

# IRDAI to give LIC timeline for lowering stake in IDBI Bank to 15%, says Khuntia

IRDAI Chairman urges insurers to increase the scope of insurance in the country

OUR BUREAU

Mumbai, September 7

Insurance Regulatory and Development Authority of India (IRDAI) Chairman Subhash Chandra Khuntia, on Friday, said the insurance regulator will soon give a timeline to Life Insurance Corporation of India (LIC) to bring back its shareholding in IDBI Bank to 15 per cent from 51 per cent.

"We will look at LIC's business plan (post acquisition of 51 per cent stake in IDBI Bank), and then decide on the reduction of its stake in IDBI Bank," Khuntia told reporters on the sidelines of an Assocham insurance conference. He stressed that the life insurer would have to first safeguard the interests of policyholders. LIC currently

holds 7.98 per cent in IDBI Bank, but plans to increase it to 51 per cent as part of its strategy to enter the banking space and lower the debt burden of the bank.

IRDAI had, in June this year, relaxed norms for LIC to make the acquisition. The insurer is also in the process of picking up an additional 7 per cent stake in IDBI Bank through preference shares.

The LIC board had also met on Tuesday to finalise the timeframe and mechanism for the acquisition, including the possibility of an open offer.

When asked about the ongoing case in Delhi High Court against the acquisition, filed by the All India IDBI Officers Association, Khuntia said IRDAI has given its response to the court. "IRDAI has the powers to give



(from left) G Srinivasan, Chairman, Assocham's National Council of Insurance, along with SC Khuntia, Chairman, Insurance Regulatory and Development Authority of India, and VK Sharma, Chairman, LIC, at the 11th Global Insurance Summit held in Mumbai on Friday. PAUL NORONHA

relaxations in specific cases, if they are justified. LIC had requested that in the interest of their expansion, they would like to have a synergy with a bank. Some relaxation has been given for this specific case," he said,

adding that there would be no blanket exemption for all insurers. **Insurance penetration** Meanwhile, addressing the conference, Khuntia urged insurers

to increase awareness and penetration of insurance in the country. Penetration of insurance in the country is only 3.69 per cent of gross domestic product (GDP) against the global average of 6.2 per cent, the IRDAI Chairman noted, pointing out that there is also low persistency ratio.

He also urged insurers to explore the possibility of long-term insurance products in other segments, apart from motor third-party insurance, which has just been launched.

IRDAI will also put in place a new methodology for quick approval of products. "We are also looking at opportunities to have more use-and-file kind of products," said Khuntia.

Further, the regulator is working on guidelines for regulatory sandbox for some innovative products that can be tried out in a limited scale and then be introduced as full-fledged products, he said.

'Insurers need long-term investment opportunities

OUR BUREAU

Mumbai, September 7

LIC Chairman VK highlighted the need for term investment opportunities for insurers.

"Investment by companies is a key to future as insurance term investment," an Assocham insurance conference, pointing since insurance is aging long-term with long-term asset a need to have long-term bonds having a duration over 10 to 15 years. Sharma said that developed economies invest 10 per cent of the investment in long-term bonds, while developing nations like India are able to develop bonds.

"This leads to... whether the insurance company will be able to generate promised return," he

## IRDAI working on product testing guidelines

FE BUREAU  
Mumbai, September 7

**THE INSURANCE REGULATORY** and Development Authority of India (IRDAI) is working on the guidelines for 'sandbox' method which will allow insurance companies to test products in a particular geography or among a set of few policyholders before they are available in the market.

Industry participants believe that the move will lead to further innovation in insurance products. Insurance regulator also asked insurance companies to come out with long term health insurance policies, which are currently available in two wheeler and four wheeler insurance.

"There are some new types of products which have not been tested out. Suppose, some companies want to experiment with innovative products then we can allow them through a regulatory sandbox method wherein a limited scale, either for a limited geography or a limited number of policyholders it will be tried out, so we will allow them," said SC Khuntia, chairman of IRDAI.

