

# WeDapt

HELPING YOU ADAPT TO THE CHANGING DYNAMICS

## The WeDapt Insurance Newsletter

*Premier source for expert financial analysis, strategic solutions, and industry-leading actuarial advice.*

### FEATURED INSIDE



BIMA  
TRINITY  
PLAN



DYNAMIC  
UNDER-  
WRITING IN  
THE NEW  
AGE



LATEST  
INDUSTRY  
UPDATES  
&  
KPIs'

### WEDAPT TRIVIA

1. In an Industry which is heavily dependent on agents and brokers to conduct business, Aditya Birla Sun Life Insurance distinguishes itself by primarily utilizing its own salesforce.
2. Pet insurance products has witnessed a significant progression over the last few years with the rising pet ownership and affection for pets. Pet care market in India is growing at about 14 per cent and is expected to become over Rs 6500 crore by 2025.
3. Four key innovative tests that are reshaping health underwriting are: Epigenetic Tests, Tumor Mutation Burden Test, Blood Based Tests for Cancer and Alzheimer's Disease, Wearable Vital Tests.



# BIMA TRINITY PLAN

## INTRODUCTION



## KEY TAKEAWAYS

### UNIFIED INSURANCE PLATFORM

Bima Sugam is a unified platform to simplify access to insurance services

### COMPREHENSIVE INSURANCE STRATEGY

Aims to increase insurance cover across India



*Bima Sugam will be an online insurance marketplace for buying, selling and servicing insurance policies as well as settling claims.*

The central government is pursuing a three-pronged strategy to increase insurance penetration across all regions in India. These three make up the 'Bima Trinity':

- The first component is Bima Sugam. It will serve as a unified platform (UPI like moment in insurance) integrating with government databases, insurers, intermediaries, and insurance repositories.
- The second component is Bima Vistaar. It will be a bundled risk cover product that provides defined benefits for each risk and seeks to expedite claim settlements without requiring surveyors.
- The third component is Bima Vaahaks. The third component of the plan entails deploying Bima Vaahaks (carriers) to promote the benefits of insurance products in each Gram Sabha (village council).



"Bima Sugam" refers to a simplified insurance product offered by insurance companies in India. It is introduced by the Insurance Regulatory and Development Authority of India (IRDAI) to make insurance more accessible and understandable for individuals. The introduction of Bima Sugam was a part of broader effort to promote financial inclusion and consumer protection in the insurance sector of India. It will be an online insurance marketplace for buying, selling and servicing insurance policies as well as settling claims. It will onboard all the companies that offer life and non-life insurance products under one roof.

*The introduction of Bima Sugam was aimed at addressing several key objectives:*

## 1. SIMPLIFICATION

Insurance policies can often be complex and difficult to understand, deterring many potential customers from purchasing them. Bima Sugam policies are designed to be straightforward and easy to comprehend, making insurance more accessible to a wider range of people.

## 2. INCREASED PENETRATION

India has traditionally had low insurance penetration rates, with many individuals remaining uninsured or underinsured. By offering simplified insurance products like Bima Sugam, the hope is to encourage more people to purchase insurance and thereby increase overall insurance penetration in the country. Insurance for customers can get more convenient when they have access to their policies from mobile or desktop.

### 3. CONSUMER PROTECTION

By offering simpler insurance options, regulators like the IRDAI aim to encourage compliance with insurance regulations and increase the number of insured individuals in the country. This benefits both consumers and the insurance industry. Insurers may appreciate the regulatory clarity and simplicity associated with offering these products, which could streamline their operations and reduce compliance burdens.

## 4. ENCOURAGING COMPLIANCE

Simplified insurance products like Bima Sugam are typically accompanied by clear and transparent terms and conditions, ensuring that consumers understand what they are purchasing and what is covered by their policy. This helps protect consumers from misunderstandings or disputes with insurance companies. It will promote informed decisions through increased transparency. It will also simplify the claim settlement process to much extent.





## Insurer's Point of View on Bima

Insurers' opinions on Bima Sugam may vary depending on various factors such as their business model, target market, and regulatory environment. However, here are some perspectives that insurers might have regarded Bima Sugam:

1. **Market Expansion:** Some insurers may see Bima Sugam as an opportunity to expand their market reach by offering simplified insurance products that appeal to a broader segment of the population. This could enable them to tap into previously underserved or uninsured markets and increase their customer base.
2. **Customer Acquisition:** Simplified insurance products like Bima Sugam could serve as effective tools for customer acquisition, especially among individuals who are new to insurance or prefer straightforward products. Insurers may view these policies to attract and retain customers in a competitive market landscape.
3. **Product Innovation:** Offering Bima Sugam policies may encourage insurers to innovate and develop new product offerings that align with consumer preferences for simplicity and transparency. This could lead to the introduction of additional simplified insurance products tailored to specific market segments or needs.

