

A Fit-For-All Cover Waiting To Be Unveiled

IRDAI has standardised the terms and conditions and inclusion and exclusions for life and non-life cover policies to offer subscribers a perfect entry-level package that would promote insurance penetration in India

By **Nirmala Konjengbam**

Stella was in her early school days when her father one day drew up a vertical line on a piece of paper and asked her if that was long or short. The child couldn't figure what to say. Her father smiled and drew up a small line next to it

and then asked the same question again. She was prompt this time: "Long." She got her first lesson in comparison that day.

Years later, Stella Rodrigues encountered a largely similar situation, when she went to buy a life cover. There were so many options that she couldn't figure which would

be the best fit for her. In a market of simmering competition, insurers are constantly in the process of innovating their products to match the various requirements of the buyer. Such an extensive spread of options made her confused over the terms and conditions and the inclusions and exclusions.

Illustration: SHUTTERSTOCK



Saral Pension Plan

- Provides a minimum pension of ₹1,000/month
- Single-premium plan and anyone aged 40-80 years can invest
- No maturity benefit
- **Two annuity options:**
 - (1) Life annuity with 100% return of purchase price
 - (2) Joint life annuity with a provision of 100% annuity to the secondary annuitant



Stella wanted a simple life insurance policy at the lowest premium but she couldn't zero in on one because of the highly complex nature of the policy parameters.

This has long been a major hindrance in the buying process. When customers do not understand the product rightly, they delay the decision of making the purchase. They also often shy away from buying policies because lack of clarity in the process may create dispute at the time claim settlement. The result is obvious. The insurers suffer a loss of faith and confidence among their customers.

Confused and frustrated, Stella too shelved the plan, and moved on to invest the money in fixed deposits.

Sector watchdog Insurance Regulatory and Development Authority of India (IRDAI) has, over the last one year, taken multiple steps to simplify the complex insurance policies and the biggest of them has been the standardisation of the insurance products.

"Draft guidelines issued by the IRDAI say that the standard product will have the same features, benefits, inclusions and exclusions. It will help the customer pick the product from any brand," says Pankaj Verma, who leads the underwriting section at SBI General Insurance. "The only differentiators will be the brand, customer service and pricing."

Since the start of 2020, the IRDAI has launched several standard products such as Saral Jeevan Bima, Arogya Sanjeevani, Corona

Rakshak and Corona Kavach. The regulator has also issued guidelines to the insurers to launch a standard annuity plan, a standard home plan, a standard personal accident plan, a standard travel plan and a health insurance plan for vector-borne diseases effective from April 1, 2021.

Such a standard policy will help people like Stella to pick the most suitable entry-level cover from any insurance provider.

"Insurance is a cluttered market. One may find it a challenge to choose an appropriate product as per their requirements. Hence, there was a need to create a standardised product, which makes the buying decision of customers much easier. It will help rebuild the faith and trust of customers in the

insurance ecosystem," says Rakesh Jain, Executive Director and Chief Executive Officer at Reliance General Insurance.

A standard insurance plan can typically be the Saral Pension Policy, an annuity plan, providing a pension of minimum ₹1,000 per month, ₹3,000 per quarter, ₹6,000 per half-year and ₹12,000 per annum. It will be a single-premium plan and anyone between 40 years and 80 years can invest in it. There will be no maturity benefit under this plan.

"Since the product features and options are standardised in Saral Pension, the price or annuity rate offered would be of foremost importance. Customers should choose between the single and joint life based on their requirements," says Samit Upadhyay, Chief Financial Officer and Product Head at Tata AIA Life Insurance. "Those looking for income to start after a few years should look at deferred annuity options available in other products available in the market."

The plan will have two annuity options: (a) Life annuity with 100 per cent return of purchase price – annuity will be paid for the life of the annuitant. In addition, 100 per cent

Standard Travel Plan

- No restriction on age of entry
- Domestic travel has 5 variants: Travel by public transport, train journey, air-travel and domestic tours involving road, water, train and air travel
- Overseas travel has 4 variants: Long-term trip (students), short-term trip (tours or leisure), multi-trip during a policy period (business) and coverage only for travel (onward and return)
- In domestic travel, cover would be provided only during travel but would also include stay for overseas travel



Standard Personal Accident Plan

- Provides protection against death, partial or permanent disablement due to accidents
- Has basic mandatory covers that are same for all insurers
- Minimum sum insured is ₹2.5 lakh, the maximum is ₹1 crore
- Sum insured increases 5% for each claim-free year if the policy is renewed without a break, subject to a maximum of 50% of the sum insured
- Payment of 1% of the sum insured per week after temporary disablement until resumes work
- Death benefit equal to 100% of the sum insured
- Add-on benefits include hospitalisation expenses up to 10% of the sum insured
- Education grant of 10% of the base sum insured for up to 2 dependent children



purchase price will be returned to the nominee/legal heir on the death of the annuitant. (b) A joint life annuity with a provision of 100 per cent annuity to the secondary annuitant on the death of the primary annuitant and return of 100 per cent purchase price on the death of the last survivor.

The annuity will be first paid to the annuitant for life. After the death of the annuitant, the spouse will continue to receive the same amount of annuity for life till his or her death. On the death of the spouse, the purchase price shall be payable to the nominee or to the legal heir. If the spouse expires before the annuitant, then, on the death of the annuitant, it will be paid to the nominee or the legal heir.

"The standard annuity plan is

a simple, basic plan, offering two annuity options, with the framework decided by the regulator. One key feature of the standard annuity plan is that it gives the customer an easy access to their funds through a good surrender value in case of critical illness. The customer should keep this in mind when evaluating this annuity plan," says Karthik Raman, CMO and Products Head at Ageas Federal Life Insurance.

