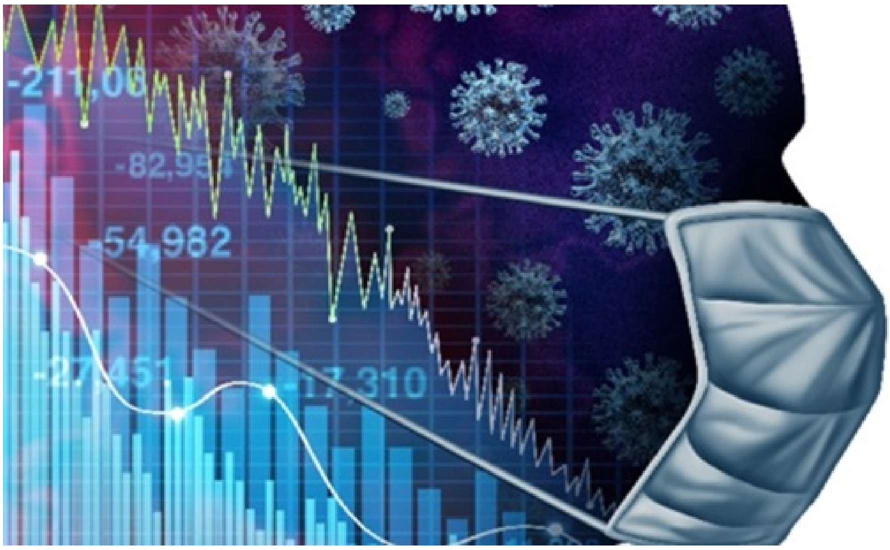
ASIA INSURANCE REVIEW
Member: Beacon International Group, Ltd.

India:Falling persistency levels in life insurance are a challenge

By Anoop Khanna (/Authors/AuthorsDetails/id/46106) | 24 Sep 2020



Insurers in India are facing low persistency levels, especially in market-linked and endowment products, due to the current economic crisis and concerns about job losses and salary cuts arising from the pandemic.

CARE Ratings associate director Saurabh Bhalerao told Indian financial daily *BusinessLine*, “Historically, in the pre-COVID times, there has been an uptick in the persistency levels for life insurance companies. But the pandemic has led to a new set of challenges for many customers. While it has created much more awareness about insurance and led to higher demand for term plans and protection products, persistency ratios will remain under pressure, especially for products that are market linked.”

Mr Bhalerao said, “Customers may choose to defer premium payments or opt for lower value in case of plans with a higher premium due.”

The Insurance Regulatory and Development Authority of India (IRDAI) has also urged the industry to ensure 13th month persistency at least 90% and 61st month persistency at a minimum of 65%.

At a recent CII Insurance and Pensions Summit, IRDAI Chairman Subash C Khuntia had said the regulator would be monitoring these ratios.

Insurers are keeping their fingers crossed about a recovery across these businesses. With the second quarter of 2020-21 now coming to a close, insurers will throw more light on persistency levels in their reporting data.

A report by investment company Motilal Oswal in August this year had found that due to the lockdown in April and May as well as choppy markets, persistency trends were weak as customers utilised the grace period in making renewal payments.