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ONE YEAR OF IRDAI CHAIRMAN DEBASISH PANDA

On superfast reforms track but some see speed bumps

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LAST MONTH, THE Insurance Regulation and Development Authority of India's (Irdai) chairman Debasish Panda said that the insurance industry needs to infuse ₹50,000 crore every couple of years to double insurance penetration in the country — a statement that clearly showed the ambition of the insurance regulator under his leadership.

And the past year has witnessed this ambition. Panda, who took over as the chairman of the Irdai on March 14, 2022, has brought in a slew of new initiatives as well as regulatory changes to increase insurance penetration. In fact, the zeal to increase penetration has been so high that Irdai even went to the extreme of giving 'tentative growth targets' to insurers — something that has never been done by any regulator in the past and unnerved the industry.

Some of the amendments to regulations that were carried out include quicker registration of insurance companies, increase in tie-up limits for intermediaries enabling policyholders to have wider choice and permission for private equity (PE) funds to directly invest in insurance companies and reduction in solvency norms for general and life insurers in certain cases.

"Seldom do you see such hyper speed and push from the regulator, especially on new initiatives towards furthering insurance penetration in the country," Bajaj Allianz General Insurance MD & CEO Tapan Singhel told *FE*.

According to industry experts, these changes will strengthen the three pillars of the insurance ecosystem policyholders, insurers and distributors – something that has impressed industry players.

"Some of the initiatives that have stood out have been, the intention to improve the ease of doing business in the sector, easing compliance norms for insurers, and introducing the use and file product mechanism, among others," said Singhel, who is also chairman of the General Insurance Council.

Before joining Irdai, Panda, an officer of the Indian Administrative Service of the 1987 batch, had served as secretary, of the Department of Financial Services, Ministry of Finance would have come in handy in making some of these decisions. After all, India is one of the most under-penetrated countries as far as insurance goes.

The Economic Survey 2022-23 noted that life insurance penetration has gone up to 4.2 per cent in 2021 almost similar to what it was a year before that, but significantly higher than the 2.7% growth registered in around the year 2000. However, it lamented that most policyholders in India buy savings-linked products, instead of protection-based ones.

Under Panda, the insurance sector seems to be moving towards a principle-based rather than a prescriptive regime. That is, the former implies a one size fits all kind of legislation. Panda seems to be putting the onus on the board to adopt models to suit their business needs, allowing the much-needed flexibility to industry players.

For example, Irdai stated that for use and file procedure, insurers should have in place a "board-approved policy" of products that are to be offered or modified or revised. The Product Management Committee of the insurers should have to ensure compliance with the policy of the board while signing the new products or modification of products. However, it has not been all hunky dory for the industry. The General Insurance Council had to step in and mediate between non-life insurers and Irdai over the regulator's suggested growth figures, which some companies felt were "hugely stretched targets". Panda said later that the growth targets were just a suggestion.

Then last year, Panda pitched for affordable health insurance covers for all by reducing expenses as high-priced products were making health insurance covers unaffordable to several sections of society. He suggested using of advance technology in the segment to reduce the cost of products.

However, general insurance companies argued that deteriorated combined ratios, a measure of underwriting profitability of a non-life insurance company, for health insurance providers was a major hindrance to reducing health insurance premium rates. In the present scenario of underwriting capability and risk pricing, cuts in premium rates were possible only if hospitals in general slashed the costs of medical treatments.

Currently at work is the expense of management regulations and commission regulations – something the industry is looking forward to.

It has been a year of extreme action by the insurance regulator. There have been some hits, but some miss too. But the regulator seems to have its heart in the right place.