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Want more competition to come in, says Bajaj Allianz MD

'Never lost money irrespective of the number of players in the market'

NS VAGEESH

Mumbai, September 1

Tapan Singhel, MD and CEO of Bajaj Allianz General Insurance, has over the last five-and-a-half years steered the company to become the third-largest in a 27-player industry. It's also the most profitable one.

Few companies in the industry make underwriting profits (from general insurance operations without taking into account investment income), and fewer do that consistently over the years. He disclaims any magic wand when

asked about this achievement, saying that it only involves sticking to the basics — assessing risks properly, pricing them correctly and keeping customer-focus right through.

That may sound like the rhetoric one hears often from every other player, except that he has the results to show and he has walked the talk. He loses no opportunity to evangelise general insurance and sums up his philosophy simply: "I get paid to do good." Excerpts from a recent interaction:

How much can bancassurance contribute to a general insurance company? (Bajaj Allianz General Insurance signed a deal with Union Bank recently)

I'll give you an example of how they can benefit from our own experience with our partner J&K Bank. Take the Srinagar floods of 2014. We had a 50 per cent market

share in Srinagar city because of our tie-up with J&K Bank.

When the floods happened, J&K Bank faced the prospect of huge NPAs (non-performing assets) because of their exposure to small businessmen. But because of us being there, we settled over ₹1,000 crore claims — in a matter of just three months. The bank did not suffer any NPAs on this account.

General insurance is mostly there only in the top 3,000 towns whereas we have about 9,000 towns in the country — where banks have a distribution network.

When things go wrong, as they often will, how will banks get their money back from SMEs, shopkeepers, traders, etc.?

For a general insurance company, if you look at pure revenues from bancassurance, it may not look attractive.

But in terms of service delivery, in terms of creating awareness, in terms of banks' asset protection, it all combines to bring a

strong partnership. That's why we do it. We have done bancassurance since 2002. We have tie-ups with over 240 banks — public, private, cooperative, and regional rural banks.

We are the largest partner in bancassurance. About 15 per cent of our income comes from bancassurance.

Isn't that relatively low?

If you look at most general insurance policies — the premium is not very high. For a house cover of say ₹1 crore, we give coverage for less than ₹1,000 premium.

Only after you start protecting all assets, that will go up. We are into all channels. The quantum is substantial, but the percentage is distributed.

Insurance is about spreading the risk — because you have no clue who will run into problems. If you are running a good insurance company, you should spread your distribution, your geography, your products all across. You should never get obsessed with one product or one

geography or one channel. Because that means you are going against the principle of the business you are in.

Have you faced the impact of a slowdown in the broader economy?

As an industry we will always be growing. It doesn't matter how the economy moves. Last year, crop insurance helped the industry grow fast — at about 30 per cent. But even if you remove crop insurance, the growth is at least 16 per cent.

If de-tariffing had not happened (when prices of fire/marine policies have come down by 60-70 per cent), then the growth would have been higher. I see traffic on roads increasing. I see flats mushrooming.

The landscape is changing. People have money. Go to a hotel and you will see it full. So, there is growth for the industry.

What about the need for price control and market discipline in segments of the general insurance industry?

When I wear the hat of MD and CEO of Bajaj Allianz, I am happy if others continue like this. Our combined ratio is less than 100 and our solvency ratio is 261 as against the regulatory minimum of 150 per cent. Others are burning capital.

But when I wear the hat of an

insurance professional, it is sad. When companies which don't make profits, their service is bad, their claims settlement is delayed, and expenses are high.

At its core, insurance is a business where we take money from many to pay to a few.

That is why price discipline has to come. Or the industry will get a bad name.

We are in a noble profession. We are not selling luxury items or anything fancy. We actually come to your rescue when things go wrong. If you buy health insurance, it is less than the cost of a dinner at a good hotel.

A personal accident (PA) policy is less than the cost of a cup of tea in such a hotel. A PA claim gets paid in three or four days. I want more competition to come in; it is good for my company and people.

When more players come in, doesn't market discipline go for a toss?

I have never lost money irrespective of the number of players in the market. I have made underwriting profit and got this without sacrificing growth.

If the only differentiator is a price cut, then you must think of what business you want to be in. There are enough people who value service and are willing to pay for that.

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INTERVIEW

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TAPAN SINGHEL
MD & CEO, Bajaj Allianz General Insurance

