32% drop in LIC premia drags life insurers' NBP

February is generally one of the busiest periods for life insurance companies

SUBRATA PANDA
Mumbai, 9 March

Life insurance companies reported a 17 per cent year-on-year (YoY) drop in new business premium (NBP) in February as state-owned Life Insurance Corporation (LIC) of India's premiums contracted 32 per cent during this period on account of a drop in its group single premium segment.

According to data released by the Life Insurance Council, the industry earned an NBP of ₹22,847.65 crore in February — a drop of 17 per cent from the same period a year ago.

Generally, the last quarter of a financial year is the busiest period for life insurance companies as taxpayers look to buy savings and term products to reduce tax liability.

In January, the industry reported a 20 per cent jump in premiums, aided by private sector companies' performance (23 per cent YoY growth), while LIC saw its premium go up 18 per cent YoY. In February, while private sector companies managed to record a 10 per cent jump in premiums to ₹10,968 crore, insurance behemoth LIC's premiums dropped 32 per cent to ₹11,879.49 crore. In the same period a year ago, LIC had earned premiums of ₹17,489 crore.

NBP is the premium acquired from new policies in a year. It is the sum of the first-year premium and single premium, reflecting the total premium received from new businesses. For LIC, the group single premium was a dampener, dipping over 40 per cent in February, dragging down its NBP.

Data shows LIC earned a little over ₹7,000 crore as group single premium in February 2023, compared with ₹12,062 crore in the year-ago period, as the number of group policies or schemes sold by LIC during this period dropped to 19 from 32 in the same period a year ago.

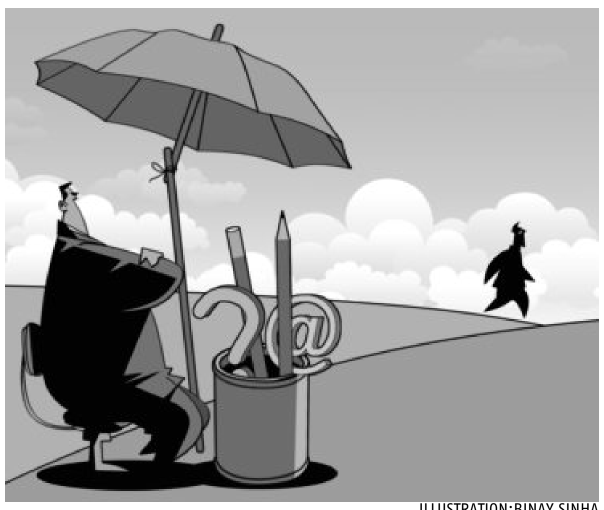


ILLUSTRATION: BINAY SINHA

A DAMPENER IN FEB

NEW BUSINESS PREMIUM OF LIFE INSURANCE INDUSTRY

■ Feb-23 ■ YTD FY23 (April–Feb)

	₹ crore	YoY change (%)
Private life insurers	10,968.16	9.95
	115,278.96	17.38
LIC	11,879.49	-32.07
	203,182.93	29.88
Total industry	22,847.65	-16.81
	318,461.90	25.06

Source: Life Insurance Council

An email sent to LIC to understand the reason(s) behind the decline in group single premium went unanswered until the time of going to press.

"Last year in February, there was bumper growth. It happens in certain months because the premium contribution is usually in bulk payments and depends on the contribution in a certain month or the lack thereof. However, the overall scenario for the year has been encouraging for the group business," said a person in the know.

For private sector companies, individual non-single premiums saw decent growth.

In 2022-23 (FY23) thus far, life insurers have reported a 25.06 per cent YoY increase in overall premiums to ₹3.18 trillion, with LIC's premium growing 30 per cent, and private insurers' premiums growing at 17.38 per cent.

Year-to-date (YTD), FY23 growth can primarily be attributed to group single premiums and a low base. Meanwhile, private players have been extending their lead in the individual non-single premium segment.

