

More insurance firms may hit capital markets in 2018

Consolidation in the industry expected to gain momentum

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More insurance companies are expected to hit the capital markets next year after successful IPOs of five insurers, including two state-owned companies, which collectively raked in about ₹45,000 crore.

Besides the spate of IPOs, 2018 will also witness some consolidation in the insurance space although the merger of Max Life and Max Financial Services with HDFC Standard Life Insurance could not go through.

However, there are other deals that are in the works which may fructify next year.

In the recent past, the insurance sector has seen some consolidation and the action is expected to continue going forward, Bajaj Allianz General Insurance Company CEO Tapan Singhel told PTI.

The insurance industry is witnessing growth and is projected to have great times in the years to come. This offers immense scope for consolidation as some promoters may look at exiting non-core businesses and existing large insurers desire to achieve scale and bring in better synergies to pass on the cost efficiencies to customers and shareholders, he said.

With regard to fund raising, ICICI Lombard was the first to hit the capital market this year and raised ₹5,700 crore from the primary market. Incidentally, the IPO chart in this fiscal was topped by insurance firm GIC Re that garnered over ₹11,176 crore.

Going forward, other state-owned general insurance companies – National Insurance Company, Oriental Insurance Co and United India Insurance Co – are gearing up for listing.



Homing in: The industry is expecting tax incentives on schemes such as home insurance. • GETTY IMAGES/ISTOCK

The year also witnessed the entry of new players like Acko General Insurance Company, DHFL General Insurance, Edelweiss General Insurance Company Limited and Go Digit General Insurance.

With this, there are now 9 re-insurance companies, 24 life insurers and 33 general insurers, including 6 standalone health insurance companies, in India.

The insurance sector is growing at a rapid pace, particularly the health insurance segment, said Apollo Munich Health Insurance CEO Antony Jacob.

“Technology-led disruptive ideas are changing the face of business and the category per se is booming with new products being launched and the distribution network being expanded. This trend will continue and insurers will focus on tech-driven ideas,” according to Mr. Jacob.

Though demonetisation and GST have disrupted the business and economic growth in the short run, the growth momentum will return after the economy stabilises, he said.

‘Telematics norms’

“As the sector grows, new entrants would come in with new products. This will further make the market competitive,” he added.

Two major developments that are expected are norms for the usage of telematics in the industry in determining the premium pricing; and amendments to the Motor Vehicles Act.

‘MV Act amendment’

“We expect the Motor Vehicles Act to be passed in the coming year, which will have crucial implications on the insurance industry.

“We would also expect the government to consider providing tax incentives on schemes such as home insurance to attract more Indians to avail this financial protection,” Mr. Singhel said.

IRDAI had issued new guidelines on outsourcing activities by insurers by clearly defining areas of work that should be done in-house and those which can be handed out to third parties.

The regulator said the norms were aimed at ensuring insurers followed prudent practises on management of risks arising out of outsourcing so as to prevent negative systemic impact on the one hand and protect the interests of policyholders on the other.

It also proposed changes in the 16-year old regulations regarding Appointed Actuaries by modifying the framework for their appointment and functions.