

# Non-life premia set to increase

Consistent losses, falling interest rates may force insurers to go in for hike

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In view of the consistent losses arising from large claim settlements and other negatives like falling interest rates that will crimp their investment income, non-life insurers are planning to increase premium rates by 10-15% in certain segments to protect their bottomline.

In fact, the insurance regulator, IRDAI, has also hinted at a premium hike especially in third-party motor premium and group health insurance from April 1 when most of the renewals take place in the domestic general insurance market.

"I won't be surprised if the premia go up as the pricing has already reached rock bottom," IRDAI member (non-life insurance) P.J. Joseph told PTI.

Insurers have zeroed in on over 10 such segments including pharma, power and cement under property and even group health insurance where they are planning to increase the premia going forward. Premia may go up in the range of 10-15% in these segments next financial year.

"The market is so competitive that it gives us very little scope for increasing premia. Still, we are working very closely with GIC Re to increase the pricing of over 10 large loss-making portfolios," National Insurance chairman and managing director Sanath Kumar said.

"The floor price of over 10 segments are on our scanner for premium hike, which include pharma, power and cement. We may also see some price revision in group health insurance," he said, adding, "however, increase will take place in the next financial year only, that too 10-15%."

The largest non-life in-



**Delicate balance:** Insurance companies have to maintain profitability at a time when investment yields are coming down. GETTYIMAGES/ISTOCKPHOTO

surer New India is also set to hike premium in certain segments.

"At New India Assurance, the premium hike may happen under segments like fire and group health in the new fiscal," New India Assurance chairman and managing director G.Srinivasan said.

"Premium rates have fallen much below the required rates and hence the rates will have to be readjusted," he added.

## New strategy

Private sector non-life insurer SBI General is working on a three-pronged strategy.

"The challenge today is that you have to maintain profitability at a time when investment yields are coming down," SBI General man-

aging director and chief executive Pushan Mahapatra said.

"So, in our bid to maintain profitability, we are working on a three-pronged strategy – better efficiency, better expense control and better selection – and pricing of risk being underwritten," he added.

As of end December, the company had an investment income of ₹251 crore, which rose from ₹192 crore a year earlier. But in a falling interest rate regime it is not certain whether the bottom line can be protected.

However, SBI General's chief financial officer Rikhil K. Shah said, "we do not see a fall in investment income this fiscal year from the previous one as we have locked

in some of the gains during the year. However, we might see an impact on our yield next fiscal."

## 'Substantial pricing'

Bajaj Allianz said it had always looked at sustainable pricing.

"We have always looked at sustainable pricing. The portfolios and policies underwritten have always been at a price that is commensurate with the risk," Tapan Singhel, MD and CEO, Bajaj Allianz General Insurance, said.

"The company has never contested on pricing and will continue with its business model of prudent underwriting, efficient claims servicing, and risk based pricing," he added.