Life insurance and general insurance companies will own 47.5% stake each, while brokers and agent bodies will own 2.5% each in Bima Sugam platform.

⇒ *Insurers see Bima Sugam as a way to expand their market reach by offering simplified insurance products to a broader audience.*

⇒ *It can help insurers attract and retain new customers, especially those new to insurance or who prefer straightforward products.*

## BIMA VISTAAR

This is ambitious all-in-one affordable insurance mass product aimed at the rural areas of the country at Rs. 1500 per policy. This will offer health, life, personal accident, and property cover. This is expected to provide a reliable insurance solution at a reasonable cost, thereby promoting financial inclusion. The product includes life cover premium of Rs 820, health cover of Rs 500, personal accident cover at Rs. 100, and property cover at Rs 80. If taken for the entire family on a floater basis, the policy will cost Rs 2,420, with an additional Rs 900 charged for the rest of the family members. The sum assured for life, personal accident, and property covers is Rs 2 lakh each, while the health cover (hospital cash) offers a sum assured of Rs 500 for 10 days, with a maximum amount of Rs 5,000 available without producing bills or documents.

Agents selling Bima Vistaar policies stand to earn a commission of 10% incentivising wider distribution and adoption of the product. Bima Vistaar is important in safe-guarding individuals and families against various risks and uncertainties. It is considered a mass product for increasing insurance penetration in the country, it is expected that, unlike micro insurance products, it will generate a large sales volume.

It has been proposed that the claim settlement process will vary across different segments. For the property component of the combined solution, settlements will be executed on a parametric basis, facilitating prompt disbursements contingent upon the severity of the event.

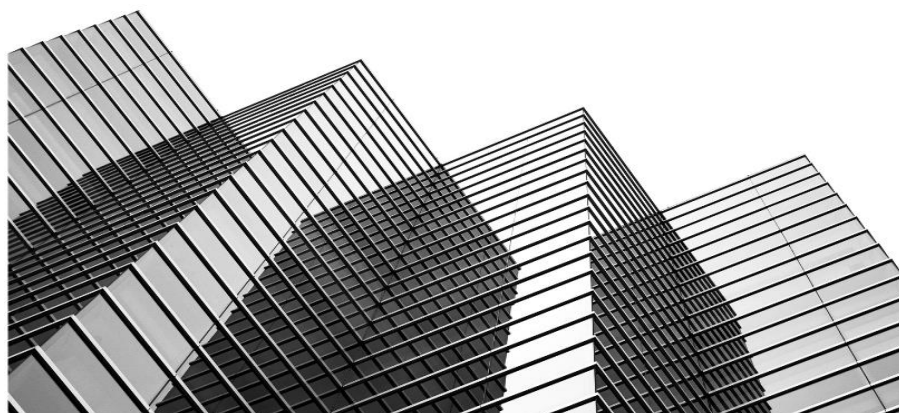
In an effort to enhance the product's market penetration, agents distributing Bima Vistaar policies are expected to receive a commission rate of 10 per cent. This incentive is designed to encourage broader dissemination and uptake of the product.

### KEY TAKEAWAYS

- ❖ Affordable insurance product for rural areas.
- ❖ Covers health, life, accident, and property.
- ❖ Promotes financial inclusion at Rs. 1500.
- ❖ Rs. 2 lakh sum assured for life, personal accident, and property covers.



*Agents selling Bima Vistaar policies stand to earn a commission of 10% incentivising wider distribution and adoption of the product.*





# Bima Vaahak

This will serve as a crucial last mile connection for insurers by establishing a field force of both corporate and individual representatives. These representatives known as Bima vaahaks are responsible for distributing and servicing insurance products. Lead insurers coordinate the deployment of resources to ensure maximum coverage of Gram Panchayats, which are Local Self-Governance units in India. It focuses on onboarding women as Bima vaahaks, as they can gain the trust of locals and facilitate insurance penetration in various communities. It develops resources locally who understand and appreciate local needs and confidence of the local population of their village /Gram Panchayat. By engaging with the local population, Bima vaahaks aim to enhance accessibility and awareness of insurance in every nook and corner of the country.

The Bima Vaahak initiative is expected to significantly contribute to enhancing insurance inclusion, raising awareness, and adapting insurance offerings to meet the diverse needs and aspirations of people in every Gram Panchayat across India. Bima Vaahaks can perform various tasks, including filling out proposal forms, ensuring KYC compliance through handheld electronic communication devices, and issuing insurance policies. Bima Vaahaks will support and coordinate policy-related matters, including policy issuance, renewals, and modifications. Additionally, they will assist customers with claims filing documentation, and tracking to ensure a seamless claims settlement process.

IRDAI's initiative to deploy Bima Vaahaks in every gram panchayat by December 31, 2024, is a commendable step towards bridging the insurance gap between rural and urban India. IRDAI aims to make insurance a more accessible and integral part of the lives of rural residents, empowering them to manage their financial risks better and safeguard their well-being.

