

PENSION PUSH DRIVES VOLUMES

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An aging population with a large section having no access to social security benefits has resulted in pensions become a big business for life insurance companies.

Despite the market volatility, which has resulted in Unit Linked Plans (Ulips) taking a beating, premium payments from pension policies have grown by 16 percent for the 10 months ended December 2008 compared with a year earlier.

In contrast, premiums from life insurance have seen a drop of 9.68 percent for the 10 months ended December 2008.

According to the data from the Insurance Regulatory & Development Authority (IRDA), the first year Weighted Received Premium (WRP) that takes into account 10 percent of single premium and 100 percent regular premium payments from pension policies grew by 16 percent at Rs 5,956 crore for the 10 months ended December 2008 compared with Rs 5,145 crore in the year-ago period.

ICICI Prudential Life Insurance, the country's largest private insurer said that for 2008-09, one-third of the new sales have come solely from pension plans.

Says Pranav Mishra, head (products and sales training), ICICI Prudential Life Insurance, "With the markets fallen drastically, there is a shift towards goal-based savings. People are asking for safety, liquidity and secured future. People are investing in regular premium policies rather than single premium plans and are opting for return guarantee."

Pension plans have been contributing 22 percent to the total premiums received by Reliance Life Insurance over the past two years.

Says P Nandagopal, MD and CEO of Reliance Life Insurance: "Pensions is an under penetrated market compared to Ulips. It is also a long -term plan. Therefore, the current volatility will not affect the growth in the pension business. Insurers will focus on pensions and health to grow their topline."