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Standardised health insurance to help with portability: Tapan Singhel, Bajaj Allianz General Insurance

Liability insurance moving up very fast in times to come, says Singhel

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I welcome the long-awaited IRDAI move on standardised health insurance products, says Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance. Excerpts from an interview with ETNOW.

The Insurance Regulatory & Development Authority of India (IRDAI) has introduced a standardised health product. What will be the impact of this on the industry and Bajaj Allianz specifically?

First, we have to understand why IRDAI introduced this. The problem with health products was that since it is not standardised like a motor product, for a customer insured by one company to move to another was very difficult despite portability.

Now, in standard products, two things happen. One, if customers do not get good service from one company, they can easily move to another company. Two, the chance of miss-selling is very low because the products are standard and people are aware of it. Look at motor insurance products. The chances of miss-selling is very low. I welcome the IRDAI move. It is long awaited and from industry and company perspective, it will put the insurance federation much higher than what it was in terms of health insurance. I am very excited and looking forward to it.

How do you see a product mix shaping up? How do things affect your product offerings? Are you looking to explore any new product areas?

If you look at the general insurance business, the majority is automobile. The next is health which is about 20-25% and then it is crop which is at about 20% odd. Then comes fire and injury. But the liability lines of the product are moving up very fast. If you look at the awareness and the claims which are happening in liability, a lot of industries and companies are realising that liability insurance is very critical.

Even on an individual level, things are moving very fast. I see liability insurance moving up very fast in times to come and as one of the large companies, we are invested in all the key products in the market and we are also invested in products which will move up very fast compared to the growth of other products.

Bajaj General Insurance contributes nearly 20% to Bajaj Finserv total profits. Going forward, where do you see its contribution to the overall profits in terms of how much do you see it rising to?

If you look at the way we operate as a company, the focus has always been on long-term growth along with profitability and obsession about our customer service. That is what we will continue doing and obviously as things move, we will be in terms of where we are and that is what we shall be focussing about. How much it contributes to the profit of the group depends on a lot of other factors about how the companies are performing and where they are on that basis. But as a company in our industry, we shall continue focusing on long-term profitable growth and customer service and delivering innovative products to the market.

The government is looking at raising the FDI limits in insurance to about 74%. How has this impacted industry dynamics? What are your expectations from the Budget?

Let's first talk of the Budget expectations. When the National Health Scheme came in, I had said that the average life expectancy of Indians will grow by a couple of years as investments come into the health scheme. It is a big social scheme.

The next big issue in our country is floods. We had five floods last year and when the flood happens, the common man suffers the most because they are not insured and all the hard work of 20-30 years gets washed away in a couple of hours. The industry has parametric solutions where on a small premium, the entire state or the country can be covered and if loss happens, it can be paid in the next one hour of the loss at the Jan Dhan account of the individuals.

One of my expectations would be that if the government is going to come out with schemes for losses which happen during floods. It will be very good for the common people.

My second expectation has to do with the housing segment. In the past, losses have occurred in the housing segment or in the contents of houses. Here, we could have some kind of tax rebate like we have for health. A cover for house insurance will be good. You will be surprised to know that in a country like US, the preparation of home insurance is about 95% and India has got less than 1%. When losses happen, it puts the person 20-30 years back. So these are my Budget expectations.

On the issue of joint 74% equity, that will be talked about for quite some time and that has been there from a pure variance perspective. As a company, we are adequately capitalised and we have the best solvency ratio in the industry. So, as a company I do not think it makes a big difference but as an industry, the more the players, the better it is for the industry.

If we talk about the entire industry per se, the general insurance industry saw profits dipping by 90% in FY19. Do you see consolidation taking place in the private space because of the profitability constraints and the way things have been panning out of late?

One good thing about the general insurance industry is that it is a yearly contract and that is why you see the fluctuation in profits coming through. If a year has been bad in terms of catastrophic losses, then the profit dips. If the year is good, the profit moves up. Since it is a yearly contract, companies which want to do business sensibly can correct themselves at a good speed. It mostly depends on the companies and on how they want to perform and how they want to deliver.

There are a lot of hopes in terms of the way the industry should perform. I strongly believe that they should correct themselves but this year was bad, we had five floods and any kind of natural catastrophe, like a flood, has a direct impact on the general insurance industry. In case of flood, what can go wrong? Automobiles and crops would be damaged; it will also lead to diseases like dengue, chikungunya. This year was bad in that perspective and that is why you saw the profits dipping in the industry.

But next year can be better and the way you price your products and the way you serve your customer is very critical. My strong belief is that the industry would recover from this bad year.

The government is merging three public insurance players to form a very large general insurance company. How are you viewing these developments impacting the overall industry? Would state insurers continue to dominate market share or do you see the trend shifting in favour of the private players?

Currently, it is balanced at 50:50. I always believe that the stronger the industry, the better it is for everybody. A strong industry is good for everybody where the customer has a lot of faith and it plays out well. If the merger happens, it will be a good move. Without the merger also, public sector companies are performing well in terms of servicing the customers.

I think at the end of it, it depends on how individual companies deliver, how they perform, how they serve the customer. Insurance as a business should be seen as a hundred-year term. It is not something which you do in a couple of years to enter and exit. It is a long term business and a lot of people who have a long term vision will survive this and they will do good for the customers.

There are also reports that PSU bank mergers will see scores of mediclaim holders premium jump 50 to 300% odd. Will a PSU bank merger result in higher costs for customers? How exactly is this going to impact your company?

It is a very interesting question. The cost per customer and PSU bank merger has no correlation. The cost per customer comes from loss ratio and from how the portfolio has been performing. Whether merger happens or not, the cost for the customer would move as the loss ratio has been bad.

Some of the news I read in the newspaper also talked about this. Fundamentally, that particular product portfolio would not be delivering well and have a loss ratio of 200% or so. Obviously, the price would move up to make up for the loss. The other product portfolios are doing very well. We have GMCs for some of the good banks where it is not such a high loss there. I think one individual particular case would have got highlighted. There is no relation to bank merger and pricing of insurance products. We should not club them together.