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I. WHAT'S HAPPENING AT NIA

1. National Insurance Academy, Pune Celebrates LIC Day 2024

On September 1, 2024, the National Insurance Academy (NIA), Pune, celebrated the 68th anniversary of Life Insurance Corporation (LIC) of India, India's leading life insurance and financial conglomerate. The event celebrated LIC's dedication to innovation, growth, and its unwavering commitment to excellence.

Mr. V. Balagopal, Joint In-charge Director and Chair Professor (Life) and Mr. Renjit Gangadharan, Joint In-charge Director and Chair Professor (Non-Life) shared his insights on LIC's remarkable journey, emphasizing its contribution to the nation. The occasion was graced by distinguished guests, including the Ex-Executive Director of LIC, who acknowledged the hard work of LIC's team over the decades. The celebration was a proud moment, reflecting on LIC's legacy as it continues to be a cornerstone of the financial sector in India. Everyone praised LIC's consistent efforts in promoting financial inclusion and ensuring security for millions of Indian families.

Glimpses from the Celebration





II. REGULATORY DEVELOPMENTS

1. Circulars

- a. Master Circular on Protection of Policyholders' interests 2024

Click here for the circular:

<https://irdai.gov.in/web/guest/document-detail?documentId=5625747>

- b. Insurance claims relating to floods in Telangana and Andhra Pradesh

Click here for the circular:

<https://irdai.gov.in/web/guest/document-detail?documentId=5634927>

2. Order:

- a. Order in the matter of SBI Life Insurance Co Ltd

<https://irdai.gov.in/web/guest/document-detail?documentId=5659882>

3. Press Release:

- a. Minutes of 125th Meeting of Authority

<https://irdai.gov.in/web/guest/document-detail?documentId=5674289>

- b. Press Release-master circular on protection of policyholders' interest

<https://irdai.gov.in/web/guest/document-detail?documentId=5626236>

III. INSURANCE INDUSTRY FLASH FIGURES FOR AUGUST 2024

For monthly insurance industry data, click on:

1. [Life Insurance](#) (Source: LI Council)
2. [Non-Life Insurance](#) (Source: GI Council)

IV. TOPICAL ARTICLE

IRDAI's New Surrender Value Guidelines: Flexibility for Policyholders, Challenges for Insurers

Life insurance serves as a critical financial planning tool for families across India. It provides not only a safety net for dependents in the event of the policyholder's death but also a way to save for future financial goals through traditional savings plans. Recognizing the need to strengthen consumer rights, IRDAI has been actively introducing new regulations to safeguard policyholders. These initiatives include:

- **Extended Free-Look Period:** The free-look period for both life and health insurance policies has been extended from 15 days to 30 days, allowing consumers more time to review policy terms.
- **Centralized Grievance Management:** The launch of Bima Bharosa aims to simplify the process of addressing consumer grievances through a centralized management system.
- **Uniformity in Products:** Introduction of Saral Jeevan Bima and Saral Pension ensures uniform and straightforward terms for term insurance and pension products across companies.

Also, the ongoing development of Bima Sugam, a centralized digital marketplace, is poised to further transform the way life insurance products are accessed, enhancing transparency and efficiency in the industry.

Surrender Value Regulations

The Insurance Regulatory and Development Authority of India (IRDAI) has taken another significant step to enhance consumer rights in the life insurance sector. The new regulations on surrender values, promising more flexibility for policyholders but raising concerns for insurance companies regarding asset-liability management and policy persistency.

The new regulations on surrender values have been introduced after extensive rounds of consultations between IRDAI and insurance companies. Historically, policyholders faced a significant financial loss when they decided to surrender a policy within the first year, as they would forfeit the entire premium. The new regulations, however, ensure that policyholders receive a portion of their premium even if they decide to surrender early, thereby offering a safety net against potential mis-selling.