*“IRDAI aims to make insurance a more accessible and integral part of the lives of rural residents, empowering them to manage their financial risks better and safeguard their well-being.”*



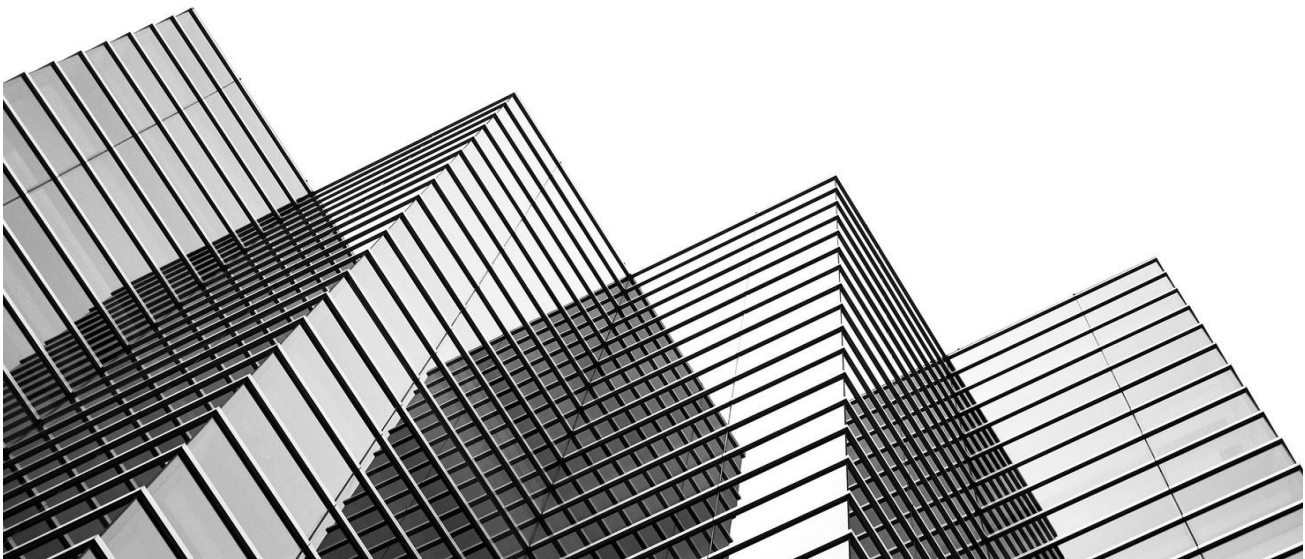
# INTRODUCTION

Manual underwriting, plagued by numerous flaws, contributes to low customer satisfaction, high churn rates, reduced efficiency, and ineffective risk management and pricing. Some of the major challenges inherent in manual underwriting include –

Manual underwriting involves a substantial amount of paperwork, data gathering, and verification. This process is lengthy and cause delays in providing coverage to policyholders.

Manual underwriting heavily relies on the information provided in application forms and supporting documents. During the evaluation process, even the well-trained underwriters may make mistakes by doing the manual entry of data and calculations which increases the risk of errors. These errors can have financial implications for both insurers as well as the policyholders.

Lengthy and complex manual underwriting processes can negatively impact the overall customer experience. Customers may find the application process cumbersome and may be more inclined to choose insurers with faster and more streamlined underwriting procedures.



# TECHNOLOGY IMPACTING INSURANCE UNDERWRITING

Some of the key technological developments which are revolutionising the way insurance underwriting is creating new value additions for both the insurers as well as the customers.

## 1. DIGITAL TWINS - Simulations for Risk Assessment

Digital twins i.e. the computer-generated replicas of natural objects, facilitate simulations for insurers. These simulations assess portfolio strategies and predict costs associated with rare but catastrophic events. Lack of historical data for certain scenarios, such as natural disasters, is addressed through digital twin simulations.

