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LIFE INSURANCE

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Five ways to raise growth momentum of insurance industry

THE CURRENT MARKET, regulatory and legislative structures offer little head room to the insurance industry for exponential growth in the medium term. We would argue for concerted efforts for creating large whitespaces for the industry to invest further.

Customer value

We recommend two special additional tax breaks under Section 80(C) for investments in life insurance plans and pension plans. This special dispensation can help improve industry penetration from 2.76% to over 3% in the next three years. This dispensation would help channelise long-term household savings that could bring in much needed domestic capital for infrastructure investment.

Align tax benefits u/s Sec 10(10)(D)

The I-T Act mandates tax exemption on maturity amount for policies with minimum sum assured multiple of 10 times (10X) throughout the policy term. However, the regulatory flexibility allows for products with 10X/7X multiple and 1.1X and 1.25X

ILLUSTRATION: SHYAM KUMAR PRASAD

multiple for single premium contracts. This regulatory/legislative gap often forces customers to either forego tax-breaks or seek alternate investment options.

Such tax related alignment is likely to create whitespace for offering protection solutions for aged customers who are otherwise unable to find affordable insurance solutions. This is likely to help improve the current growth rates by additional 30-50 basis points (bps) CAGR for the next 10-20 years.

Promote insurance awareness

Despite the life insurance industry paying over ₹22,000 crore as death benefits in FY18, over 90% of bereaved families did not receive any insurance support. The general lack of insurance awareness keeps a large section of the market away from life insurance coverage. Joint industry-regulatory collaboration will help promote insurance cover a larger cross-section of the society.

Allow for 'use and file' mode

It is getting increasingly imperative to permit life insurance companies to develop new products under defined regulatory frameworks on a 'use and file' basis. A similar practice in the banking industry allows for greater flexibility in product development and alignment in line with market developments. While the regulator has permitted use and file for minor modifications, an extension of the same for new product development will help with speed to market and consequently market expansion.

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Inter-regulatory cooperation

Most life insurance contracts yield annual interaction with customers, thereby leading to insurance firms losing connect with customers, especially when agents leave and customers opt for regular electronic payments. Life insurance companies lose 55-60 lakh customers acquired in the last 12 months and almost 28-30 lakh customers lose insurance benefits because of being inaccessible. With banking reaching 100% penetration in the country, the life insurance industry would benefit from inter-regulatory facilitation of know your customer (KYC) and bank account updation. This regulatory support should encompass development of secure infrastructure to access customer address details from the banking and capital market players.

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