policyholders' interests. Pursuant to the Policyholder Regulations, the insurers are required to follow certain principles such as cooperation with distribution channels for all compliances provided under the regulations and maintenance of confidentiality of policyholder data.



Source: http://www.policyholder.gov.in

The Policyholder Regulations inter alia require insurance companies to have in place a board approved policy for the protection of policyholders' interests, well defined procedure to be followed by the insurance companies while processing claims in respect of each kind of policy, timelines for settling claims etc. For instance, death claims are required to be processed and settled within 30 days from the date of receipt of all documents, and in case an investigation is required to be undertaken, the same must be completed within 90 days and claim settled 30 days thereafter. All maturity, survival benefit claims and annuities must be settled on or prior to the due date. In the event that the insurance company fails to adhere to the timelines prescribed under the Policyholder Regulations, the policyholder is entitled to receive an interest rate which is 2% above bank rate (from the payment due date or submission of the last information/ documents) on the sum due to be paid to the policyholder. Further, Annexure I of the Policyholder Regulations sets out the grievance redressal procedure which the insurers are required to adhere to.

Although Annexure I of the Policyholder Regulations is silent on timelines, an insurance company is required to provide response to an aggrieved policyholder within one month after the insurer has received the representation, as per Rule 14(3) of the Insurance Ombudsman Rules, 2017 **("Ombudsman Rules").** The Ombudsman Rules have been promulgated for the benefit of the policyholders such that their grievances are settled outside of the courts in a cost-effective, efficient and impartial manner. In the event the insurance company fails to provide a response to the complainant policyholder within the prescribed timelines or if the policyholder deems the response of the insurer to be unsatisfactory, then he/she may approach the jurisdictional insurance ombudsman for resolution of such dispute between the policyholder and the insurer (provided that the value of the claim including expenses claimed is not above Rs. 30,00,000). Currently, there are 17 insurance ombudsmen across the country. After having exhausted all the remedies discussed above, if the policyholder remains aggrieved, he/she may approach the appropriate consumer forum (District Consumer Disputes Redressal Forum for claims up to Rs. 20,00,000, State Consumer Disputes Redressal Commission for claims between Rs 20,00,000 and Rs. 1,00,00,000 or National Consumer Disputes Redressal Commission for claims above Rs. 1,00,00,000). These remedies are without prejudice to the right of the policyholders to approach a civil court of appropriate jurisdiction for settlement of disputes. Set out in Annexure 2 is a flow-chart representing the levels of grievance redressal mechanism available to the aggrieved policyholders.

What Do the Courts Say?

In 2017, the Supreme Court of India in the case of *Om Prakash vs. Reliance General Insurance and Ors.* adjudicated a dispute between an aggrieved policyholder who had lost his insured vehicle whose claims were repudiated by the insurer on the grounds that there had been a delay of 8 days from the occurrence of theft. The primary contention of the insurance company for repudiation of insurance claim was that non-intimation of theft on an immediate basis was in breach of condition number 1 of the insurance policy which required the policyholder to communicate immediate information about loss/theft of the asset insured. The Supreme Court, while dismissing the contentions of the insurance company and directing the insurance company to pay the claims amount (along with a sum of Rs. 50,000 as compensation), stated as follows:

> *... The decision of the insurer to reject the claim has to be based on valid grounds. Rejection of the claims on purely technical grounds in a mechanical manner will result in loss of confidence of policy-holders in the insurance industry. If the reason for delay in making a claim is satisfactorily explained, such a claim cannot be rejected on the ground of delay...*
>
> *...It needs no emphasis that the Consumer Protection Act aims at providing better protection of*

the interest of consumers. It is a beneficial legislation that deserves liberal construction. This laudable object should not be forgotten while considering the claims made under the Act.

While such decisions of the Supreme Court enshrine the rights of a policyholder, the Supreme Court has also reminded policyholders of their obligation to disclose material facts to the insurer while purchasing a policy. In another recent judgment of the Supreme Court in the case of *Reliance Life Insurance Company Ltd and Anr. vs. Rekhaben Nareshbhai Rathod,* the Supreme Court upheld the repudiation of a claim on the grounds that repudiation was on the basis of the failure of the policyholder to disclose the details of an earlier insurance policy obtained, in the proposal form. This entitled the insurer to repudiate the claim under the terms and conditions of the policy. This decision of the Supreme Court emphasizes the need for the policyholder to be honest and forthcoming with responses to the information sought by the insurance companies and disclosing all material information requisitioned by the insurer in the proposal forms. Another important aspect of this judgment is the operation of Section 45 of the Insurance Act, 1938. In paragraph 13 of this judgment, the Supreme Court summarizes the position aptly:

> *…The cumulative effect of Section 45 is to restrict the right of the insurer to repudiate a policy of life insurance after a period of two years of the date on which the policy was effected. Beyond two years, the burden lies on the insurer to establish the inaccuracy or falsity of a statement on a material matter or the suppression of material facts. Moreover, in addition to this requirement, the insurer has to establish that this non-disclosure or, as the case may be, the submission of inaccurate or false information was fraudulently made and that the policy holder while making it knew of the falsity of the statement or of the suppression of facts which were material to disclose.*

Conclusion

The most significant stakeholder contributing to the growth of the insurance sector in India is the policyholder. As consumers of insurance products, it is imperative that policyholders have greater awareness of not only of their rights, but also of their duties. Such awareness is required to be exercised not only while purchasing an insurance policy but also during the life of such policy.

Some useful resources are IRDAI annual reports available on the IRDAI website: https://www.irdai.gov.in/. Further the http://www.policyholder.gov.in website, also maintained and hosted by the IRDAI, contains information on awareness as policyholder. Further, the websites of the insurance companies themselves have various public disclosures made on quarterly basis. In addition to its efforts on the regulatory front, the IRDAI has also initiated an insurance awareness campaign called 'Bima Bemisaal'. This consumer education initiative, with the tagline *"Promoting Insurance. Protecting Insured",* educates policyholders about their rights and obligations and informs them about the methods available to them for resolution of complaints. It creates awareness about insurance among the general public using various media such as print, radio and television.

As discussed above, various stakeholders in the insurance sector are committed to their duty to protect the interests of the policyholder. As a *quid pro quo,* policyholders have a duty to be aware of their rights and obligations. Together, all stakeholders can ensure optimal growth of the insurance industry in India.

About the author: Indranath Bishnu is a partner in the general corporate practice at the Mumbai office of Cyril Amarchand Mangaldas. Indranath advises on foreign direct investments, mergers and acquisitions and joint ventures and specializes in the Insurance industry. The Author would also like to thank **Pranjita Barman** and **Anirud Sudarsan,** both associates of Cyril Amarchand Mangaldas, for their indispensable contribution towards the preparation of this article.


Anirud Sudarsan


Pranjita Barman

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