Khuntia, while speaking at the ASSOCHAM Insurance Summit in Mumbai, also expressed concerns about low levels of persistency in life insurance sector.

He said that, 13th month persistency in India is around 81%, while the world average is 90%. "Persistency levels need to be improved. Affordability and misselling are two factors that impact the persistency of life insurance policies. If we improve this persistency, we will have much more money available, and that will go to long-term savings which will result in much higher economic development in the country because long-term projects need a type of funding that can be supplied only by the insurance industry because we can invest it for a much longer period of time," added Khuntia.

Speaking at the sidelines of the function, Khuntia also said that the regulator will set the timeline to Life Insurance Corporation of India (LIC) for reducing its stake in IDBI Bank to 15% once their deal with the bank is complete. The regulator had permitted LIC to increase its stake to 51% in the bank on condition that it should safeguard policyholders interest. According to the rules, insurers cannot hold more than 15% stake in any listed entity.

Expressing concern over lower penetration of insurance in the country, which is only 3.69% of the gross domestic product (GDP) as against global average of 6.2%, the regulator urged the industry to further spread awareness among the general public about the importance of insurance, especially among youth.

## Irdai to set timeline for LIC to pare stake in IDBI Bank

ADVAIT RAO PALEPU  
Mumbai, 7 September

The insurance regulator will set a timeline for Life Insurance Corporation of India (LIC) to eventually reduce its stake in IDBI Bank from 51 per cent to 15 per cent, said Subhash Khuntia, chairman, Insurance Regulatory and Development Authority of India (Irdai).

However, he did not specify when the regulator will announce the timeline but it will be done after the proposed acquisition of the bank has been completed. LIC currently has a 7.98 per cent stake in IDBI Bank with the government holding 85.96 per cent. The life insurer wishes to increase its stake holding in the bank given its network and institutional strength. This will cost the public sector giant around ₹100-130 billion. The company will get promoter status and management control after acquisition.

The board of IDBI Bank met last week and approved a proposal that sought shareholder nod for preferential issue of equity capital aggregating to 14.90 per cent of the lender's post issue paid-up capital. And on Tuesday, the board of directors of LIC met and finalised the contours of the proposed acquisition. Subhash Chandra Garg, secretary of the department of economic affairs, recently said that LIC's board finalised the time-table for the completion of the deal. Moreover, he said that the board is mulling whether to make an open offer to the bank's minority investors or seek an exemption from the Securities and Exchange Board of India (Sebi). Garg, who is on LIC's board, said that the markets regulator

### There is room for expansion of industry: Chief

As the RBI's projected gross domestic product growth rate is 7.4 per cent for 2018-19, there is room for expanding the insurance industry, said Subhash Khuntia, chairman of the Insurance Regulatory and Development Authority of India. "As GDP grows, savings rates will grow, which can be channelised into different financial products... The industry contributes a lot to GDP as the assets under management stand at ₹35 trillion, compared to the mutual fund industry, where the AUM is ₹23 trillion," Khuntia said. He added how products were not being effectively sold to the younger generation and how companies were lagging behind in creating awareness. "Penetration is the biggest issue. We are underinsured in life and general insurance products. In the motor segment, around 65 per cent of two-wheelers and at least 45 per cent of four-wheelers do not have insurance," he said.

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will ultimately decide whether there will be any exemption to the existing regulations.

In June, the insurance regulator had allowed LIC to go ahead with the stake buy in, and had relaxed regulatory rules which sets a cap of a maximum of 15 per cent equity shareholding for an insurance company to invest in another company.

In August, the cabinet approved LIC's proposed acquisition of up to 51 per cent stake in the bank.

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TO TEST PRODUCTS BEFORE LAUNCH

## IRDAI working on 'Sandbox' method

ENS ECONOMIC BUREAU  
MUMBAI, SEPTEMBER 7

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The Supreme Court had recently turned down the last-ditch attempt by the general insurers to extend the time-frame for implementing its order on issuing long-term motor policies. Insurers now issue one-year medical policy in

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the health segment which is renewed every year depending on several terms and conditions.

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