Under the new guidelines, the Special Surrender Value (SSV) calculation is linked to the 10-year G-Sec yield, which we assume here to be 7%. For a 10-year premium term, a policyholder can recover around 62% of the premiums paid starting from the first year, whereas previously, the recovery rate was 0%. By the 7th year, the surrender value allows the policyholder to recover over 95% of the total premiums paid, and by the 10th year, it reaches 120%. This adjustment ensures greater flexibility and minimized losses for policyholders who wish to exit their policies early.

Tackling Mis-selling in the industry

Mis-selling has long been a challenge in the life insurance industry, where target-driven sales practices sometimes lead to policies being sold without full disclosure of terms and benefits. In many cases, policyholders who feel trapped by a mis-sold policy are left with no viable exit option without suffering considerable losses.

The revised surrender value rules are designed to address this issue, allowing policyholders to exit more easily if they feel the product no longer suits their needs. This move aims to prevent customers from being coerced into unsuitable policies and gives them a chance to reconsider their decisions without incurring heavy financial losses.

Effects on Policyholders

The flexibility brought by the new surrender guidelines is likely to be viewed positively by policyholders, as it allows for a smoother exit from policies during the early years. The decision to surrender may arise from a reassessment of financial goals, a change in circumstances, or even a realization that the policy was mis-sold.

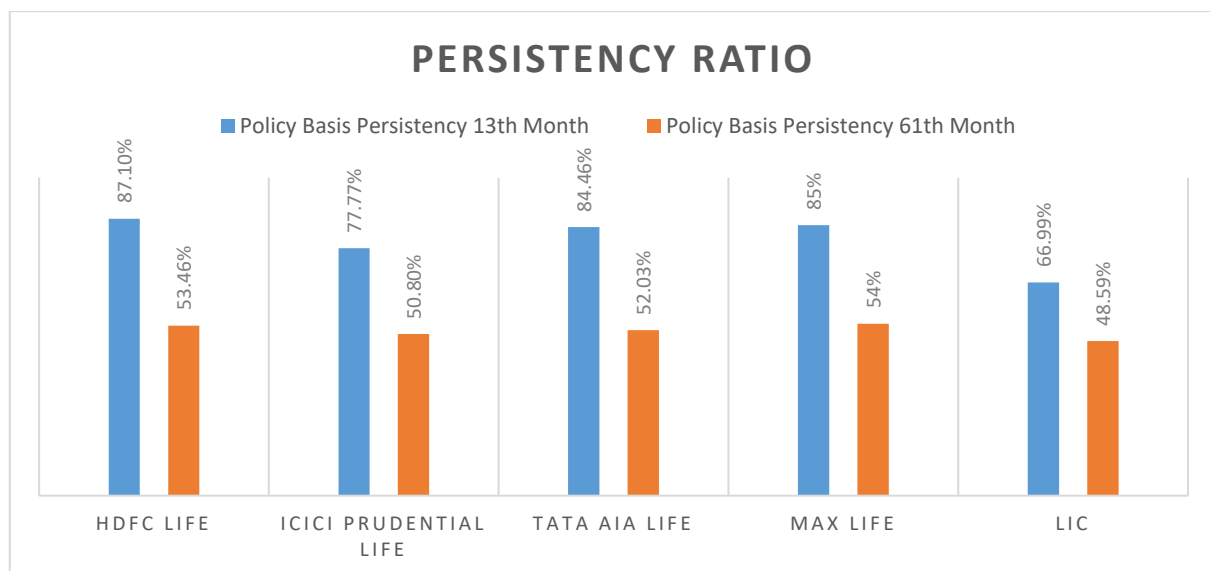
However, this flexibility may also have unintended consequences. Life insurance is designed to fulfil long-term financial needs, and premature surrenders can undermine the discipline required to achieve those goals. Short-term financial pressures, market rallies, or misconceptions about alternative investments could prompt policyholders to cash out early, jeopardizing their long-term financial security.

