



NEW YEAR  
Resolutions



# CURRENT NEWS



## Fire, engineering insurance premiums likely to move up by 60% in 2025

In 2025, Indian firms may face higher premiums for fire and engineering insurance covers as reinsurers are likely to revise rates due to rising claims from catastrophic events and higher loss ratios, according to people in the know.

The impact will be felt more by those who took policies in the May-Dec period considering the IIB pricing reinstatement. They will face premium increases of up to 60 per cent, depending on the nature of occupancy.

Source: Business Standard

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## Health insurance cover for five years: Here's what you should know about multi-year plans

With the recent change in the [Insurance Regulatory and Development Authority of India \(IRDAI\) guidelines](#), you can do this seamlessly now. Available for up to three years until recently, multi-year plans in health insurance now extend for up to 5 years. Amid rising healthcare costs, it's crucial to stay covered at all times – which means not just having a policy but also duly maintaining it. Longer multi-year policies just make the process simpler and more affordable.

Source: Money Control

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## Insurance claims: Over 50% health cover claims faced rejection or partial approval, says survey

Health insurance claims: A survey conducted by LocalCircles found that over 50% of health insurance policyholders who submitted claims in the last three years experienced either rejection or partial approval.

Of the policyholders surveyed who filed a claim within the same timeframe, six in 10 reported that it took between six and 48 hours for their claim to be approved and for them to be discharged.

Source: Business Today

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## Budget 2025: Insurance Sector Seeks GST Cut On Health Premium, Section 80D Hike, Check Top Expectations

As Union Budget 2025 approaches, the insurance sector has voiced a range of expectations aimed at improving health insurance penetration and addressing affordability challenges. Key demands include reducing GST on health insurance premiums, revising tax exemptions under Section 80D, and establishing a dedicated health regulator to manage rising medical inflation.

Source: News18

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# CURRENT NEWS



## HMPV virus in India: Does your health insurance policy cover outbreaks

Seven cases of Human Metapneumovirus (HMPV) have been reported in India, sparking concerns among parents as the virus predominantly affects infants and toddlers. In response, the central government has advised states to enhance surveillance measures. Schools, colleges, and organisations have also started issuing advisories urging individuals to exercise caution.

This raises an important question: Are outbreaks like HMPV covered under your health insurance policy?

Source: Business Standard

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## India's insurance penetration slumps to 3.7% in FY 23-24

India's insurance penetration decreased to 3.7% in the fiscal year 2023 to 2024 (FY 23-24), compared to 4% in the previous year, according to the Insurance Regulatory and Development Authority of India's (IRDAI) latest annual report.

Life insurance penetration declined from 3% to 2.8%, whilst non-life insurance penetration remained unchanged at 1%.

Insurance density in India rose slightly, from \$92 in FY 22-23 to \$95 in FY 23-24.

Source: Insurance Asia

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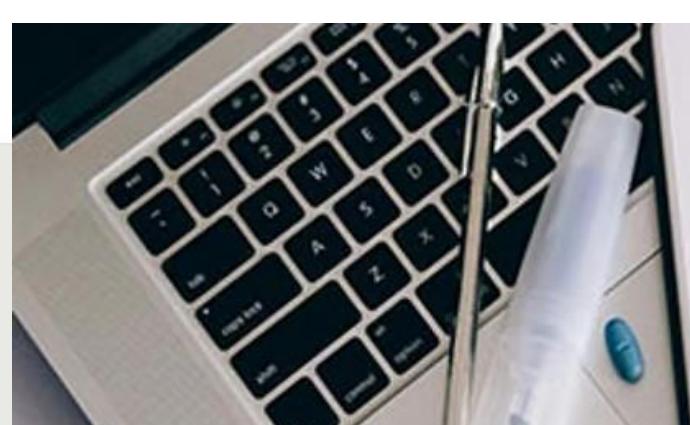


## Private insurers show 239% jump in motor commission payouts to Rs 16,578 crore

Private insurers shelled out a whopping `16,578 crore to motor insurance service providers (MISPs) as commission during the fiscal ended March 2024 as against `4,890 crore in FY2023 while securing fresh businesses. Interestingly, public sector insurers kept away from the 'commission game' and reported only 31.59 per cent rise in commission expenses at `3,099 crore in FY2024 as against `2,355 crore in FY2023, according to the Annual Report of the IRDAI.

Source: Indian Express

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## Insurance for all by 2047: Challenges with high claim rejections

The government has undertaken insurance sector reforms to ensure Insurance for All by 2047. The aim is to ensure every citizen has appropriate life, health and property insurance. Achieving this requires the effective participation of the private sector.

