Date: 2.1.2017	Publication: The Times of India
Page No.: 13	Edition: Pune/Delhi/Hyderabad/ Ahmedabad/Mumbai/Kolkata/Online

PSU insurers post losses in H1FY17 on higher claims

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Chennai: Public sector insurers such as United India and Oriental Insurance have posted losses for the first half of 2016-17, faced with higher claims, operating costs and an aggressive sales strategy. Solvency margins — a key indicator of a company's profitability and ability to settle claims — also raised red flags. Solvency ratios of National Insurance (1.26) and Oriental (1.14) were well below the regulator's statuary requirements of 1.50, even as some top private players had an average ratio of 2.53.

Many private players such as Future Generali, Bharati Axa General, Kotak Mahindra, Star Health and Cigna TTK also posted significant losses. Their loss before tax for the first half of 2016-17 was Rs 11.86 crore, Rs 19.09 crore, Rs 15.82 crore, Rs 71.58 crore and Rs 82.34 crore respectively.

"The large public-sector giants are faced with different issues. But for young private players, they need to balance growth with profitability and solvency margins. One can't deplete capital reserves. We are an industry that operates on unpredictability — catastrophes, terrorism, natural disasters. We have to keep our solvency at certain levels so that we can fulfil the trust policyholders repose in us to pay claims," said Sanjay Datta, chief (underwriting & claims), ICICI Lombard General Insurance.

Another problem is overcompetition among insurers for the same business without increasing insurance penetration. India's general insurance industry's penetration levels are at an abysmal 0.72%, according to sector regulator Irdai's 2015-16 annual report.

All four public-sector giants had massive underwriting losses for the half year — New India's underwriting loss was Rs 1,803 crore, followed by United at Rs 1,533 crore, Oriental at Rs 1,465 crore and National at Rs 991 crore. While New India's large base and position as the No. 1 insurer in India account for its large underwriting losses, its more prudent underwriting practise and solvency margin of 2.04% is a benchmark that its other public-sector peers have not been able to meet.

"Sustained underwriting losses for the general insurance industry implies that insurers are too preoccupied in the pricing game to look beyond upping their capabilities to focus on improving the customer experience and may also eventually impact the services offered," said Tapan Singhel, MD and CEO, Bajaj Allianz General Insurance Co.

AGGRESSIVE ON GROWTH

Figures in ₹crore

Company	GWP *	PBT	Underwriting profit	Solvency ratio
New India	11,204	514	-1803	2.04
National	6,529	128	-991	1.26
United India	7,711	-429	-1533	1.56
Oriental	5,555	-382	-1465	1
ICICI Lombard	5,707	436	-250	2.03
Bajaj Allianz General	3,706	536	29	2.53

*Gross written premium

Insurers said that the market has seen several new entrants, intensifying competition by focusing only on growth which has led to competitive pricing pressure.

Growth at what cost? This is a question private insurers are trying to answer by scaling back, after rapid growth and a fierce price war between 29 general insurers hammered down the industry's collective profits. Top private insurers ICICI Lombard (8.88% from 9.23%) and Bajaj Allianz (5.71% from 6.10%) saw their marketshare dip between September to November 2016.