Challenges for Insurance Companies: Persistency Concerns

For life insurers, the revised surrender value guidelines present challenges related to policy persistency and asset-liability management. Persistency – the measure of how long policyholders

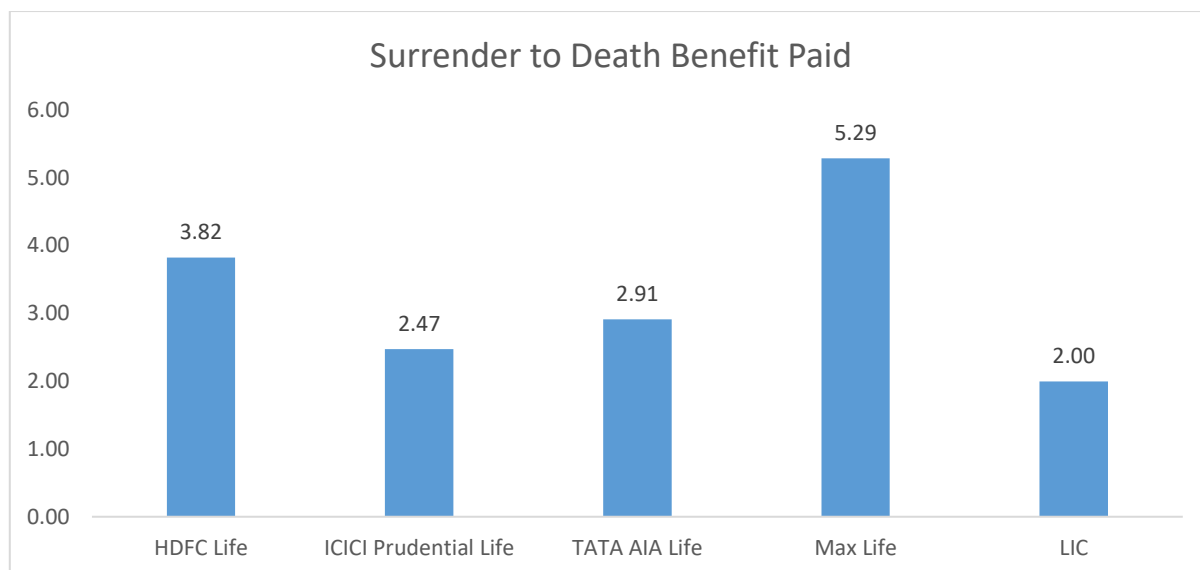
continue with their policies – is a key metric for insurers, as it directly affects profitability and financial stability.

Data derived from the annual reports of five life insurers highlights the current situation where 13th Month Persistency Ranges from 67% to 87% across the five companies and 61th Month Persistency Drops significantly, ranging from 49% to 54%.



Life insurance products are generally made for long term but this indicates that nearly half of the policies are surrendered before reaching the five-year mark. The new surrender value guidelines could potentially exacerbate this trend, with more policyholders opting for early surrender due to improved financial terms.

Moreover, a striking observation from the data is the ratio of surrender benefits to death benefits paid by these insurers. For instance, Max Life's surrender payouts are 5.29 times the amount paid for death claims, indicating the significant financial impact of early policy terminations. LIC, the largest public insurer, also pays double the amount for surrender claims compared to death claims. This suggests that an increased volume of early surrenders would place further strain on insurers, ultimately affecting policyholders, as insurers may lower investment returns or increase premiums to manage the financial imbalance.



A Balanced Approach: Policyholder Awareness and Insurer Initiatives

As the new regulations come into effect, it is crucial for policyholders to make informed decisions regarding their life insurance savings policies. While the option to surrender is a valuable feature for those who genuinely need an exit, the purpose of life insurance should remain focused on long-term financial security. Consulting financial advisors to understand individual insurance needs is vital before making decisions that could affect future financial stability.

Insurers, on the other hand, may need to innovate to ensure policyholder retention and encourage long-term engagement. Strategies such as introducing loyalty bonuses for policyholders who complete the full term or offering incremental benefits for longer retention periods or start paying bonuses from the first year itself could help maintain persistency rates. The industry must also focus on enhancing product transparency and educating consumers, thereby reducing the likelihood of mis-selling.

The new surrender value guidelines from IRDAI represent a significant milestone in protecting consumer rights in the life insurance industry. While they provide flexibility for policyholders, they also pose new challenges for insurance companies. The balance between consumer rights and industry sustainability will require continuous engagement, transparency, and education. Both policyholders and insurers need to adapt thoughtfully to ensure that the primary purpose of life insurance – providing long-term financial security – is upheld.

