

CURRENT ISSUES IN GENERAL INSURANCE IN INDIA



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Current Status

- 28 players – 29th licence in progress
- 4 PSU General Insurers, 2 Specialized insurers, 4 Standalone Health insurers, 18 Private General Insurers
- 79000 crores premium in 2013-14
- Industry growing at 11% in 2014-15. Likely to reach 88000 crores
- Penetration – 0.80% GDP
- Density - Rs.600/-



Current Status

- Pricing opened up completely since 2007 with Detariffing. Only Motor TP price is administered.
- File and Use system followed for product approval.



Current Status

- Strong regulatory oversight with a clear focus on
 - a) Protection of policyholders interests.
 - b) Monitoring solvency and market conduct of insurers.
- Strong grievance Redressal mechanism monitored by IRDA. Ombudsman system to provide relief to individual customers.



Recent Developments

- **Insurance ordinance** passed recently :-
 - a) Authority in many areas given to the Regulator to make regulations instead of specifying in the Act.
 - b) Foreign investment increased from 26% to 49%. However control has to be with Indian partners. Could see more players in the Indian market.
 - c) Foreign Reinsurers with a networth of Rs.5000 crores and above can set up Branches. Lloyds is allowed entry into the Indian market. This could pose increased competition to the national Reinsurer GIC Re.



Recent Developments

PMs Jan Dhan Yojana

Second phase would cover insurance and pension.

Huge thrust on Financial literacy campaigns.

Last mile connectivity like Business Correspondants to be used by Banks, Insurance and Pension industry.



Recent Developments

New Intermediaries

- Common Service Centres.
- Web Aggregators.
- Insurance Marketing company.
- Banks as Brokers



Recent Developments

Technology

- Increased use of technology by the industry for customer service and data analytics.
- Insurance Repository.



Issues

Penetration

- Penetration level is one of the lowest in the world.
- Personal lines of insurance like Health, Personal Accident, Householders have reached only a small section of the population.



Issues

Penetration

- A large number of SMEs are either uninsured or underinsured.
- There is a large amount of vehicles plying on the roads uninsured.



Penetration

Solutions

- Creation of insurance awareness by sustained campaign.
- Deepening the intermediaries including Agents to reach out.
- Use of technology.
- Colloborating with other institutions like Banks to cross sell.
- Simple products and processes.



Profitability

- Industry is working at a Combined Ratio of 114%, which is very high.
- Motor T.P and Health which are the fastest growing segments are not profitable.
- Prices in traditional lines like Fire, Marine are also very low. No cross subsidy available.
- Significant element of frauds inflating the claims outgo.



Profitability

- Industry needs to move towards Risk Based Pricing.
- Regulatory initiatives like Burning cost in Fire and Group Health will improve the situation.
- Industry collaboration and setting up Fraud Bureau could control abuse of the system.



Profitability

- Changes in Motor Vehicle Act to cap the liability and bringing in time limit for filing cases and charging proper premium for Motor T.P segment would help control this portfolio.
- Standardisation of treatment protocols, rationalisation of hospital charges and regulation of hospitals.



Regulatory Issues

- Industry needs to move towards use and file from file and use for more product innovation.
- Risk based solvency as against the current method of solvency calculation.
- Strict monitoring of market conduct issues – specifically mis-selling, rebating.
- Move to a principle based regulation from the current rule based regulation.

Others

- Professionalising the intermediaries
- Increasing the insurance domain talent availability.
- Developing appropriate models for CAT events and usage of them.
- Insurance Information Bureau to play a very active role in DATA analytics for the benefit of the industry.