On an annual premium equivalent (APE) basis, the insurance industry posted muted retail APE growth of 10.5 per cent YoY for February, with the private sector growing at 18.2 per cent and LIC's retail APE declining 3 per cent YoY over the same period.

APE is the sum of the total value of regular or recurring premiums plus 10 per cent of any new single premiums written for the financial year. "In February, there was no drop in business in Individual APE terms. The private sector grew at 18 per cent, which is in line with YTD growth. However, premiums of the public sector were subdued in February vis-à-vis January. Furthermore, February typically sees reduced business due to fewer working days in the month. The month of March is expected to see a spurt in high-value policies as new norms come into effect from April," said Rushabh Gandhi, deputy chief executive officer, IndiaFirst Life Insurance.

The retail APE growth in February was largely driven by ticket-size growth, with overall average ticket size for retail regular premium policies growing 32 per cent YoY.

The ticket size growth may be seen in the context of a likely pre-booking, with premiums above ₹5 lakh, non-unit-linked insurance plan policies in February–March to escape the impact of taxation change as proposed in Union Budget 2023-24. Among listed players, HDFC Life's retail APE has grown 27 per cent, followed by ICICI Prudential Life at 10 per cent and Max Life at 7 per cent.

According to Emkay Research, ticket size growth in February was led by Tata AIA Life (60 per cent YoY), Birla Sun Life (38 per cent YoY), and Kotak Life (33 per cent YoY), reflecting a higher share of the high-ticket non-linked savings product in their mix.

"We expect the industry to report decent growth in March, particularly private players, on continued pre-booking of high-ticket, non-linked saving products," said the brokerage firm.

According to Macquarie Research, apart from some smaller players that have been pushing high-ticket-sized products aggressively, some of which were even diluting underwriting standards and limits, most large players haven't pushed high-ticket products very aggressively.

"A lot of decisions by individuals get taken in March, ahead of the deadline. Hence, March could still see strong momentum," it said.

'A step back': Tightened norms put crypto investors in a spot

AKSHARA SRIVASTAVA & RAGHAV AGGARWAL
New Delhi, 9 March

First came the Reserve Bank of India warning that crypto is not something it would back. Then came the taxation — 30 per cent tax on transfer of virtual assets — followed by surprise raids/searches by the Enforcement Directorate (ED) on all major crypto currency exchanges.

The latest salvo comes from the finance ministry, which has brought virtual digital assets (VDAs) under the Prevention of Money Laundering Act (PMLA). While all the players have welcomed the step, users are wondering if the rising guardrails are to dissuade them from getting into this.

A 21-year-old cryptocurrency investor, who did not wish to be identified, said regular government intervention in the space had negatively affected his zeal for investing virtual assets and dealing with cryptocurrencies. "I have moved my portfolio to other avenues as I don't have faith putting money into crypto anymore," the investor said.

"The major reason for cryptocurrency to exist was to have a sense of anonymity and not put money in the hands of intermediaries. They were supposed to democratise transactions and, in that sense, it is a step back. They should be more forward-thinking in making these policies," said Kartik, (name changed on request), an entrepreneur who dabbles in cryptocurrency investments.

Any financial wrongdoing involving cryptocurrency assets can now be investigated by the Enforcement Directorate

He, however, added: "Anything that instills remote trust in cryptocurrency and virtual assets is good for the ecosystem. Using cryptocurrency for illegal purposes has been one of the key challenges that global governments are facing, so addressing that concern is good."

The outlook of the entire ecosystem should be to instill more confidence in virtual assets as a mode of investment. The move helps in instilling that trust from an asset point of view, Kartik said.

According to the notification, the exchanges between virtual digital assets and fiat currencies, and one or more forms of virtual digital assets and the transfer of digital assets will be covered under anti-money laundering law.

