'With Good Financials, We're Well Positioned for Listing'

New chairman of New India Assurance says improving service, underwriting profits are his priorities

Monday Musing

Q&A

Despite recent losses from the overseas business, New India Assurance, the country's largest non-life insurance company, is well positioned to list. The new chairman **G Srinivasan** said that listing is a strategic call by the government, but the company is ready in terms of financial strength and corporate governance. In an interview to **Shilpy Sinha**, he talks about his plans of making the company the preferred choice of customers. Edited excerpts:

Under your leadership, United India Insurance moved up quite a few notches. What would you like to do in New India Assurance?
The first focus for me would be to enhance customer service significantly by making the organisation easy to deal with. The second focus would be to move towards underwriting profits. Market is improving but two areas of concern are motor third party and health. We will focus on taking insurance to smaller places... Today, people have the ability to buy insurance but they are waiting for somebody to explain the policies to them. So, New India will try to bridge that gap between the insured and potential insured. New India would not only be the largest but also the preferred insurer. Going towards the underwriting break-even is the focus of the company. We need to ensure proper selection of risk, charge appropriate rates, put in place proper reinsurance support. The other thing is to improve claim management and reduce claims. We would not like to lose our market share. If profitability improves, we will increase our market share... In addition to being the leader, we would like to be the best. If a brand is built, other things will follow.

Would you like to list New India during your tenure?
The government will have to take that call. We are eminently positioned. We follow all corporate governance guidelines and have the financial strength.

New India has reported losses dues to its overseas exposure. Would you shrink your overseas businesses to prune losses?
New India has huge foreign operations. About 18% of the business comes from outside... Wherever there are structural challenges, we will correct them. The world today is not a village, and being a leader with good rating, New India is poised to enter more markets. Structurally, these markets are profitable. Last year Thailand, Japan had catastrophic losses. We are looking at Canada and Qatar. We may look at Africa. In most of these markets, we write direct insurance while in Australia, we write facultative reinsurance.

We are very strong in the corporate sector. We will retain our clients by giving them better service. We would focus on the retail segment and rural area

G SRINIVASAN
Chairman, New India Assurance

Has the growth of the industry slowed down, since a part of the increase is coming from price increase and the real rate of growth is only 14%?
The real growth may be 14%-15% and the rest may be coming from price rise, but the market is expanding. As awareness levels go up, the real growth will go up to 18% to 19%. This year, we will see 18% growth.

How have things changed with the government interfering on pricing of risk and claims management? Have you been losing business to private sector post this directive?
The government had given some suggestion on three lines of business – motor, health and fire. We have been asked to not get into unnecessary competition between PSUs and charge adequate rates. In these three lines, we are only competing with private companies. Within PSUs, we don't compete on price but on value. We can acquire a business by charging higher price and provide better services to customers. Insurance starts with issuing a policy. We are offering value in terms of claims service, risk management, risk inspection and loss minimisation programme... Unfortunately, the Indian market has not been following these risk-management initiatives in the last few years... After the opening up of the market, these areas have been ignored by the industry.

The health portfolio is bleeding for most firms despite correction in group policies.
There is substantial improvement in group health portfolio as rates are adequately charged. The company has done a lot on increasing the price on group health insurance. We have filed recently with the regulator to increase premium on individual health insurance policies. We have not revised rates since 2007... But the main focus would be on claim management. We will be in a position to offer reasonable rates by bringing down claims. We have started the process of setting up a common TPA. This will help us ensure better claims management and relationship with hospitals so that wrong practices are curbed.

What was the outcome of the meeting with the finance minister?
The finance minister was very positive. He said that penetration should go up. We told him that motor third-party rates are not adequate and there are high frauds in the segment. We have asked for tax relief on investment in non-life insurance like home insurance.

Is it time to move to longer-term policies in the non-life segment?
We have suggested long-term policies in personal lines like motor, health, home insurance. Many two-wheelers are not insured. Today, the regulator is not comfortable with companies writing long-term business. We are saying the concept of file and use needs to be tweaked. We are suggesting use and file as it will give us the freedom. On corporate lines, companies should have the freedom to give additional cover.

The increased provisioning requirement of the motor pool has hit the balance sheet of many firms. Do you think it is time for consolidation?
The core problem is that the industry is not making profits. Things have started to look up and in a couple of years they will get out of the problem. Unlike life insurance, there is not much value in taking over a non-life insurance company.