

Focus on increased penetration

The reach of general insurance at present is low. There are efforts to expand insurance in Tier-4 cities, with atleast one office in each.

G SRINIVASAN (GS), Chairman and Managing Director, New India Assurance (NIA), the largest general insurance company in the country, outlined plans to open 400 micro-offices during 2013-14 added to the 300 micro offices opened last year.

NIA, founded in 1919, earned last year a premium income of Rs 12,000 crore. Of this, business from India was over Rs 10,000 crore. NIA has been maintaining an annual growth of over 20 per cent in recent years. In 2012-13 the company earned a profit of Rs 844 crore and declared a dividend of 85 per cent.

Agents to spearhead insurance penetration

The company has an impressive plan to expand its 'agent' force. This year there is a drive to recruit 25,000 agents; this is in addition to the 25,000 agents recruited last year. This will help tap the retail borrowers, said GS.

There are a number of business correspondents selling financial instruments. GS pointed to the scope of engaging them to sell general insurance products. This will help provide access to general insurance even in smaller towns.

Bancassurance can help expansion

GS believes in expanding the effectiveness of bancassurance. At present each bank can handle the business of one life insurance, one general insurance and one health insurance company and this accounts for just 5 per cent of general insurance business.

GS said that there is huge potential for expanding this and utilising the rich banking infrastructure. He felt banks could be appointed as brokers that will help them handle business

of multiple insurance companies. This needs regulatory change.

Motor Third Party continues to bleed

There is understandable concern over the continuing loss suffered through Motor Third Party (MTP) insurance claims. IRDA has been revising annually the premium of MTP over the last three years. Yet insurance companies are bleeding through a high adverse claims ratio. There is also piling up of cases, estimated at 10 lakh plus and the share of NIA in this is around 2 lakh. Industry has sought the co-operation of the judiciary to expedite settlements through conciliation and Lok Adalats. GS referred to Insurance Conciliation Committee set up to award compensation quickly. He hopes that with the judiciary putting pressure for quick settlements, 50 per cent of the cases can be settled in six months.

Auto and insurance companies can set up driving schools

The claims on MTP is still adverse. For NIA it is 120 to 125 per cent. GS stressed on the need to address the issue of humongous number of road accidents. There is the need to improve licensing procedures and traffic regulations. IE has been suggesting prosperous automobile, oil and insurance companies to come together to set up driving schools in all the districts as also more rigid norms for the issue of driving licences.

GS voiced concern over the large number of vehicles that run without the mandatory Third Party Insurance. It is estimated that more than half the number of vehicles on road do

not have MTP. "Data on insured vehicles is available with the insurance companies. The RTOs have data on the number of vehicles on road.

The Insurance Information Bureau has data on all motor policies. These need to be integrated," said GS. The expertise of IT companies can be leveraged to address this vital issue. IE has suggested a longer tenure for MTP of 3 to 5 years. In this at least new vehicles sold can be covered easily. With substantial addition to numbers, revenue can expand manifold bringing along prospects for reduction in premium as well.

Overseas operations

NIA, the largest general insurance company, operates in 22 countries. The premium income from foreign operations is around Rs 2500 crore. NIA made profits both on under writing and overall operations. This year NIA plans to open offices at Myanmar, Qatar and Canada.

Though there has been expansion under the health sector, claims ratio continues to be high at around 95 per cent. There is a need for more regulation on the hospital side, GS said.

The industry had a difficult year in 2011-12 but 2012-13 was much better. Several general insurance companies earned profits during 2012-13. The recent flood havoc in Uttarakhand has resulted in an estimated loss of around Rs 1500 crore and NIA's share in this is around Rs 150 crore.

NIA continues to focus on technology and human resource development. The Core Insurance System provided by TCS has been implemented across the board with online access to agents and brokers.

NIA has around 19,500 employees. The expense ratio at present is 22 per cent. — SV

