

Life cos fear Q1 loss due to Covid, up provisions

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Chennai: Life insurance companies have increased provisions in the first quarter following higher-than-expected Covid-related death claims, which will hit bottom lines and result in a loss for some. The average number of Covid death claims in FY22 so far have gone up by 1.5-2x, as compared to entire FY21, according to analysts.

Kotak Life has informed its parent bank that it has made a higher provisioning due to increased claims and more mortality-related provisioning for deaths during the second wave. It expects to incur a loss in the range of Rs 225-275 crore on the shareholder's account. These are losses net of reinsurance.

Canara HSBC OBC Life Insurance says it may have to allocate a significantly higher provisioning — which could be more than double — than last year. It is a joint ven-

ture of Canara Bank, HSBC Insurance Holdings and Punjab National Bank. Its MD & CEO Anuj Mathur said, "We have seen a 5-6x surge in claims in the last two months of April and May, and the trend continues in June as well. Death due to Covid claims may not be significant this year. However, claims of post-Covid deaths due to long-term effects like heart attack are on the rise." Its

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average claims size remains unchanged at Rs 10 lakh

Motilal Oswal Financial Services VP (research-banking sector, institutional equities) Nitin Aggarwal said, "Many insurers have already made provisions in FY21, while others like Kotak Life are frontloading the provisions in the first quarter of FY22." He added Max Life has made the highest provisions of about Rs 500 crore, it reported Q4 business figures later than

others and had the time to make these provisions.

Max Life Insurance has paid 19,922 death claims worth Rs 886 crore during FY21, making it the company's all-time high individual death claims paid ratio at 99.4% in FY21, as compared to 99.2% in FY20 and 98.7% in FY19.

ICICI Pru Life has made an additional provision of Rs 333 crore towards Covid, which is not utilised so far. It has settled total Covid claims of Rs 459 crore for FY21. HDFC Life has provided about Rs 165 crore towards its Covid reserve for FY22.

In its investors' presentation, it said the provision was made based on its actual experience in FY21 and after factoring in aspects such as latest mortality trends across business and customer segments and geographic spread of Covid 2.0. And it will continue to review the adequacy of this reserve through the course of FY22.