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Insurance Bill to Help Firms Improve Penetration: Vijayan

HYDERABAD: Growth of life insurance, which has been stagnant for sometime, may start looking up only when domestic savings rate goes up, according to T S Vijayan, Chairman, IRDA.



T S Vijayan It may be noted that gross domestic savings as a proportion to GDP fell from 36.8 per cent in FY08 to 30.8 per cent in FY13, according to the Financial Stability Report released by RBI in June 2013.

It added that financial savings of households plunged from 11.6 per cent of GDP in FY08 to 8 per cent in FY13.

“Growth (life insurance sector) has been flat and hasn’t picked up to that extent...Savings habits of people have been hit in these times. Life premium comes mostly from savings and unless domestic savings rate goes up it may not (growth of life insurance),” said Vijayan adding that non-life insurers are registering some growth, while health insurance sector has witnessed a definite growth in the recent past.

Speaking to media after the launch of selling insurance through the Common Service Centres (CSC) here on Wednesday, Vijayan said, the proposed Insurance Bill, when cleared by Parliament, will help companies not only raise capital but improve penetration.

“First the Act has to be passed. Once it is passed, we will come to know what route, what method they (insurers) can get capital,” he said.

According to Vijayan, capital is required for companies to grow and achieve break even. “Companies can break even only if there’s critical business volume. To bring that critical business volume, you need capital...It’s all linked together,” he said.

Meanwhile, one life and non-life insurers namely India First and HDFC Ergo have started selling respective products via CSCs on Wednesday.

Going further, over 1,37,000 CSCs across the country will market micro insurance products of all life and non-life insurers in the next few quarters. Currently, 18 insurers including Life Insurance Corporation, Star Health, AIC and Religare are in the process of getting regulatory clearances from sectoral watchdog to sell respective products.