## 2. INTERNET OF THINGS (IoT) –

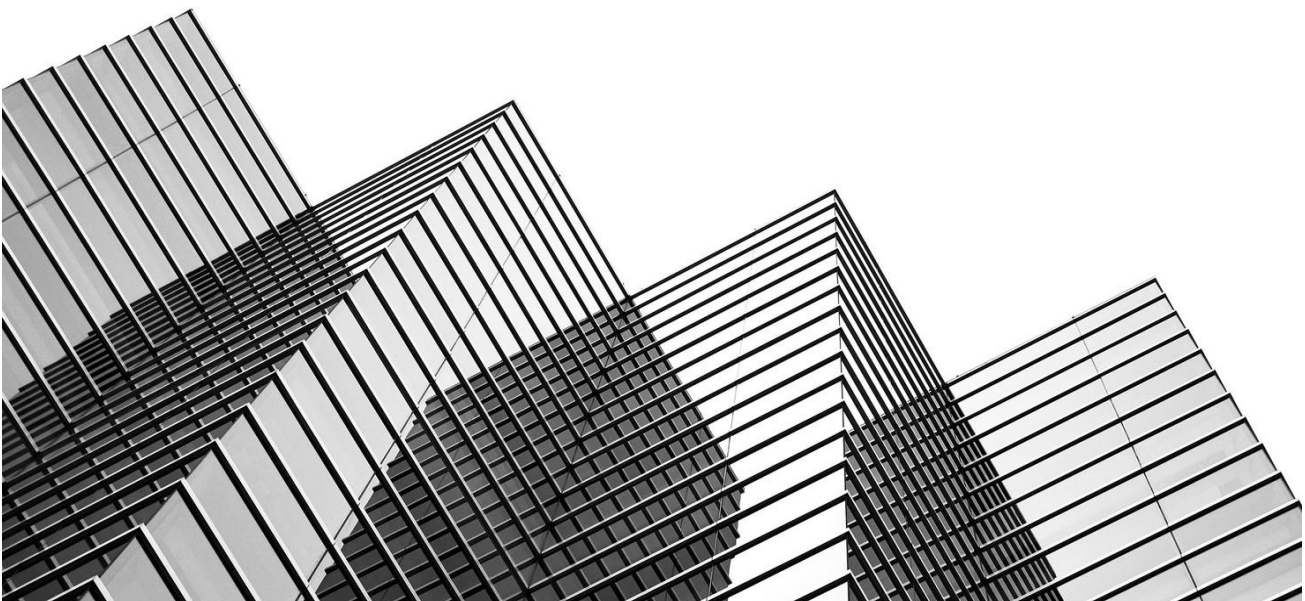
## Enriching Data for Risk Scoring & Behavior Improvement

IoT gives insurers more data to use with AI/ML, mainly from smart devices like smart phones and watches. This helps them understand risk better and set prices more accurately. It also encourages people to act responsibly to get lower insurance premiums. But, with more smart devices, there is a bigger risk of cyberattacks, so having cybersecurity insurance is important.

### 3. NATURAL LANGUAGE PROCESSING (NLP) –

Improved Pricing with Text and Audio Data NLP provides insurers with enhanced pricing capabilities by extracting meaningful insights from text and audio data. In scenarios like health insurance, where clients respond to questionnaires and doctors' reports, NLP models categorize and correlate textual data, improving risk assessment accuracy.

*“Digital twins facilitate simulations for insurers, addressing the lack of historical data for rare but catastrophic events.”*



Data has been collected from publicly available sources, which include the companies' disclosures and business presentation, newspaper articles, IRDAI website, Central Board of Direct Taxes and other relevant public records.



AI's ability to synthesize diverse datasets improves risk evaluations, streamlines processes, and reduces the time-consuming aspects of due

Addressing pricing inefficiencies in the commercial insurance sector, automated underwriting ensures fair and optimal pricing options. Underwriters

*“Using AI in underwriting makes customers happier right from the beginning. It means they get personalized plans, fair prices, and help managing risks.”*

## Examples – Insurtech in Underwriting

Insurtech has enjoyed a steady rise in power as insurance companies work to provide better experiences for their customers. In 2021, global investments in Insurtech hit a new high, with 22 new Insurtech unicorns emerging. Given below are some of the well-known Insurtech specializing in underwriting –

### 1. LEMONADE

Lemonade is a well-known Insurtech company that utilizes AI and behavioral economics to make insurance simpler. It uses a chatbot named Maya, powered by AI, to interact with customers and gathers information. Lemonade also has a unique peer-to-peer insurance model, which further influences their underwriting decisions. The use of AI in customer interactions and the unique business model contributes to faster underwriting decisions and a more personalized experience.

