'Green shoots are now becoming trees & plants'

Q&A appeared on business-standard : M Ramadoss, Chairman and Managing Director, New India Assurance
Shilpy Sinha / Mumbai January 8, 2010, 0:47 IST

One area where public sector insurers have lagged their private sector counterparts is technology.

M Ramadoss, the newly-appointed chairman and managing director of the country's largest non-life insurer, New India Assurance, plans to change this. As a move in this direction, his first steps will be to implement 100 per cent core insurance solutions (CIS), just as he did at his previous company, Oriental Insurance. In an interview with *Shilpy Sinha*, Ramadoss talks about technology, pricing and consolidation in insurance. Excerpts

Underwriting profits of public sector insurance companies are under strain. How will you address this at New India?
We have set a target. The need to reduce the losses has been made clear to us. Therefore, we will look at reducing underwriting losses and focus on departments making losses.

Health has been loss-making, especially group mediclaims. We are keeping a tight control on that. We have centralised acceptance of group mediclaim policies so that they are not offered at low premiums. Even in fire and engineering, huge discounts were being offered. But now, companies are wary of offering huge discounts. All public sector undertakings have started quoting lower discounts since the beginning of the financial year and our performance in fire and engineering will definitely improve.

Each company has to identify high-cost areas, unviable businesses and unprofitable branches and work towards reducing the underwriting losses.

You implemented 100 per cent CIS in Oriental. What is the way forward for New India?
New India has started implementing CIS. The motor module has already been implemented. The programme is set and we only have to expedite the implementation. As I have the experience, the implementation will be smooth here.

Do you see premium rates stabilising soon?
Management expenses will rise. Wage revision is due from 2007. We have offered a 17.5 per cent increase and hope the unions accept it. For this, we have to charge good premium. There is pressure from reinsurers also. Even GIC is looking at treaty profitability. We have to generate good profits treaty wise. So, all these things are forcing us to end the deep discounts that we used to offer earlier. All PSUs have now moved away from deep discounts. The 90-95 per cent discount regime is no more there. It has come down to 70-75 per cent.

There was a buzz about merger of four public sector companies.
This is one of the topic of discussions. We have not formed any opinion and there is no pressure on us to finalise anything immediately. If there is a disinvestment and the government decides that we have to come up with an initial public offering (IPO), the concern is whether all four companies will come up with public offers separately. If there is a merger, it will be driven by the IPO. Underwriting losses are only a part of the discussion. Merging the four PSUs will not ensure underwriting profits.

How do you look at this year?
Green shoots are becoming trees and plants.

PSUs have increased their market share to 60 per cent. How will you sustain it?
Discounts are the deciding factor. People have more confidence in PSUs as far as bigger risks are concerned due to their large capital base. We have the capacity to retain 80-85 per cent risk while private players can retain only 50-55 per cent risk. Most of the times, private players depend on reinsurers for the quote. I have more room to write bigger risks. Today, people trust PSUs because of their financial strength. We have also improved our services. What is lacking is a little bit of

improvement in customer service. We have public confidence, financial ability and better technical expertise.

We are a leader in bigger risks but we lack penetration in the retail segment. With various initiatives in place, we will be able to get retail business too. At present, the corporate-retail mix of New India is 70:30. If there has been a reduction in market share, it is only because of our lower share of the retail business. We have to increase the number of distributors.

How would you retain the retail business?
Ease in transaction through technology is essential. Open architecture would be one way. We are also recruiting agents in a big way. Introducing internet-based transactions is another. We have identified agency support managers who will go with agents and teach them how to sell policies. Last year, we recruited 400-500 agents. Every company is trying to improve numbers. Today, there are competing channels-agents, brokers and development officers. The agency channel has to be nurtured. We need to train agents who will go to the untapped markets.

What is the development on in-house TPA (third-party administrator)?
We have appointed KPMG and it has submitted the report. We have to take a decision. It will take one year.

Will combo-health policies increase penetration?
These will help us tap the agents' base of life insurance companies. Today, I can only cover death due to personal accident but there are customers who also want natural death covered in a single policy. This product is like a one-stop shop. Hopefully, it will be a hit.

How do you look at the disclosures sought by the regulator?
We are ready for all disclosures so that the insured can take an informed decision. Today, what happens is that a client selects a broker by looking into his accounts as they are filed and displayed. But the broker cannot know the financials of the company and forms his perception without facts. I am sure that an abridged balance sheet published by insurance companies will help the industry.