There can be another product – the standard personal accident plan – for protection against death and partial or permanent disablement due to accidents. It would have basic mandatory covers that would be the same for all insurers and the minimum sum insured will be ₹2.5 lakh while the maximum will be ₹1 crore.

The draft IRDAI guidelines say that the sum insured will increase by 5 per cent for each claim-free year if the policy is renewed without a break, subject to a maximum of 50 per cent of the sum insured. The death benefit will be equal to 100 per cent of the sum insured. The benefit will also be 100 per cent of the sum insured for permanent total disablement and up to 50 per cent for permanent partial disablement.

The optional add-on benefits include covering hospitalisation expenses up to 10 per cent of the sum insured. Payment of 1 per cent of the sum insured per week till a person after temporary disablement returns to work or up to 100 weeks. Also, an education grant of 10 per cent of the base sum insured for up to two dependent children under 25 years. The add-ons will cost extra over the regular premium.

In the non-life segment, Bharat Griha Raksha is a standard home insurance policy against damage to home structures due to natural or man-made perils. It will provide the cover within seven days from the occurrence of any untoward event.

"Home insurance is not given much importance in our country, which is reflected in its penetration of which is less than 1 per cent. I believe, with standardisation and simplification of policy wordings, more people will opt for home insurance. Thus, ensuring financial security to the people who don't

Bharat Griha Raksha

- Covers damage to home structures due to natural or man-made perils
- Cover starts within 7 days from the occurrence of any untoward event
- Insures basic home contents automatically without even making a declaration for 20% of the sum insured, subject to a maximum of ₹10 lakh
- Optional cover protects jewellery and valuables like curios. And personal accident of insured or spouse due to covered perils



need to start from scratch in case of any damage or loss to the structure or the contents within," says TA Ramalingam, Chief Technical Officer, Bajaj Allianz General Insurance.

The policy would provide cover for basic home contents automatically without even making declaration for 20 per cent of the sum insured for the building which is subject to a maximum of ₹10 lakh. A higher sum insured for home contents can also be acquired by providing the details.

Under optional covers, protection would be provided for jewellery and valuables like curios. And, for personal accident of the insured or the spouse due to covered perils.

A standard travel plan, in accordance with the regulator's guidelines, will have no restriction on age of entry but the proposer should at least be an adult. There will be five variants for domestic travel – travel by public transport within and outside the city, train journey, air-travel and tours involving road, water, train and air travel. The overseas travel will have four variants – long-term trip for students, short-term trip like tours, multiple trips during a policy period for businesses, and coverage only for onward and return journey. In domestic travel, the cover would be provided only during the travel, but would also include a stay for overseas travel. It will be based on indemnity and benefit basis.

"As travel is a purchase that happens closer to the travel date, convenience in buying a policy is of utmost importance. A standard cover reduces the time to buy a cover to the minimum as the consumer is familiar with its standard coverage," says Sanjay Datta, the Chief of Underwriting, Claims and Reinsurance at ICICI Lombard General Insurance.

Mashak Rakshak is the standard health cover for vector-borne diseases such as dengue fever, malaria, filaria (lymphatic filariasis), kala-azar, chikungunya, Japanese encephalitis, and zika virus. It will

have a tenure of 12 months and the minimum sum insured will be ₹10,000, while the maximum limit will be ₹2 lakh. It will be a single-premium policy with a 15-day waiting period.

The minimum entry shall be 18 years for the principal insured and the maximum age at entry shall not be less than 65 years for all the insured members, including the principal insured.

Under the diagnosis cover, 2 per

cent of the sum insured shall be payable on positive diagnosis of every covered disease on the first diagnosis during the cover period. A lump sum benefit equal to 100 per cent of the sum insured shall be payable on positive diagnosis of any covered disease requiring hospitalisation for at least 72 hours.

It is crucial to be well acquainted with the claims procedure and exclusions of the policy before buying to avoid any last-minute hassle. To help the purchase decision, the standard product has options that are the most commonly purchased and easily understood. If it does not cover every requirement of the customer, then she should opt



Mashak Rakshak

- Covers vector-borne diseases like dengue fever, malaria, filaria (lymphatic filariasis), kala-azar, chikungunya, Japanese encephalitis, and zika virus
- Tenure of 12 months and the minimum sum insured is ₹10,000, while the maximum limit will be ₹2 lakh
- Single-premium policy with a 15-day waiting period
- Minimum entry shall be 18 years for the principal insured and the maximum age at entry shall not be less than 65 years for all the insured members
- Up to 2% of the sum insured payable on positive diagnosis of every covered disease on the first diagnosis during the cover period
- Lump sum benefit of equal to 100% of the sum insured payable on positive diagnosis of any covered disease requiring hospitalisation for at least 72 hours

The standard policies are perfect entry-level covers for the ₹5-50-lakh annual income bracket

cent of the sum insured shall be payable on positive diagnosis of every covered disease on the first diagnosis during the cover period. A lump sum benefit equal to 100 per cent of the sum insured shall be payable on positive diagnosis of any covered disease requiring hospitalisation for a minimum continuous period of 72 hours. One needs to keep in mind a host of things before buying a standard insurance policy. The most important is that she should look at the service quality and the price because all other terms and conditions are similar irrespective of the provider.

for a comprehensive plan, if it's affordable. Most of the standard plans will come with limited optional riders. These would help in extending the coverage but would also result in increase of premium cost.

Even though the standard policies are the perfect entry-level covers for people like Stella, who belong to an income bracket of ₹5 lakh to ₹50 lakh per annum, what matters most while purchasing an insurance is the premium cost. The premium cost always depends on factors like the sum insured opted, the nature of business or occupation of the insured, health risk assessment, risks involved and historic claims experience of the company. In case of standard plans, the premium should not ideally vary across a wide spectrum between insurers. □

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