⇒ *Lemonade uses AI and peer-to-peer models.*

### 2. METROMILE

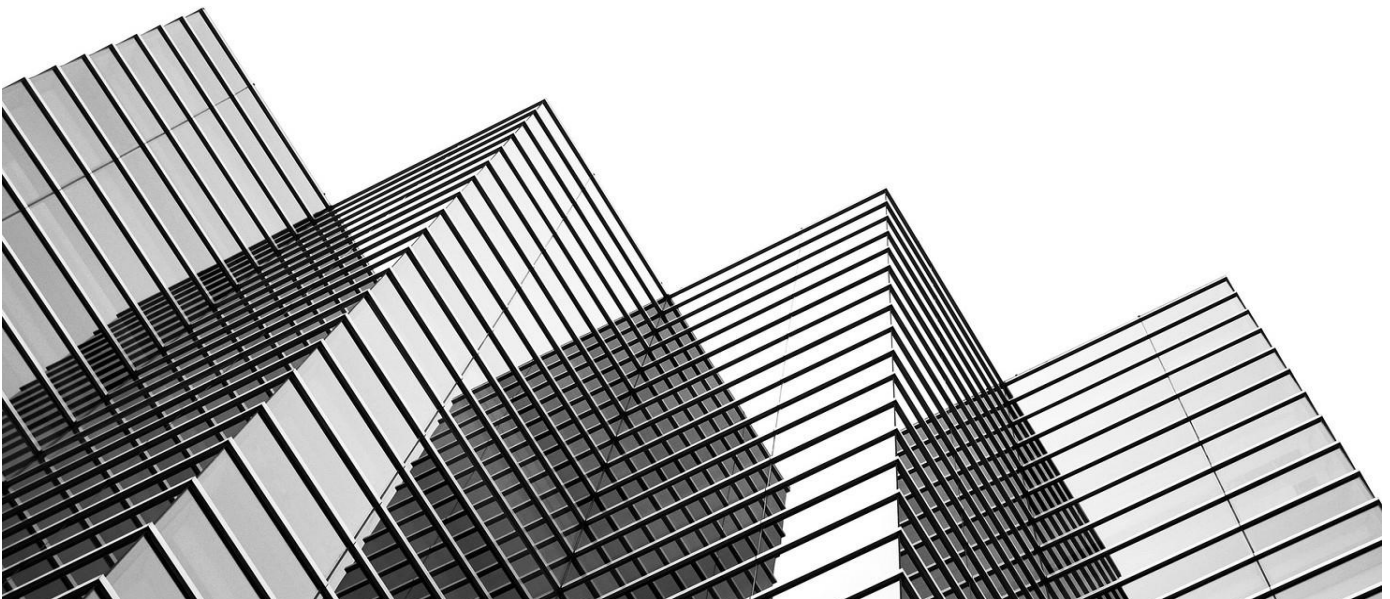
Metromile is an Insurtech company specializing in pay-per-mile car insurance. It is using telematics devices installed in customers' cars to track your mileage, driving habits and other relevant factors. This data is then used to tailor insurance premiums based on actual usage. By leveraging real-time data, Metromile can offer more personalized and fair pricing, disrupting traditional auto insurance models that rely on fixed premiums.

⇒ *Metromile offers pay-per-mile auto insurance.*

### 3. HIPPO

Hippo is an Insurtech company that uses data analytics to provide home insurance. They assess risks by analysing property details, geospatial data, and smart home device data. The use of extensive data sources enables Hippo to offer more precise underwriting, potentially lowering premiums for lower risk customers and offering personalised coverage.

⇒ *Hippo leverages data*



|||||

Data has been collected from publicly available sources, which include the companies' disclosures and business presentation, newspaper articles, IRDAI website, Central Board of Direct Taxes and other relevant public records.

# INDUSTRY UPDATES



**IRDAI flags Hinduja Group led IIHL's acquisition of Reliance Capital, says plan not in line with regulations.**

Hinduja Group-led IIHL's Reliance Capital acquisition plan has met with another roadblock after IRDAI raised concern over the resolution plan for the debt-ridden insurance company. IIHL's ₹9,650 crore resolution plan, to acquire bankrupt Reliance Capital Ltd is not in line with insurance regulations, said IRDAI in a recent communication to Nageshwara Rao Y, Reliance Capital's administrator. The insurance regulator also expressed concerns over the exceeding limit of Foreign Direct Investment (FDI) in the debt-ridden company.



**IRDAI proposes pricing for Bima Vistaar, all in one policy offering a multi-risk coverage.**

IRDAI has proposed the pricing for Bima Vistaar. It is offering life, health, accident, and property coverage which will primarily target rural India. Bima Vaahak which is the distribution channel along with Bima Sugam and Bima Vistaar could transform insurance industry in India. However, the insurance regulator is yet to issue any formal circular notifying premiums or sum assured.

