

Lower renewal pulls persistency rates for insurers

Rachel.Chitra@timesgroup.com

Chennai: As many as seven private life insurance players have a persistency rate between 78%- 68%, above public sector insurance giant Life Insurance Corporation of India's (LIC) 66%. Persistency, which measures the number of policies that have not lapsed, is an important factor when it comes to the viability of an insurance company.

But persistency of policies beyond a five-year term (61 months) did not fare as well; with some of the private players seeing their renewals as low as 6.42% or 7%. Long-term, LIC scored better with 44% persistency for policies serviced over five-years, 47% over four year (49 months) and 49% over three year (37 months).

Earlier, in 2011, the Insurance Regulatory and Development Authority of India (IRDAI) worried about persistency rates being at dismal levels, ruled that insurance agents needed to maintain a minimum persistency rate of 50% if they wanted their agency license renewed. In 2014, however, IRDAI revoked that rule and insurance agents now no longer have to maintain high persistency ratios for their

As per IRDAI rule of 2014, agents now no longer have to maintain high persistency ratios for their once in three years agency license renewal

once in three years agency license renewal. "It has now become a matter of self-discipline. Life insurers have to be focused on a high persistency rate as its unviable long-term if there are a large number of lapses. Agents need to be incentivized to ensure that we have good sales discipline. Life insurance is a long-term product, in fact a life-term product and our sales initiative should also be for life," says Manoranjan Sahoo chief agency officer, Reliance Nippon Life Insurance Company.

When it came to persistency rates over a one-year period (13 months), Max Life Insurance Co headed the list with a 78% persistency rate, followed by ICICI Prudential Life (73.4%), Aegon Religare (73%), Kotak Mahindra (71.8%), IDBI Federal (70%), SBI Life (69%) and HDFC Standard Life (68.2%) and LIC came in seventh (66%).