

## Money & Banking

# Covid impact: Term insurance premiums to rise up to 40% as re-insurers push up rates

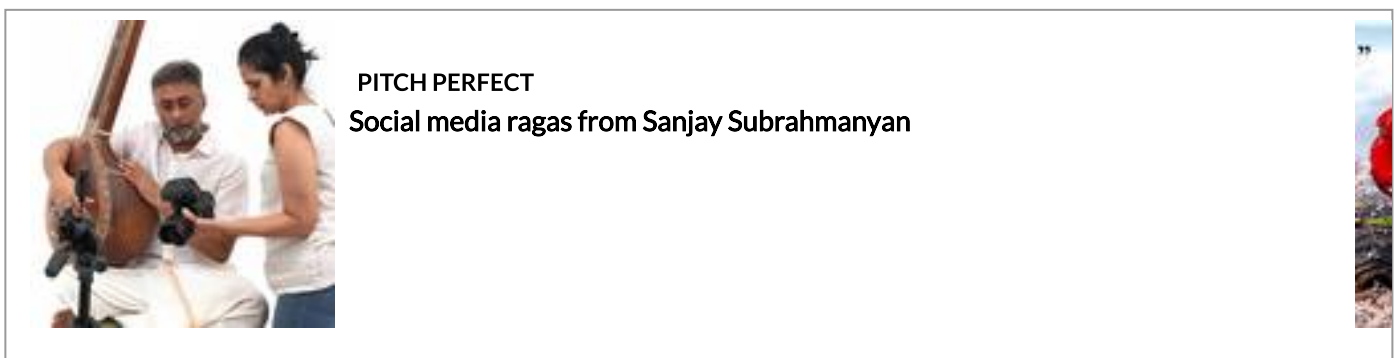
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## Effect of surge in claims during the pandemic's second wave

The term insurance premium is set to rise by anywhere between 15 per cent to 40 per cent after reinsurers tightened underwriting norms in the wake of the Covid-19 pandemic.

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While Munich Re has tightened underwriting norms, GIC Re had hiked rates earlier this year.

“GIC, which is our reinsurance company, had hiked rates in March and it came into effect from April. While till now we have not passed on the increased rates to customers but now we feel the need to increase rates on term plans taking into consideration our profitability. We will be increasing our rates on the term side this calendar year in the range of 15 to 20 per cent, depending on age, sum assured and quality of life of the individual,” said Rushabh Gandhi, Deputy CEO, IndiaFirst Life Insurance.

Vighnesh Shahane, MD and CEO, Ageas Federal Life Insurance, pointed out that over the last 18 months of the pandemic, and especially during the second wave, reinsurers have been badly hit by the surge in claims, and there has been a lot of pressure on them to hike rates.

“We estimate that term plan prices are likely to rise by around 20 per cent to 40 per cent across the board. However, the exact rise will vary from company to company, and from reinsurer to reinsurer. It will also depend on the amount of business that the life insurance company does with the reinsurer,” he said.

## Wait and watch mode

Meanwhile, some life insurers are still on a wait and watch mode in the expectation that reinsurers' rates would come down later once the pandemic passes in six months to a year.

While the pandemic has increased awareness and demand for life insurance products, particularly term life products, insurers have also paid out high claims, especially after the second wave of the pandemic. Claims for the sector in the second wave were up by two to three times of the first wave of the pandemic.

“The life insurance sector witnessed significant claims in the first quarter of the fiscal due to the second wave of the pandemic and profitability suffered as companies made provisions or reserves to alleviate the impact of the claims,” Care Ratings had said recently, adding that the life insurance premiums are expected to witness significant movement over 2021-22.

However, key risks such as a delay in the economic recovery and resurgence of Covid cases with a third wave could negatively impact premium growth, and rise in term plan premium rates.

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