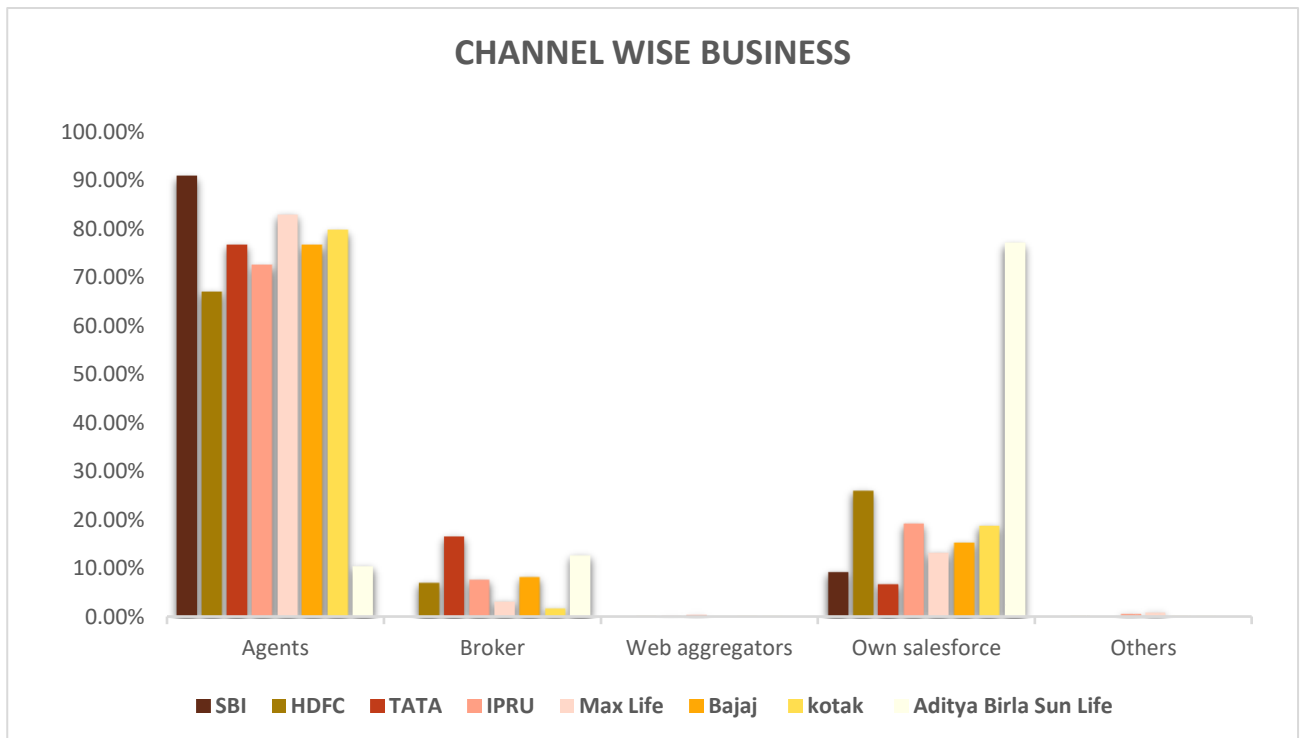
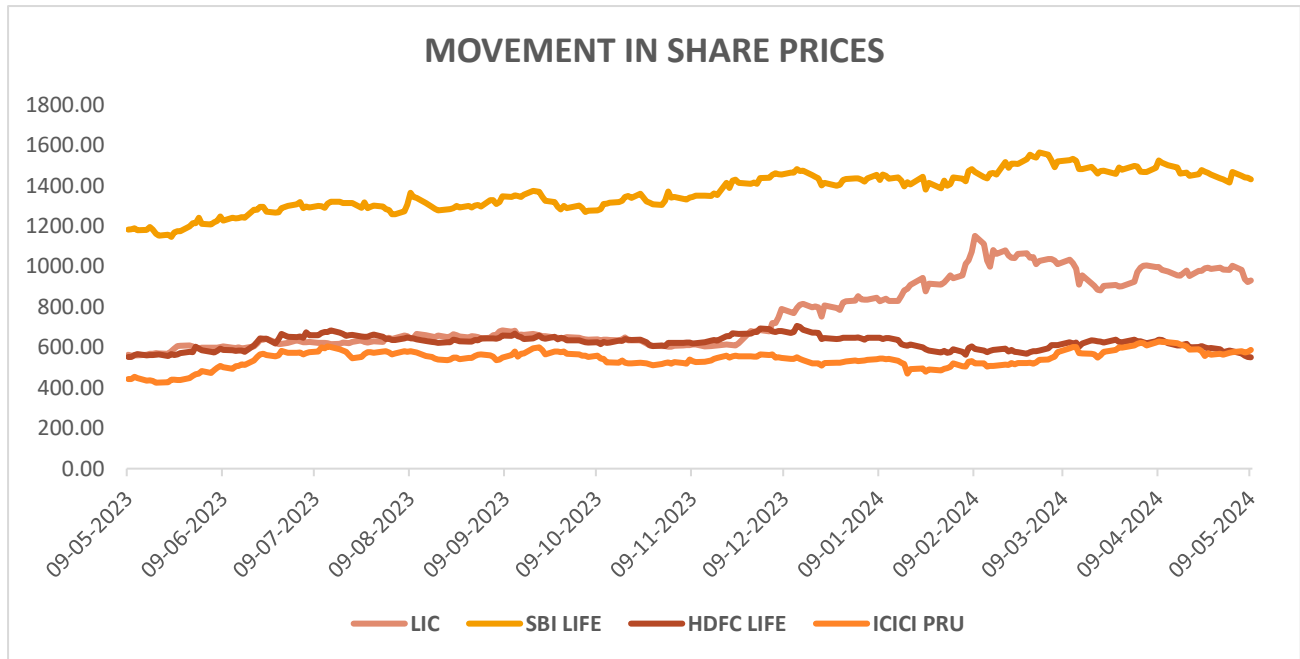