Resultantly, any financial wrongdoing involving cryptocurrency assets can now be investigated by the ED. The Financial Intelligence Unit — India (FIU-IND), under the finance ministry's revenue department, will be responsible for receiving, processing, analysing, and disseminating the information relating to suspect financial transactions.

"VDA platforms have now become reporting entities, which means they have to keep records and flag off any activity which looks suspicious. So from the operations point, those who were following the KYC norms will not create a big impact. But it does mean one needs to have a team which needs to closely look at transactions," said an executive from the crypto industry.

Players from the crypto ecosystem believe at least this will create common standards, which in turn will make crypto assets much safer.

"This will strengthen our collective efforts to prevent VDAs from being misused by bad actors," Ashish Singhal, co-founder of crypto exchange CoinSwitch, tweeted.

"Slowly but surely, we are moving towards a regulated crypto ecosystem. Entities such as CoinDCX are now required by law to conduct due diligence and enhanced due diligence under the PMLA," said Sumit Gupta, co-founder and CEO at crypto exchange CoinDCX.

"The extension of PMLA will also give the government more power to keep track of crypto transfers outside of India," said Dileep Seinberg, founder and CEO of crypto neobank MuffinPay.

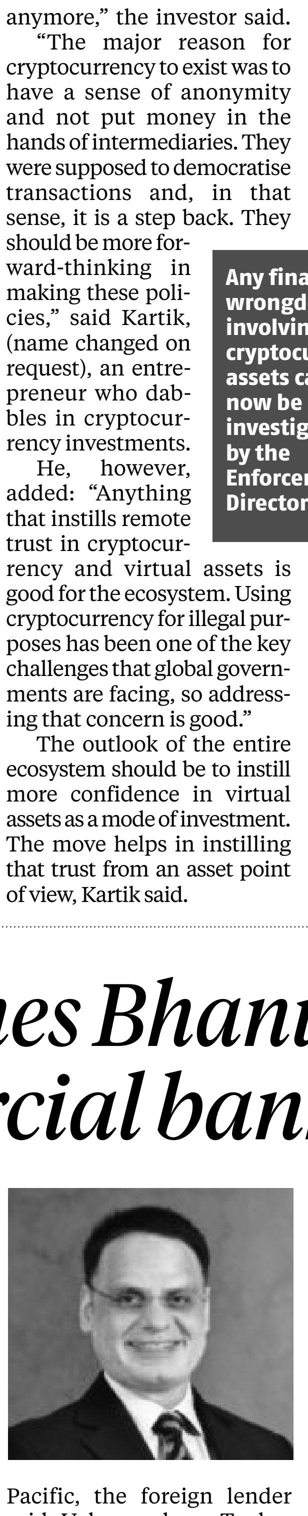
Gupta added: "We have been looking for a way to share data with the FIU-IND for some time now, and are now delighted that this channel has been opened."

Citi names Bhanu Vohra head of commercial banking in India

BHASKAR DUTTA
Mumbai, 9 March

Citi on Thursday named Bhanu Vohra (*pictured*) as the head of commercial banking in India, saying he would be in charge of the Citi Commercial Bank (CCB) business here.

Vohra, who will be based in Mumbai, will report to Citi India CEO Ashu Khullar and to Rajat Madhok, head, Citi Commercial Bank Asia



Pacific, the foreign lender said. Vohra replaces Tushar Vikram, who is now the global head of healthcare for CCB, the bank said.

The Citi Commercial Bank business addresses the banking and financial services requirements of emerging large corporates and mid-market enterprises.

The business is focused on supporting clients in the healthcare, chemicals, consumer, technology and industrials segments, among others.

Vohra, a chartered accountant, joined Citi in 2000, and was formerly the country head of Global Subsidiaries Group in Citi's Banking Capital Markets and Advisory business.

Earlier this month, domestic private lender Axis Bank, completed the acquisition of Citibank India's consumer business and the consumer business of its non-banking finance arm, Citicorp Finance (India), for ₹11,603 crore.