THE FINANCIAL EXPRESS

Insurance biz to touch R3.75 lakh cr in FY12

R Ravichandran

Posted: Friday, Nov 18, 2011 at 0247 hrs IST

The Indian insurance industry is on a high. A decade since liberalization, through with the teething troubles and having enjoyed the best of favorable economic factors, it's not surprising that Standard and Poor's rating services described the non-life insurance industry as a 'goldmine of growth potential'.

With the momentum being maintained, the insurance industry in India is poised to touch a figure of R 3.75 lakh crore in FY 2012, said India Insure, a risk-management and insurance-broking company, which tracks the industry. In its 2011 annual survey, India Insure said that with the Indian economy on the ascendency and premium rates stabilising and insurers focusing on profitability, it augers well for the industry moving to a risk-based pricing and achieving a healthy growth rate of about 15% in the 2012 financial year.

"In an intensely competitive insurance market, differentiation through product innovation, servicing, distribution mechanisms and innovative claims management practices is going to be the only way for insurers to stand out from the crowd and maintain or improve their market share and profitability. Only an out-of-the-box thinking by insurers will help unleash the potential available under the health segment," said the survey.

The regulator (Irda) has been constantly working towards ensuring healthy growth of the industry and it now rests with the insurers to focus on risk-based rating and also customers to be prepared for stabilising of rates and an increase in the health and motor premiums. The business will flourish in FY 2012 and there is no indication of hardening of rates. Though Insurers are talking about premium rates rising, the current conditions in the market will not favour it.

According to the survey, group gratuity will slowly gain in significance as many corporates today are outsourcing their funds to life insurers. Superannuation amongst the PSU clientele will grow as private companies may give it a cold shoulder again this year. Ulips will see more pruning of charges and they are likely to become more customer friendly. Obviously, distributors will not be happy as their commission will fall further.

The business landscape has changed significantly in the fiscal ending March 2011. While 2009-10 was challenging for the global economy struggling to come out of the economic crisis of

2008-09. India has demonstrated strength and resilience and recorded a robust growth, bouncing back with the economy growing at 8.6% in FY 2010-11, the survey said. The Indian insurance industry clocked a growth rate of 11.5%, with the non-life industry registering an impressive growth rate of 22%.

The industry finally appears to be emerging from the impact of detariffing, with pricing beginning to find logical levels in some lines of business. The industry was further impacted by a considerable increase in provisioning for commercial vehicles' third-party pool. On a positive note, the regulator has increased the premium rates for motor third-party risks to more realistic levels. The year was characterised by a number of changes in regulatory guidelines with the policyholders' interest being of paramount importance to the regulator.

Making the unit-linked products more transparent has had its impact on the life insurance segment, which faced a major setback, resulting in a slowdown in growth to 15%.

The health and motor lines of business have shown robust growth with the health insurance industry recording a 34% growth, which has been the highest ever in this line of business. Statistics reveal that 70% of the health costs are beyond hospitalisation and insurers are now planning to incentivise wellness programmes and bring outpatient treatment as well as health savings accounts into their fold.

Though the industry has come a long way over the past decade, the big challenge remains profitability. Life insurers have accumulated losses of over R16,000 crore and the non-life insurance industry has the dubious record of having accumulated an underwriting loss of nearly R40,000 crore over the past decade. While the topline of insurers has been growing, the general insurance industry, in particular, has been reeling under underwriting losses, despite the year being devoid of any catastrophic losses. The Indian insurance industry has been staying afloat piggy backing on the investment income all along, which may not be sustainable for long.