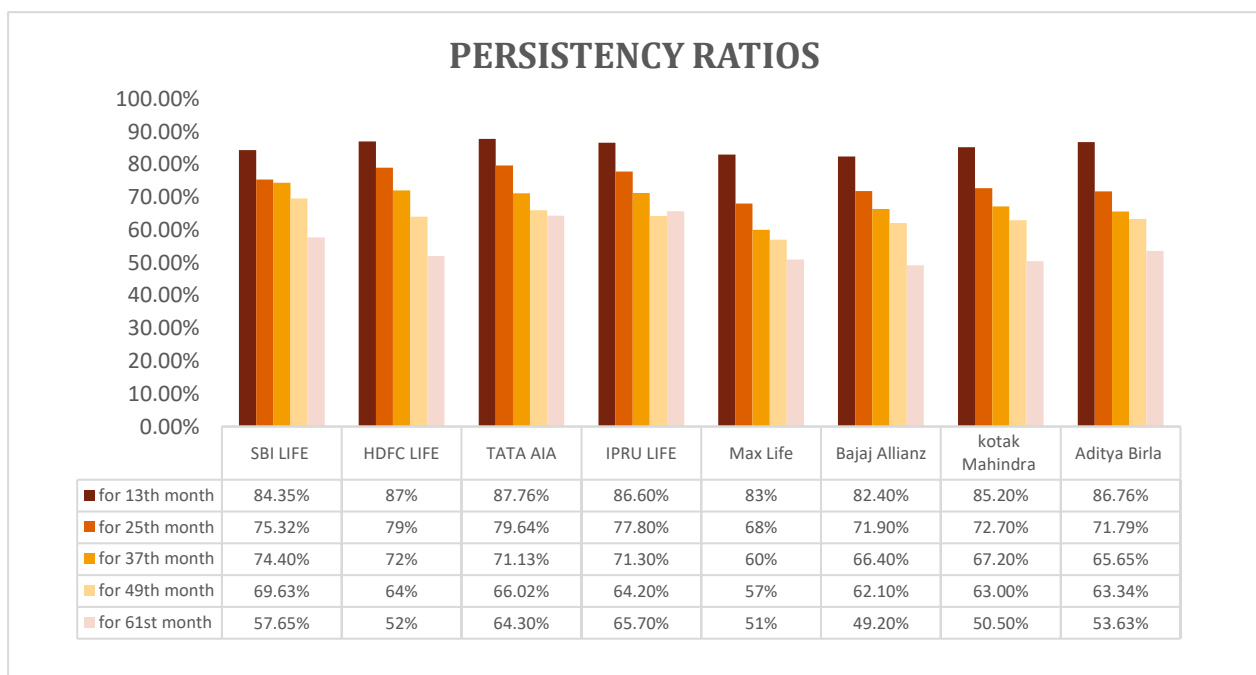
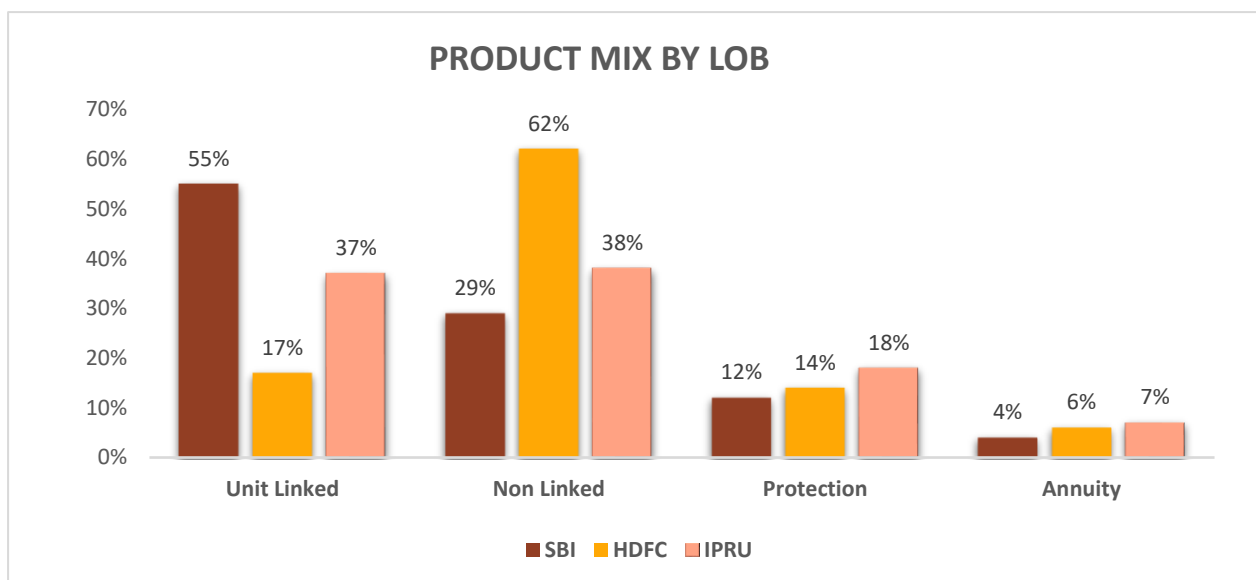
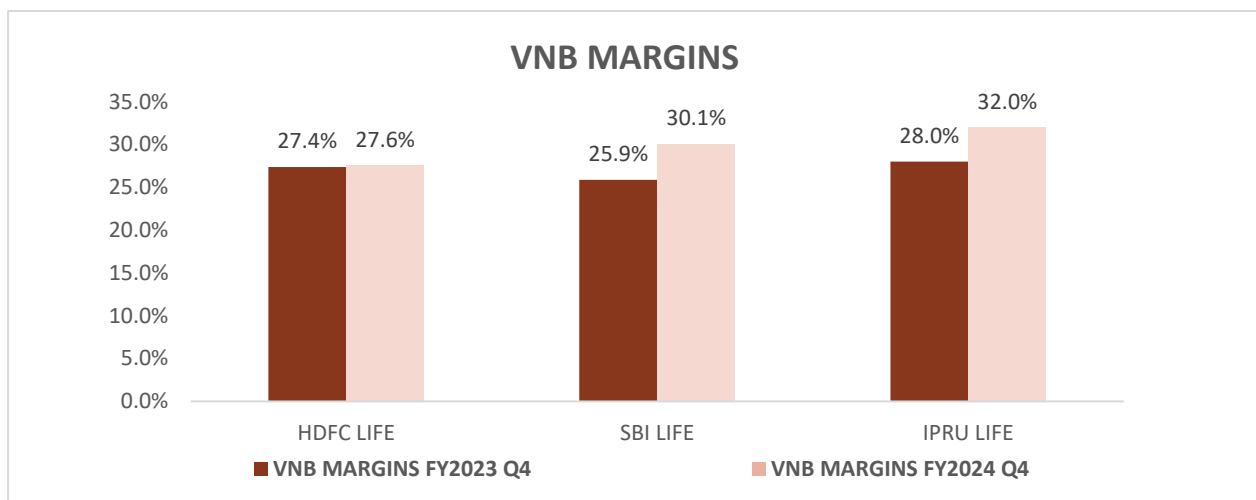
**IRDAI Rolls Out Fresh Corporate Governance Regulations for Insurers.**

