

Detariff IMPACT

■ The insurance industry was privatised on the basis that it would improve insurance penetration. But the general insurance penetration is at 0.77 per cent, still below the world average despite two decades of privatisation and 30 players. Please comment.

When we look at the percentage of Gross Direct Premium to define penetration, we should also understand that the industry has gone through de-tariffing due to which the prices have tumbled down to a large extent. If that had not happened, the penetration as defined percentage of GDP would have been much higher than what it is today. The effect of de-tariffing still persists. Fundamentally, if you look at Indian market the personal lines of insurances penetration has been very low which will also be the case for most of the emerging markets. The reason being that earlier, creation of assets and insurance was not something that was at the forefront of an average Indian's mind. But with economic growth, creation of assets is happening and with that I believe insurance, especially personal lines of business is at its tipping point thus moving up the penetration at the lower level. For instance, health insurance has been growing at a CAGR of 22 per cent, while motor insurance has been growing at a CAGR of about 17 per cent. There

is definitely a movement up in terms of penetration and I feel that in the next 20-30 years it is only going to increase.

■ Some more companies are going to start operations in the general insurance sector. How do you see competition shaping up and how many players can survive?

For a market like India, which is growing rapidly with a CAGR of 17 per cent coupled with low penetration, it is clear that we can still have many more players than we currently have. To get an idea, if you look at country like UK it has more than 200 general insurance players, USA has more than 2000, while India has only 33. Hence, there's definitely room for many players to come. We believe that competition will help foster innovation and simplification, which will be good for the end consumer. At the same time, as the new players come in they should have a clear strategy on how they can make difference to customers' life, how they can re-imagine the insurance experience for them. Only then the industry will move in the right direction. But if price war is the only reason for existence of a company then it's a problem for the industry as a whole.

and simplification, which will be good for the end consumer. At the same time, as the new players come in they should have a clear strategy on how they can make difference to customers' life, how they can re-imagine the insurance experience for them. Only then the industry will move in the right direction. But if price war is the only reason for existence of a company then it's a problem for the industry as a whole. In the past, companies that engaged in price wars have not

been able to make a mark in terms of customer service or make a difference to the industry. Definitely, the more players the better both from a customer's and an existing company's point of view as it shall push everyone to the next level of insurance experience.

■ The government plans to merge three public sector insurers. What impact will the creation of a large insurer have on private players? The government created four public sector general insurance companies with an objective to bring in competition in the industry so that customer gets a better deal. With liberalisation in the sector, more private players coming in, the fundamentals have shifted because a lot of competition is

already there. Keeping this in mind, I think the government plans to merge three public sector companies into one, which is a welcome move. I don't think this will have a major impact on private players as they have been already competing in the market with PSUs and redefining customer experience and shall continue to do so.

■ For the year 2017-18, insurance coverage area under the government's Pradhan Mantri Fasal Bima Yojana and number of farmers have come down, but the premium has gone up. Is the scheme really helping the small and marginal farmers? The crop insurance scheme has evolved over the years from the time it first started.

I also see this as a very effective method of distribution of subsidy by the government. The statistics below showcase the benefits of this scheme to the masses.

- Gross coverage area increased from 22 per cent to 30 per cent
- Percentage of non-loanee farmers increased from 5 to 24 per cent
- Average time taken for payment of claims came down from 7 months to 2 months
- Area insured this year is close to 50 million hectares
- Number of farmers covered close to 5 crore farmers
- Number of crop combinations are up from 80 to 200

Today insurers are investing

in technology, which will include use of drones, helium balloons and satellite-based technology for assessing damage and estimating acreage. This will not only ensure faster and efficient claims settlement, but the scientifically collected information will also help in better decision making. In FY 17-18, Bajaj Allianz General Insurance has covered more than 40 lakh farmers.

■ How has the agriculture portfolio fared? What has been the premium earned and claims paid under Pradhan Mantri Fasal Bima Yojana? The analysis of agriculture business should be done for example by considering at least 10 policy years. There have been years

Bajaj Allianz General Insurance Company Limited is a joint venture between Allianz SE, world's leading insurer and Bajaj Finserv Limited. The company began its operations in 2001 and today has a pan-India presence in over 800 towns and cities. The company has been constantly expanding its operations to reach out to its customers. **Tapan Singhel**, managing director and chief executive officer of Bajaj Allianz General Insurance Company during an interview with **Falaknaaz Syed** says how lifting price controls (detariffing) of non-life insurance industry in 2007 has slowed down the insurance penetration



Tapan Singhel, MD
& CEO, Bajaj Allianz
General Insurance

where the loss ratio of the industry for crop insurance was above 100 per cent while for some it was below 100 per cent. We had our share of bad years when loss ratio went up to over 143 per cent in 2015-16 and we also had our share when the year was reasonably well with no Nat-Cat (read natural catastrophe) event in 2017-18 where the loss ratio was 94 per cent. This does imply that the benefits of this scheme is reaching to the end consumers.

■ As per your financial results, the share of motor business has declined to 42 per cent (vs. 46 per cent in 4QFY17) while the proportion of group health has increased to 9 per cent (vs. 5 per cent in 4QFY17). While most insurers are shying

away from group health, you seem to be growing this loss making business?

Looking at percentages of motor as a total portfolio is not a right way, our motor business has grown substantially with a double digit growth. In terms of group health portfolio our loss ratio has been below 100 per cent. It's a misconception that all group health is a loss making business. As a company, we are very sensitive while writing business and if you look at our combined ratio for FY 17-18 it was 92.3 per cent and Net Profit was Rs 921 crore. We are sensitive to the fact that we have to be disci-

plined while underwriting policies. Since we are disciplined our customer services stand out as compared to the other players. This is reflected in our low grievance ratio and our increased investments in automation leading to better customer service. For example we have adopted voice format for our chatbot BOING, which is now available on Google Assistant and Amazon's Alexa. We have also reduced the claim settlement time for our customers by introducing platforms like Motor OTS, Health CDC, Travel Ezee, etc. All this is possible by writing the risks correctly that also enables

the company to enhance the customer experience and make it simpler for them.

■ While the parent is listed, are there any plans to list your company?

Very good question but to the wrong person, this is what the shareholders have to decide.

■ While group health premium rates have seen some correction, they continue to still remain unviable. On the other hand, insurers continue to raise individual premium rates. Health insurance premiums have become unaffordable for senior citizens. When will this anomaly be corrected?

We believe that each business would have to reach its adequate pricing. We have a product designed specifically

for senior citizens called Silver health with reduced waiting periods. Under this product the premium for a 65 year old is around Rs 14,000 for a sum insured of Rs 3 lakhs, which is quite affordable. This product was approved by IRDAI in March 2005 and since then the premium remains unchanged. We continue to offer coverage to senior citizens under this product as well as all our other products too. I can't comment on premiums charged by other companies and their strategy behind it.

■ What has been the claim settlement ratio for motor and health for 2017-18?

We have maintained good claim settlement ratio of both motor and health for FY 17-18, which stand at

98.12 per cent and 94.35 per cent, respectively.

■ What are the new products that you plan to launch this year?

We are continuously looking at innovations in not just our product offerings, but also in the services being offered to the customers. We are also looking at simpler and easier to understand customized products in personal lines of business so that the customers can pay only for what they may need and have the option to pick and choose certain covers. We are evaluating products relevant to the new age risks of the customers such as the recent launch of cyber cover for individuals.

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In fiscal 2017-18, Bajaj Allianz General Insurance has covered more than 40 lakh farmers in the country