(By Mr. Mudit Sampat , Student, National Institute of Securities Markets (NISM))

V. INSURANCE NEWS

Mis-selling of life insurance policies at alarming level, says IRDAI

Insurance Regulatory and Development Authority of India (Irdai's) Member Satyajit Tripathy said that complaints about product mis-selling in life insurance has increased to an alarming level so much so that it has grabbed the attention of the policy makers. He further added that grievances vary between life and non-life insurance sector. Life insurance grievances are often related to the product, while non-life grievances usually concern claim payments and exclusions and in order to increase the penetration, the industry must address these grievances.

Read more at:

https://www.business-standard.com/finance/insurance/mis-selling-of-life-insurance-policies-at-alarming-level-says-irdai-124090301082_1.html

Companies should provide health insurance to all employees: GIC head

The General Insurance Council's head has proposed measures to expand health insurance coverage in India. These proposals include requiring employers to provide health coverage, possibly by using Corporate Social Responsibility (CSR) funds for paying premiums, and merging corporate health insurance with state government plans.

Read more at:

https://economictimes.indiatimes.com/industry/banking/finance/insure/companies-should-provide-health-insurance-to-all-employees-gic-head/articleshow/113288394.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Ball in GST Council's court on reducing tax on health insurance premiums

The Fitment Committee comprising of centre and state revenue officials has reviewed the proposal to reduce the Goods and Services Tax (GST) on individual health insurance premiums but has stopped short of recommending an outright reduction. After extensive deliberations, the committee has left the final decision to the GST Council, presenting them with various options based on potential revenue implications.

Read more at:

<https://www.businesstoday.in/personal-finance/insurance/story/ball-in-gst-council-court-on-reducing-tax-on-health-insurance-premiums-444505-2024-09-04>

Centre to sell 6.78% in General Insurance Corporation to raise Rs 4,700 crore

The Centre will sell up to 6.78% stake in the country's only general reinsurer General Insurance Corporation (GIC Re) to raise about Rs 4,700 crore based on the floor price of Rs 395/share for the offer for sale.

Read more at:

<https://www.financialexpress.com/market/centre-to-sell-6-78-in-general-insurance-corporation-to-raise-rs-4700-crore-3600651/>

Star Health wants to apply for composite license to enter pure term and motor insurance space

Star Health will apply for a composite insurance license, once the Insurance Act is amended. This amendment, which allows insurers to offer both life and non-life insurance products under a single license, is currently awaiting parliamentary approval and is expected to be taken up soon

Read more at:

https://economictimes.indiatimes.com/industry/banking/finance/insure/star-health-wants-to-apply-for-composite-license-to-enter-pure-term-and-motor-insurance-space/articleshow/113070719.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Centre brings elders over 70 years under ambit of Ayushman Bharat scheme

As the country ages, the Union Cabinet approved expansion of health coverage under Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) to all senior citizens aged 70 years or above. The flagship health insurance scheme launched in September 2018 saw a further boost as the move aims to benefit approximately 45 million families, having 60 million senior citizens, with Rs 5 lakh free health insurance cover on a family basis.

Read more at:

https://www.business-standard.com/economy/news/govt-brings-senior-citizens-over-70-years-under-ayushman-bharat-scheme-124091101383_1.html

IRDAI asks insurance companies to integrate IT systems with Digilocker

The Insurance Regulatory and Development Authority of India (Irdai) on Thursday asked insurance companies to enable their IT systems to interact with Digilocker, allowing policyholders to use the service effectively.

Read more at:

https://www.business-standard.com/finance/insurance/irdai-asks-insurance-companies-to-integrate-it-systems-with-digilocker-124090501348_1.html

Demand for property (re)insurance rises on higher Nat CAT risks

As per Swiss Re, higher property values, urbanisation and rising repair costs due to inflation are expected to drive demand for property (re)insurance, especially in areas with intensifying natural catastrophe risks.