"The Insurance Regulatory and Development Authority of India (IRDAI) now demands that insurance companies obtain prior approval before appointing their Board Chairperson. Existing Chairpersons must adhere to this rule by March 31, 2026, or upon the expiration of their terms, whichever occurs first. IRDAI has implemented fresh corporate governance regulations to avoid conflicts of interest in crucial management roles and to prevent individuals from holding multiple significant positions."



## Key Performance Indicators







WeDapt as a firm has always focused upon a client centric approach wherein, we look to assist the clients in adapting to the ever-changing dynamic business environment. We aim to use our rich practical experience and technical expertise to bring effective & efficient solutions for our client.

VISIT US AT

**WeDapt Services Pvt. Ltd.**

316-317, Bestech Chambers, Sushant Lok 1,  
Sector-27 Gurugram - 122009



**+91 8130132005**



**[www.wedapt.in](http://www.wedapt.in)**



**[www.linkedin.com/company/wedapt](https://www.linkedin.com/company/wedapt)**

## THE AUTHORS



### NIKITA GUPTA

*Actuarial Analyst at WeDapt / [Nikita.Gupta@wedapt.in](mailto:Nikita.Gupta@wedapt.in)*

She is a Student Actuary and master's in economics. She has an Experience of around 2 years in the Insurance Industry. She has been a part of various projects involving Pricing, Reinsurance and System Testing.

### KHUSHI JAIN

*[Khushi.Jain@wedapt.in](mailto:Khushi.Jain@wedapt.in) / Actuarial Analyst at WeDapt*

She is a Student Actuary and has been a part of Various Projects involving Reserving, Gratuity Valuation and Python Coding.



© 2023 WeDapt. All rights reserved. This content is for general purposes only and should not be used as a substituted for consultation with professional advisors. The information in this document has been obtained or derived from sources believed by WeDapt Services Private Limited to be reliable but WeDapt doesn't represent that this information is accurate or complete. The reference to any product, or entity does not constitute an endorsement or recommendation by WeDapt. The views expressed by the author(s) are their own and doesn't reflect the view of the company.

