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'We will be looking at surety bonds business'

With the third wave of the pandemic receding, general insurers are better placed in terms of claims than they were after the second wave. **TAPAN SINGHEL**, managing director and chief executive officer, Bajaj Allianz General Insurance, speaks to **Subrata Panda** about how Covid-related claims have had an impact on loss ratios and profitability, surge in medical inflation, necessity of a regulator for the health care sector, and the surety bonds business. Edited excerpts:

Did the third wave impact business in any way?
The frequency was much higher. Our data suggests that claims in January moved up 241 per cent, compared with December. But the severity was low and so was hospitalisation. The claim ratio did move up, but not to the extent it had moved up in the second wave. In terms of motor claims, it was business as usual.

Q&A

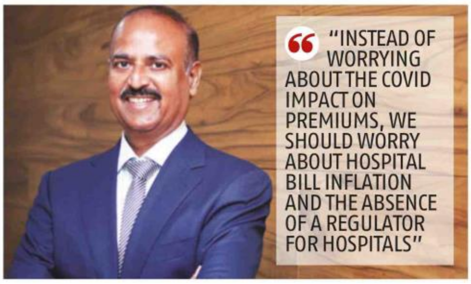
TAPAN SINGHEL
MD & CEO, Bajaj Allianz General Insurance

How have Covid claims moved during this period?
Overall Covid claims constituted 20 percentage points (ppt) of the claim ratio movement. The company has settled Covid-related claims of over ₹800 crore since April 2020. The average claim size has moved up because of additional protocols that had to be followed.

What kind of an impact have Covid claims had on the profitability of the company and loss ratios?
There was 20 ppt movement in loss ratios. We may be the only company that made underwriting profits last year. So Covid-19 had an impact on profitability. But there was some relief in the motor segment as claim ratios in that segment dropped during the pandemic.

Has the company passed on the impact of claims and higher loss ratios to consumers by increasing premiums?
Had Covid-19 been a regular phenomenon, the premiums would have gone up. There are good years and there are bad years. I don't think we should worry about price hikes. What we should worry about is medical inflation. Medical inflation typically ranges between 10 per cent and 15 per cent every year. In three years, medical inflation is up 30–45 per cent.

Another worry is the absence of any regulator for hospitals. Instead of worrying about the Covid-19 impact on premiums, we should worry about hospital bill inflation and the absence of a regulator for hospitals. Also, if we want to keep the premiums low for consumers, there is a need to reduce the goods and services tax (GST) on premiums. A GST of 18 per cent is too high.



Should the Insurance Regulatory and Development Authority of India be allowed to regulate hospitals?
I am fine with any regulator. There has to be a regulator for the hospital sector because in a country where health is a big expense, we cannot have unregulated entities charging as much as they want and expecting insurance companies to bear all the health inflation.

The data shows group health premiums growing faster than retail health. Does this mean demand for retail health insurance is waning?
Group health premiums can be increased on the basis of past experience. If loss ratios in the segment move up, then premiums can be increased somewhat. It is not the number of group health policies that has gone up, but the premiums. In retail health, companies can increase their premiums only after three years. During the pandemic, many consumers bought Covid-specific products, which was not the case with group policies. On a base effect, growth in retail premiums look lower.

Will demand for health insurance subside as the impact of Covid-19 wanes?
We saw demand for health products shoot up during the waves. That is why insurance is always characterised as a 'push' sale, not a 'pull' one. If we look at health product sales minus sales that happened, growth may have moved 5–7 per cent. It is not abnormally high.

Motor insurance premiums are still muted. What is the outlook for the motor segment?
The number of vehicles sold has come down because of semiconductor shortage. The insurance industry has direct correlation with the number of vehicles being sold.

Is there any clarity on motor third-party premium hikes from the regulator? Or will there be no hikes next year either?
If you look at motor third-party loss ratios, they have not moved up in two-three years. Why would the regulator look at giving a third-party hike? If loss ratios start moving up, it makes sense to give a third-party premium hike. The discounting in own-damage covers is quite high, which means the industry is comfortable with the prevailing situation.

What are the concerns insurers have with surety bonds business? Have those concerns been allayed by the regulator and the government?
The regulator has mentioned the concerns of the industry to the government. Given that we as a country are looking at infrastructure in a big way, we have to look at solutions which provide funding to contractors and free up their capital. Surety bonds are a very good move by the government and the regulator. We will be looking at this business. The idea is not to replace bank guarantees completely.

Are you looking for inorganic growth in the form of acquisition?
We are very clear that any acquisition should add value to the company, be it in terms of distribution or processes.