However, unless the regulator addresses the issue of high claim rejections, especially by private health insurers, the goal of achieving high insurance penetration will remain elusive.

Source: The New Indian Express

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# INSURANCE BLOGS



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## Why are Private Life Insurance Companies unable to draw in Rural India?

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*In 2024, several changes to insurance products have been implemented to benefit customers.*

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Private life insurance companies in India faces several challenges in attracting rural India, hindering their penetration in this vast market.

Rural customers have distinctly different perceptions of insurance compared to urban populations.

The concept of insurance is relatively new, with most rural populations having historically lived without formal insurance coverage. Only 8-10% of rural households are currently covered by life insurance schemes.

In Financial Year 2024, top private insurers like SBI Life, HDFC Life, and ICICI Prudential, TATA AIA saw a decline in rural policy sales. Conversely, LIC's rural market share dramatically increased from 22.25% to 47.72% in the same period.

Here's a comprehensive analysis of the key factors:

### 1. Lack of Awareness and Financial Literacy:

**Limited Knowledge:** Rural populations often have limited awareness about insurance concepts, their benefits, and the different types of policies available. This lack of understanding creates a significant barrier to entry for private insurers.

**Low Financial Literacy:** Many rural individuals have low financial literacy, making it difficult for them to comprehend complex insurance terms, understand policy features, and make informed decisions about their coverage needs.

### 2. Trust and Credibility Issues:

**Dominance of Public Sector:** The public sector, particularly Life Insurance Corporation of India (LIC), enjoys a strong presence and trust in rural areas due to its long history and government backing. Private insurers often struggle to compete with this established trust.

**Lack of Local Presence and Relationships:** Private insurers often lack the strong local presence and relationships that public sector players have cultivated over decades. This makes it difficult for them to build trust and credibility within rural communities.

### 3. Accessibility and Distribution Challenges:

**Limited Physical Presence:** Private insurers often have limited physical presence in rural areas, making it difficult for potential customers to access their services and interact with agents.

**Agent Network Constraints:** While private insurers have agent networks, their reach in rural areas is often limited compared to public sector players. This restricts their ability to effectively market and sell their products.

### 4. Product Design and Pricing Challenges:

**Inappropriateness of Products:** Many traditional insurance products offered by private insurers may not be suitable for the specific needs and financial capacities of rural populations.

High Premiums: The premiums for many private insurance products can be perceived as high by rural individuals, who often have limited disposable income. This price sensitivity can deter them from purchasing insurance.

**Trust and Perception:** Rural customers inherently trust public sector Life Insurance Corporation of India (LIC) more than private insurers. This deep-rooted trust becomes a significant barrier for private companies attempting to establish credibility in rural areas. Customers are skeptical of private insurance products and prefer the established reputation of LIC.

Source: NE India Broadcast

This customisation allows farmers to address unique risks, such as untimely rain during harvest or high temperatures during sowing, rather than generic perils like droughts or floods covered under conventional policies.

Katiyar highlights another critical distinction: "Parametric insurance does not indemnify actual physical damage. Instead, payouts are triggered when pre-defined parameters, such as rainfall levels or temperature thresholds, are exceeded."

This approach simplifies claims and ensures faster settlements.

He adds, "The claim process is faster and more transparent, given the parameters are measurable and objective."

## Faster recovery from extreme weather events

Farmers often struggle with delayed payouts under traditional insurance schemes.

Parametric insurance addresses this gap by offering quicker compensation.

Katiyar explains, "Our index-based insurance product covers essential risks like excess rainfall, complementing existing traditional insurance solutions."

This complementary nature helps expand the scope of insurability to include hard-to-insure risks.

## Challenges in adoption

Despite its benefits, the adoption of parametric insurance among Indian farmers, particularly in rural areas, remains low.

Katiyar identifies several barriers:

High distribution costs for reaching remote farmers.  
Limited availability of products from insurers.  
Data challenges for perils like frost, which are crucial for triggering payouts.  
Low awareness and trust among farmers further hinder adoption.

Yet, Katiyar is optimistic: "With advancements in technology and better data collection, parametric insurance adoption is expected to grow. It holds the potential to provide a more resilient risk management solution."

## Comparing premiums with traditional insurance

When it comes to premiums, Katiyar clarifies that direct comparisons between parametric and traditional insurance are not straightforward.

"The coverage and product structuring differ, so the premiums vary accordingly," he says.

Source: CNBC TV18

## What sets parametric insurance apart?

Traditional crop insurance offers generic coverage, applying the same risk and benefits to all farmers.

"In parametric insurance, one can define risk and coverage to their specific needs," says Katiyar.

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