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The year of regulatory changes and a new insurance regulator

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For the life insurance sector, the report of the product committee set up to review product regulations has set the tone for 2018. Set up in 2017, the committee has recommended measures dealing with reinsurance, pensions, product approval mechanisms and current investment norms. The push for change will come from recommendations around review of the high exit loads in traditional plans and greater transparency. "Transparency will be in focus because there is much greater customer awareness. We can expect the popularity of traditional plans to come down.... Also, if surrender values are increased as per the committees' recommendations, margins for insurers will reduce and so will the lapsed profits," said Shashwat Sharma, partner, and head of insurance, KPMG India.

Expect pure protection (term) plans to gain popularity. "Term plans and health plans will definitely see an upswing, given that they are high-margin products," Sharma added. Also, expect progress on better underwriting in policies. "With Aadhaar, we will now have a central database that will facilitate improved underwriting and enable individual underwriting. This will ensure that the industry is able to



improve underwriting at policy issuance (level) and not have to do investigations at the time of claim," said R.M. Vishakha, managing director and chief executive officer, India-First Life Insurance Co. Ltd.

Digitization will remain a buzzword for the non-life industry. "With digitization, insurers can provide customised insurance solutions in a cost-effective manner and improve penetration of insurance in the country," said Tapan Singhel, managing director and chief executive officer, Bajaj Allianz General Insurance Co. Ltd.

Innovation is likely to continue in health insurance as this category will remain much sought after, said Sharma. "Health insurance is extremely popular where government spends on healthcare are low. With healthcare expenditure by the government at 1.4% of the GDP, it is one of the lowest in the world. One can expect much more

customisation with a lot of focus on preventive health-care," he said. In the case of motor insurance, telematics will be the buzz word, though it's still early days for this technology. "Telematics will definitely begin to shape underwriting in motor insurance. We may not see it in a big way in 2018 but it is the way forward," added Sharma.

While digitization, customisation and better disclosures will continue to dominate the discourse in insurance sector, the big change in 2018 will also come in the form of the Insurance Regulatory and Development Authority of India (Irdai) getting a new chairman. T.S. Vijayan, who took charge as the chairman of Irdai in 2013, retires in February this year. "Life insurance industry has undergone numerous reforms and is finally beginning to settle and show growth. We look forward to the new regulator enabling sustainable growth for the sector," said Vishakha.