Hindu Business Line

'Insurers have begun to collaborate more often than to confront'

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Has insurance broking really taken off in India? The answer to this really depends on one's expectations, says **Mr C. Radhakrishna**, co-promoter, India Insure. "It is a brand new industry segment, born (unlike as in other countries) in a regulated and restricted market, where it has been difficult for the broker to demonstrate value addition to the demanding corporate customer," he adds.

"Under these circumstances, a growth from 'nil' to around 15 per cent of the market (Rs 4,000 crore plus of brokered premium) seems quite reasonable."

One of the earliest entrants into the insurance broking industry, India Insure Risk Management & Insurance Broking Services P Ltd (*www.indiainsure.com*) started off with a focus on retail customers but quickly shifted its strategy to the corporate space.

The firm, which offers 'total insurance solutions', ranging from assessing and developing the risk profile to critically analysing the terms of insurance and ensuring that the policies meet with the risk management plan of the corporate, has nine offices across the country and a base of over 300 customers. India Insure has a 100-plus employee team; and interestingly, the company spends over 40 per cent

and with clients having benefited from the services of large, professionally managed broking firms, broking business is finally coming into its own. Clients have moved from 'tolerance' to 'believing'. Insurers have begun to collaborate more often than confront.

Is there any learning we can take from overseas and well developed markets in helping grow this (insurance broking) space?

Benefits from broking are best seen when different underwriters are free to write their own policy wordings. India differs fundamentally from developed markets in terms of the absence of a truly free market, which means there is a problem of choice and therefore the need for expert advice. Complete de-tariffing should give a big boost to broking.

Are there specific industry verticals that you are going after?

We have all-round capabilities that will suit any type of industry vertical. Our focus currently is on the IT-ITES industry, and the manufacturing and infrastructure sectors. Also, we have constituted specialty verticals to take care of employee benefits, liability, projects and clinical-trial insurances.

How do you go about picking an insurance company? Are there certain metrics that you go by, or is it pure pricing-based

the faster growth of insurance brokers in India.

Is rural market an opportunity for your firm?

At present, the costs far outweigh the benefits of looking at rural markets for brokers. The IRDA regulations stipulate a minimum level of post-sale service and compulsory insurance training for all marketing staff. Further, IRDA does not permit a franchisee-type of business model. All these regulations taken together demand a high level of capital and revenue expenditure commitment, which is a disincentive.

Retail is said to hold great potential in India. Will you be looking at this market in the future?

We had strategically decided to stay away from the retail market and remained completely focused on the corporates' insurance requirements. After having established ourselves as one of the leading players in the corporate sector, we have decided to foray into the retail segment.

The market has witnessed shrinking of premiums on property insurance as a consequence of the de-tariffication. The insurers, therefore, have started concentrating on the retail market in India.

Our decision to also occupy space in the retail segment is in sync with the dynamics of the insurance market in India and is

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of its revenues on its people.

India Insure, which has consciously stayed away from the retail space, is now making a re-entry into this segment with the aim of becoming the single largest distributor of insurance products in India in five years.

Mr Radhakrishna believes that there will be a shakeout in the industry.

In an in-depth email interview with *Business Line*, he shares his views on the growth of the insurance broking industry in India, the issues relating to tapping the rural market, and the consolidation that is likely in the industry.

Excerpts from the interview:

What have been the reasons for this rather late entry, in India, of insurance broking firms?

The industry was opened up for private insurers only in 2000-01. It took some time for the IRDA (Insurance Regulatory and Development Authority) to settle down and release guidelines for 'broker licensing,' which finally happened in October 2002.

Considering the priorities of the regulator and the Government, this wasn't all that bad a delay.

In about 3-5 years we should see 65-70 per cent of the insurance business in India being brokered. Total dismantling of the tariffs will facilitate the faster growth of insurance brokers in India.

MR C. RADHAKRISHNA, CO-PROMOTER, INDIA INSURE

What have been the early trends you have seen in this space?

The broking industry is now 5-1/2 years old. The early stage saw a rash of licences (138 licences in the first 12 months), with a mix of serious (read long term) and not-so-serious players. Concept selling to corporates ("why you need a broker?" or "how we can handle your insurance portfolio better than you can on your own") and head-on collisions with insurers were the distinguishing features in this phase.

CFOs were beginning to hear the "broking" word for the first time. Expectedly, early support came from private insurers, who were both sensitised to the concept (through their foreign partners) and, more importantly, had everything to gain and nothing to lose.

The second stage saw corporates, agreeing to deal with brokers — some for the right reasons (price bargaining; outsourced administration; claims handling) and some for the wrong ones (pass back of brokerage). Awareness and acceptance of broking increased manifold.

One of the ancillary trends noticed in phase 2 was the diversification of several large brokers into retail business. The third and current stage is that of post de-tariffing. With pricing deregulation and free wording round the corner,

decision?

The decision is not always based on pricing. When it comes to smaller corporates with a lower premium payout, it may be linked to pricing.

As far as bigger deals are concerned, pricing is not the only factor influencing the decision. We have a fairly good knowledge of the insurance players in the market and their relevant capabilities (underwriting as well as service) in various types of insurances. We typically discuss these with the corporates and guide them to an informed decision.

What is the potential of the insurance broking market?

The potential that the market holds out to the broking fraternity is quite large. In developed markets, we find that 90-95 per cent of the insurance business is brokered and only a minor portion of the overall insurance is placed directly with the insurers.

We envisage that in due course of time (probably 3-5 years down the line) we should see about 65-70 per cent of the insurance business in India being brokered. Total dismantling of the tariffs will facilitate

fuelled by our mission of becoming the single largest distributor of insurance products in India over the next five years.

This year, we will launch a pilot project in one or two cities, marketing retail insurance products — both life and non life — to employees of our corporate clients using the client's worksite. Our plan is to expand to all our branches in 12-18 months. After WSM (worksite marketing) is established, we will look at hard core retail.

What are your current revenues? Are you also looking at revenue models like a retainer-cum-commission-based model?

We managed a premium portfolio of Rs 270 crore for 2007-08. Our revenue consists primarily of brokerage/commission income, but in quite a few cases, clients have opted for a fee model. The idea is catching on slowly, especially with large customers.

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(Illustration by R. Rajesh)