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Global insurers delay Indian entry

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A number of global insurance companies have had to defer their plans for entry into India's domestic market due to uncertainty surrounding policy frameworks and rising costs in the wake of new Insurance Regulatory and Development Authority (IRDA) guidelines. Canadian insurer Manulife, French insurer Scor Global Life and South Korea's Samsung Life Insurance were among those hoping to enter the Indian market, which remains largely untapped. "The guidelines that have been issued by the regulator are consumer-centric and that is critical," commented a senior official from India's finance ministry. "We need to first think of the consumer as they put … a lot of money into insurance products which are meant to come [in] handy in their hour of need. We cannot keep thinking about companies' profits throughout."

The new IRDA guidelines have capped surrender charges on insurance policies and significantly reduced agent commissions relating to unit linked insurance policies, moves that are expected to benefit consumers but potentially harm insurers' profits. They also come hot on the heels of new instructions issued by India's Department of Financial Services declaring that all public sector insurers must stop offering discounts on group health insurance policies, with immediate effect. Insurers will have to consider factors such as medical inflation and account management expenses when pricing their products, and ensure that the combined ratio comes to less than 95 per cent. Policies with a combined ratio of more than 95 per cent must not be renewed. The directive is expected to push premiums up by as much as 50 per cent, a move that 'drastically reduces the choice available to group customers whose portfolio is healthy', according to V Ramakrishna, chairman of India Insure Risk Management and Broking Service. "The move is anti-free market," he added.