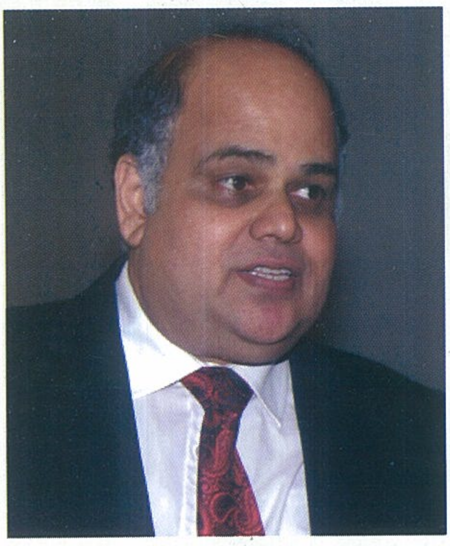

"The Indian general insurance industry is now poised for more profitability"

G Srinivasan, Chairman cum managing director, New India Assurance, the largest Indian general insurer provides his insight to the Indian insurance & reinsurance market

How do you see the Indian general insurance market now in terms of pricing growth, losses, and profitability?
General insurance business in India has been growing close to 20 % for the last couple of years. The growth has been driven by personal lines of business, with higher penetration & disposable income. But, currently the growth has come down, due to general slow down in the economy and particularly in Motor segment.
The results of 2012-13, show higher profits across the Industry. The industry continues to make underwriting losses though there has been some increase in TP premium and the high reserves for Motor TP pool has been mostly absorbed by the players. But still Motor TP and health is largely loss making and this shadow would continue to be there. But the future looks bright as we move towards lower combined ratio. At New India we have been able to bring down the combined ratio from 129.03 % to 119.26 % in 12-13.

Have the pricing and market discipline improved in Indian market post de-tariffing period and industry is now capable of achieving better growth?
It is noted that the general insurance industry has been growing at double digit, despite the vagaries of the economy and the post de-tariffing impact. The growth has been slowed down, mainly due to reasons mentioned above. The effect of the fall in prices has impacted the profitability than the growth, as there is huge market still to be tapped.
Recently the insurers have become more conscious of the issue of low premium rates, underwriting losses that face the industry and the need to bring in more caution and discipline. There have been concerted efforts, to bring in better pricing levels and also more care in competition. The industry is now poised for more profitability.

How do you see the Indian regulations with regard to the development of the Indian general insurance market? Does Indian market need more players?
The Indian Insurance Regulator has been quite in tune with the developments in the market and has helped to maintain orderly growth in non –life segment. There are various regulations like that on brokers, rural & social sector insurance, agency, bancassurance etc which had brought in new distribution channels.
There has been controls on corporate governance, investments, publicity, outsourcing, web aggregators etc which had brought in much clarity and direction. Regulator can definitely bring in more bandwidth to the operation in Micro Insurance, investments & capital adequacy.
Market can always have more players as it would certainly help in creating more penetration in the market and provide more options to the customers.

Will you take more exposures in African insurance market? Do you have any acquisition plan in Africa?
We have direct presence in Mauritius through a Branch. And then we have a subsidiary company in Nigeria and an associate firm in Kenya. We see the African market as a growth area with considerable potential in untapped market. Further many African nations are moving towards political stability and attracting FDI in mining, industry & agriculture. That would translate into potential business for general insurance.
We are planning to develop Mauritius as a development hub for our African business. We do not have any inorganic growth plans currently on our table, but would always look at good opportunities.

What has happened to your other global expansion plans now?
We are currently present 22 countries. And have announced our plans to enter Myanmar, Qatar & reenter Canada. This is currently in various stages of approvals.

How do you see the Indian reinsurance market? Do you

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"The Indian general insurance industry... ..."

think GIC Re-apart from obligatory- provides adequate support with good pricing terms or you have to go the international reinsurers for support?
Indian Reinsurance market is a repository of good capacity now in respect of most lines of business. There are also some welcome signs of underwriting discipline being introduced especially due to the supporting protection treaties from the international reinsurers (typically Excess of Loss protection treaties) having tighter terms, restrictive warranties and higher deductibles.
Large reinsurers like Berkshire Hathaway have been active in Indian market as the prices are now perceived to be on the stabilizing mode. In large projects like aviation fleets & Oil & Energy we do seek external markets.
GIC Re today has both capacity and expertise and it does provide excellent support to Indian underwriters. GIC also has the advantage of having a much better idea of Indian risks especially by way of legacy knowledge.

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How do you see the role of major international reinsurers in Indian markets? Have their exposures gone up or down in recent times?
There has been considerable activity of foreign insurers in India. Munich Re & Swiss Re has been operating in Indian insurance market developing property and causality business for quite some time now. In specialized products, like Stand-alone Terrorism covers for instance, international reinsurers still play a crucial role.
Almost all leading global players are present in the direct insurers' treaties and in GIC Re's vast retrocession programme. Though the Insurance Act allows foreign reinsurers to set up shop in India through 26 % FDI route, none have chosen to do so till date though there are rep offices present and active for some years now.
Today, Indian insurers are able to meet most of the requirements of the corporate customers in India through the capacities & technical support provided by GIC and others. The FII /FDI / Overseas lenders' requirements for insurance contracts are mostly met. The market is maturing from that perspective. Clauses, and specialized wordings used in Indian market compare well with those in the international market. It is also to be noted that with free flow of information today, it is natural for best practices and even specific products to percolate to every market in the world and expertise can no longer be the preserve of certain developed markets.
For a company like New India Assurance, with its global reach and an active desk at Lloyds, the ability to plug into international expertise is naturally easy and effective.
That this fact is recognized all over the insurance world is borne out in the talks we hear of Mumbai eventually growing into a reinsurance hub on the lines of Singapore.

Do you think opening up the reinsurance industry including the entry of Lloyd's will benefit the Indian general insurance industry immensely?
Though, Lloyds is not directly present here, Indian insurers have been covered in many areas by the Lloyds market and their syndicates. Large Oil & Energy risks and aviation fleets have been placed there. Their physical presence in India could help India in emerging as a Reinsurance Hub.

Has the recent IRDA policy of encouraging maximum retention by the general insurers affected the growth of reinsurance business in the country?
In suggesting that we should ensure maximum retentions within the Indian market, the IRDA is only stating what is an obvious and sensible measure to use domestic capacities and avail of domestic expertise. Many countries in the world have similar norms, often backed by stringent legal provisions. This will only go towards strengthening the Indian market.