

New IRDA norms promise challenging year for life insurers

G. Naga Sridhar

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The new year promises to be a challenging one for life insurers. They will need to phase out various old products in keeping with new norms.

From January 1, only products that conform to the new guidelines announced by the Insurance Regulatory and Development Authority (IRDA) in the first half of 2013 are allowed for sale.

This means insurers need to re-file all their products for approval.

"We have cleared over 500 products in line with the new design norms which are being introduced by the insurers in a progressive manner," IRDA Chairman T.S. Vijayan told *Business Line*. Most insurers have already redesigned their products and also obtained ap-



► **IRDA has cleared over 500 products in line with the new norms, says its Chairman T.S. Vijayan.**



► **Reliance Life will launch over 25 products from next month, says its CEO Anup Rau.**

provals. While some have already been launched, the rest will be rolled out in the new year.

Reliance Life Insurance

CEO Anup Rau told *Business Line* his company has lined up over 25 products for launch from next month.

It is largely believed that the regulatory changes will pave the way for the sustainable growth of the industry in the long term. However, they may pose immediate challenges to insurers, it is feared.

The life insurance industry is just recovering from drastic regulatory changes introduced in 2010 in unit-linked insurance products, which were then the most popular products. Since then, the first year premium (new business) has declined. It was only in the quarter ended September 30, 2013 that growth was revived.

But the new norms for traditional life products might pose a fresh challenge from next month. "The industry may see some business disruption in the short term while they are engaged in retraining their distribution force. Therefore, the changes will result in short-

term pains due to lower commissions by the advisors," Rau said.

TRAINING AGENTS

According to Alok Roongta, CFO of Bharti AXA Life Insurance, training a large number of agents in selling new products will be another challenge for the industry.

The business impact of the new norms has much to be watched. "Till now, most of the regulatory changes impacted only private insurers. This is the first time that Life Insurance Corporation will also be impacted by these norms. The impact could be different," Roongta added.

Whether or not life insurance firms will sustain the growth posted after nearly three years remains to be seen.

nagagunturi@thehindu.co.in