Read more at:

<https://www.asiainsurancereview.com/News/View-NewsLetter-Article/id/89372/Type/eDaily/Global-Demand-for-property-re-insurance-rises-on-higher-Nat-CAT-risks>

Deadline for health policies to comply with IRDAI norms draws closer

The Insurance Regulatory and Development Authority of India (IRDAI) has been on a regulation-revamping spree this year, across the life, general and health insurance domains. The regulator's revised rules for new health insurance policies have already taken effect from April 1, but insurance companies had been granted time till September 30, 2024 to ensure that existing products - the ones in force before the regulations were revised - comply with the norms, released in March and May this year.

Read more at:

<https://www.moneycontrol.com/news/business/personal-finance/deadline-for-health-policies-to-comply-with-irdai-norms-draws-closer-heres-how-policyholders-will-benefit-12817828.html>

Shriram Group eyes listing of insurance arms in 2 years

Shriram Finance Group plans to list its general insurance and life insurance subsidiaries within two years. Speaking at a press conference, executive vice-chairman of Shriram Finance Group, Umesh Revankar, said the non-banking financial company also aims to raise \$750 million in the current financial year.

Read more at:

<https://www.financialexpress.com/market/shriram-group-eyes-listing-of-insurance-arms-in-2-years-3607391/>

LIC hikes stake in IRCTC to 9.3%

Life Insurance Corporation (LIC) has hiked its stake in Indian Railway Catering and Tourism Corporation (IRCTC) to about 9.3 per cent. In a regulatory filing, LIC said its holding in railway sector 'miniratna' PSU has increased 2.02 per cent in the period December 16, 2022, to September 11, 2024, via open market purchases.

Read more at:

https://economictimes.indiatimes.com/markets/stocks/news/lic-hikes-stake-in-irctc-to-9-3/articleshow/113297387.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Maharashtra govt cancels Rs 3,000 crore insurance contract with United India Insurance

The Maharashtra government has terminated the Rs 3,000 crore contract with Chennai-based public sector United India Insurance (UII) for implementing the state's flagship health insurance scheme – the integrated Mahatma Jyotiba Phule Jan Arogya Yojana (MJPJAY) – citing “unsatisfactory response” from the insurer.

Read more at:

<https://indianexpress.com/article/business/economy/maharashtra-govt-cancels-rs-3000-cr-insurance-contract-with-iii-9575066/>

49% of two-wheeler insurance from tier-3 cities, 78% add zero-dep

According to a report by PolicyBazaar, the two-wheeler insurance market is witnessing a significant rural boom, with 49% of purchases now originating from tier-3 cities. Meanwhile, zero-depreciation add-ons have emerged as the most popular choice, accounting for 78% of policies.

Read more at:

https://www.business-standard.com/finance/personal-finance/49-of-two-wheeler-insurance-from-tier-3-cities-78-add-zero-dep-report-124092400791_1.html

Gen Z & Millennials drive 85% of insurance sales

Insurance advisors of Gen Z and millennial generations – cohorts born after 1997 and 1981 – are responsible for 85 per cent of total policy sales, according to a study that tracked industry's demographics.

Read more at:

https://www.business-standard.com/finance/personal-finance/gen-z-millennial-insurance-advisors-driving-85-of-sales-company-study-124092500613_1.html

LIC earmarks Rs 600 crore for digital shift; to be 'paperless' in 2 years

Life Insurance Corporation of India (LIC) has committed Rs 600 crore for its digital transformation journey, The insurance giant is aiming to become completely "paperless" in two years.

Read more at:

https://www.business-standard.com/companies/news/lic-commits-rs-600-crore-towards-its-digital-transformation-journey-124091801250_1.html

Infosys to build LIC's new platform for digital insurance solutions

India's largest life insurer LIC has appointed Infosys to drive its digital transformation, and to enable a end-to-end digital insurance solution as well as the back-end for branch employees.

Read more at:

<https://www.moneycontrol.com/news/business/lic-infosys-new-digital-platform-12822396.html>

Please share your feedback at <http://niapune.org.in/in-feedback>