# 'We need to find a way to sell small-ticket policies at low cost'

## Growth Lies In Small Cities And Rural Areas, Says New India Chairman

*STATE-OWNED New India Assurance is one of the largest non-life companies in Asia. Faced with the prospect of surplus capacity and absence of margins in the local market due to competition, the company aims to grow its international business and is also contemplating acquisitions. New India Assurance chairman* ***M Ramadoss*** *talks to* ***Mayur Shetty*** *about the company's plans of becoming a Rs 10,000-crore company by 2013.*

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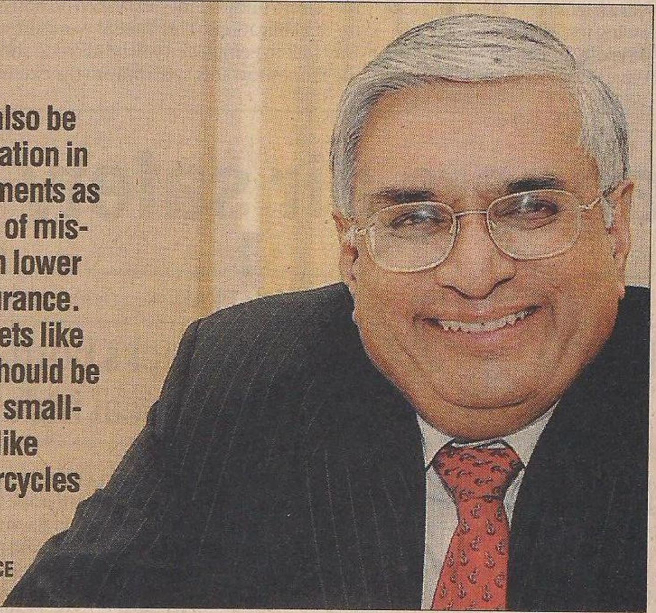
>
> M RAMADOSS
> CHAIRMAN,
> NEW INDIA ASSURANCE



**The finance minister has said the growth of the non-life industry is lagging that of the life industry. Why has this happened?**

In life insurance, there is a large investment component. If you include that, there is exponential growth. But without the investment component, how many buyers are willing to pay for risk without getting any of their money back? According to me, there is a need to increase general awareness about insurance. Irda can play a role in the campaign as individual companies focus largely on branding and advertising their own products. As far as expansion of the market is concerned, I am convinced that growth lies in small cities and rural areas. What's required is a way of selling small-ticket policies at low cost. Here, I have argued that there must be relaxation by Irda... the need for paper proposals and paper policies can be relaxed where the premium is below Rs 1,000. There should also be some liberalisation in agent appointments as the probability of mis-selling is much lower in general insurance. Also, retail outlets like kirana shops should be allowed to sell small-ticket policies like cover for motorcycles.

**How has New India performed last fiscal? Will you meet your targets?**

My company's results are almost being finalised. I feel that the picture is slightly better than originally anticipated. As far as premium growth is concerned, we are on target. However, the combined loss ratio (of claims plus commission expenses plus management expenses to total premium) would be around 117%, a couple of basis points above the target. I am confident that growth this year will be in the region of 13-15%. I have set upon myself a target of 10,000 crore of premium and combined loss ratio of 100% in 2013 — the year I retire. Our focus is now very much on combined ratio.

**How do you plan to improve margins and grow business, considering the rate war in India?**

In the domestic market, I would like to be cautious and bring down the combined ratio but at the same time, I would like to grow in the foreign markets where our combined ratio is in the range of 80-85%. New India has great advantage as it has a very large international network which can compensate for slower growth in India. I have plans to double my foreign income in one or two years. So far, we have not focused on our foreign branches much.

We recently celebrated 50 years in Bahrain when we met all branches in the GCC region which brings in around Rs 500 crore of premium and they are all gung-ho about the opportunities there. Today, Europe is short of capacity, the US is also short of capacity (to underwrite risks) but Asian countries are in a good position to provide capacity either in Singapore and the Persian Gulf. We have several small operations which we will try to grow..... if we cannot grow, we will try to shift the operations elsewhere. We have to take advantage and fill the gap, which I don't think will last long. We do have excess capital with a solvency margin of 3.7 times the statutory capital requirement.

**Will you look at acquisitions overseas?**

Definitely. Acquisition possibilities are there either directly or through our subsidiaries. We can look at either Nigeria or Trinidad and Tobago.

**SBI General Insurance is widely seen as a challenger to New India. Their entry has also resulted in the loss of SBI as a distributor. What impact will SBI General's entry have on New India?**

We are getting Rs 200 crore premium from SBI. Any bancassurance tie-up does not see complete penetration among all customers of the banks. We do see them becoming a big player. But the question is how long will they take to tap their potential?

**What is the progress in respect of the third-party administrator being set up by PSU general insurers?**

We have already got the final recommendations from KPMG for setting up a common third-party administrator company and awaiting Irda's in-principal approval. We are looking for a partner. We have not frozen the shareholding structure with the partner holding around 26%. The TPA will get business from all four companies and there will be economies of scale as the TPA can than bargain for better prices from hospitals.

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