

Listing of public sector insurers will alter market dynamics, say industry players

Lead to changes in pricing of products, tech-driven innovations

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Listing of general insurers on the bourses is expected to impact the pricing of general insurance products, according to experts.

A Cabinet Committee on Economic Affairs (CCEA) gave its nod for listing of five general insurance companies a couple of days ago to reduce the Centre's shareholding to 75 per cent.

This is expected to alter the market dynamics in the highly-competitive non-life insurance segment.

"We believe that listing of insurance companies in the near future

will force the industry to bring in underwriting discipline and will ensure that companies make money from their core business," Tapan Singhel, MD and CEO, Bajaj Allianz General Insurance, told *BusinessLine*.

The decision comes at a time when there is lot of pressure on the 28 general insurers in the market. The direct premium income of non-life insurers registered growth of 13.81 per cent during 2015-16 at ₹96,379 crore.

Since the introduction of de-tariffication in 2007, which allowed insurers to fix their own premium rates for most products, they witnessed a decline in the larger volume group business.

Listing will also enable insurers to focus more on creating new capabilities, stepping up innovations digitally, and on claims settle-

ments rather than compete on the



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basis of just pricing, Singhel added. According to Pushan Mahapatra, MD & CEO, SBI General Insurance, the pricing patterns will change. "The insurers could also look at risk-based pricing and rationalising the risk they take on their books," he said.

Some amount of hardening of

rates or correction in prices in fire and group medi-claim (GMC) would be good for the industry overall, he added.

Private players

This could also trigger some traction on listing of private players. "The environment is conducive,"

Mahapatra said. Last year, Insurance Regulatory and Development Authority of India (IRDAI) had brought out a discussion paper proposing listing of insurers who had completed 10 years in the market.

"However, we feel provisions such as listing should be left to the Boards of the individual companies to decide on what would be best for the company's growth at its given life-cycle stage," he added.

From a customer's point of view, there could be a long-term positive impact. The listing could result in public sector units investing in technologically-advanced and new-age distribution channels.

The capital infused into the industry through listing will lead to better visibility and help insurers increase their physical spread in terms of opening new branches in tier-II and tier-III cities.