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Life insurers face regulatory hurdles this year

All existing products need to be withdrawn and realigned to new norms by October

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This fiscal will be challenging for life insurance companies as regulatory changes require them to re-file all their existing products, say industry experts.

The new product guidelines released by the Insurance Regulatory and Development Authority (IR-DA) last month require insurers to withdraw all the existing products and re-file them by October 2013.

"This will be a tough year for us. In the first half of the year, we will be fully focused on re-filing our products and getting them aligned to the regulatory norms," said P. Nandagopal, Managing Director and Chief Executive Officer of India First Life Insurance.

The product guidelines also call for changes in the index-linked products (variable insurance products), which will have to be treated on par with unit-linked products (Ulips) in terms of charges, reduction in yield, discontinuance terms, surrender value and offer a non-zero rate of return.

TRANSITION PERIOD

"This year is going to be a period of transition, and a tough one, for the industry," said Amitabh Chaudhry, Managing Director and Chief Executive Officer of HDFC Standard Life Insurance. Pension products offered by life insurers, which constituted at least 30 per cent of their portfolio earlier, have also dried up with only a couple of products currently available in the market. While IRDA had finalised the guidelines on structure and benefits of pension plans in September 2012, most life insurers are yet to launch these products.

The challenge that insurers are expected to face comes in the backdrop of the industry seeing a decline in premium growth in the April-February period of the previous financial year.

According to recent data, total life insurance premium collected by the insurers during the April-February period of 2012-13 stood at Rs 84,502 crore, down 6.12 per cent over the year-ago period.

"Significant regulatory changes for unit-linked products in FY10 and FY11 impacted profitability of life insurance companies, in particular through the agency channel, significantly.



"The recently announced changes by the insurance regulator for traditional products will further impact growth and margins of insurers," said Barclays in a research report on the life insurance sector
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