

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

FINANCE MINISTER REVIEWS THE VARIOUS ISSUES RELATED TO THE LIFE AND NON-LIFE INSURANCE SECTOR; ADVISES THE PUBLIC SECTOR GENERAL INSURANCE COMPANIES TO ENSURE THAT NO FURTHER MARKET SHARE IS LOST AND THE CURRENT LEVEL OF 53% IS MAINTAINED AND STEADILY IMPROVED UPON

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The Union Finance Minister Shri P. Chidambaram today reviewed the various issues related to the life and non-life insurance sector. The Finance Minister reviewed the performance of the public sector insurance companies with a view to take stock of key performance indicators and the status of initiatives taken-up in the recent past, and identify the road map for continued rapid growth of the industry in the future.

Along with the Finance Minister, Shri Chidambaram, those present include Shri Namo Narain Meena, Minister of State For Finance, Shri G.S.Sandhu, Secretary, Financial Services(FS) Shri T.S. Vijayan, Chairman, IRDA, Hyderabad, Shri S.K. Roy, Chairman, LIC of India, Shri A.K. Roy, CMD, General Insurance Corporation of India, Mumbai, Shri S. Sarker, MD, LIC of India, Shri G. Srinivasan, Chairman, GIPSA and CMD, NIACL, Mumbai, Shri Milind Kharat, CMD, UIICL, Chennai, Shri. A.K. Saxena, CMD, OICL, Delhi, Shri. P.J. Joseph, CMD, AICIL, Delhi and Shri Girija Kumar, Officiating CMD, NICTL, Kolkata among others.

It was noted with satisfaction that LIC has shown a growth of close to 18% in First Year Premium (FYP) income during 2013-14 as against 11.57% growth of the life insurance industry as a whole. LIC has increased its market share by FYP by 3.97 % over 2012-13, from 71.36% to 75.33% in 2013-14. The market share in number of new policies sold has also gone up during the period by 1.20% to 84.44%.

The public sector general insurance companies have also shown a growth of 10% in gross premium during 2013-14 and projected a growth of 100% in the next five years. Profitability of the public sector general insurance companies has also improved in 2013-14. They have however, seen a marginal decline in their market share during 2013-14. The Finance Minister Shri Chidambaram advised the public sector general insurance companies to ensure that no further market share is lost and the current level of 53% is maintained and steadily improved upon.

In the case of LIC, it was noted that the persistency of life insurance policies during 2012-13 has improved for the initial post-subscription years but it remains a challenge to maintain this in the latter years of the policy. The Finance Minister Shri Chidambaram stressed the need to study the persistency for ULIP and non-ULIP policies separately, to pointedly

undertake focused efforts for each category. It was noted that LIC maintained its excellent claim settlement track record with 99.3% settlement of death claims and 99.68% maturity claims.

The Finance Minister Shri P. Chidambaram stressed the need to enhance insurance penetration and density to attain global levels in a reasonable time frame, through greater outreach and access. Towards this end, the public sector insurance companies have ensured access in virtually all towns (barring 10) with a population of 10,000 and above, with LIC opening 1261 micro offices and the public sector general insurance companies opening 1849 micro offices in 2013-14. Efforts would be made to overcome difficulties where possible in the few remaining towns with a population of 10000 and above.

Settlement of motor third party claims through Lok Adalats was identified as a major focus area in the 2013-14 Budget. It was noted that a settlement ratio of 50% of cases referred was achieved through conduct of regular and mega Lok Adalats. The Finance Minister Shri Chidambaram advised conduct of Lok Adalats in coordination with State Legal Service Authorities to increase the settlement ratio further and decrease the backlog. Shri Chidambaram suggested that IRDA may examine the issue of suitably implementing through its regulatory powers the stipulation of mandatory motor third party insurance and also review the premium rates so as to reduce the burden on insurers. A decision on the proposal for a three year policy for motor vehicle insurance under consideration of IRDA may be expedited to reduce instances of uninsured vehicles.

It was noted that there was a need to set up/identify the institutional arrangements for investigation and prosecution of insurance fraud, and create the legal basis for it through possible amendments to relevant statutes.

In addition, the Finance Minister Shri Chidambaram drew attention to the need for IRDA to create standard templates to facilitate insurance companies quickly launching new products on a “use and file” basis. Some progress has been made on the life side, which needs to be expanded and emulated on the non-life side.

Submissions made by the companies on tax issues would be looked into and taken-up suitably with the authorities concerned.
