

Standardization of exclusions to push up health premiums in short term

Future Generali India Insurance Co. Ltd's managing director and chief executive officer Anup Rau joined the company in September this year after a stint as the CEO of Edelweiss General Insurance. In a conversation with *Mint*, Rau talks about how the latest health insurance regulations will impact insurers and policyholders, the growth of bite-sized policies and the major challenges in the general insurance space today. Edited excerpts



MONEYGURU

ANUP RAU
managing director and CEO, Future Generali India Insurance

New regulations allow health insurance premiums to be paid in instalments. How will insurance companies settle claims that are filed after payment of, say, just a couple of premiums, and cushion for risk of non-payment of balance premium amount?

In a policy with monthly instalments, if a claim is incurred after paying two instalments, while settling the claim, the insurer will deduct the balance 10 instalments from the claim payable and pay the remaining to the insured. In case of a two-year term, the balance number of instalments in a policy year (12 months) would be deducted. This would mean that while a customer gets a flexible premium payment mode, his cover is not compromised. All in all, the customer will gain.

What's your take on the standardization of exclusions in health insurance and how are premiums expected to get affected? How is Future Generali working on the pricing front?

The standardization of exclusions in health insurance will reduce ambiguity and reduce the number of grievances, increasing the faith of customers in health insurance.

As the risk for insurers would increase due to wider coverage, there would definitely be an impact on premiums. Future Generali, while filing new products, is taking the new guidelines into consideration but we're still figuring things out on the pricing front. Pricing will be a process of discovery. For example, we saw a wide range of pricing when three or five years motor own damage (OD) insurance was introduced.

Pricing will go up in the short term, but these rules will

lead to more transparency, consistency, awareness and trust. This coupled with increasing penetration will mean significant expansion in the health insurance market. All the factors will lead to downward pressure on premiums (in the long term), and competition will force product differentiation and innovation.

Will standardization of exclusions bring in more variety of policies?


Standardization of exclusions will help develop products which would provide more extensive coverage and are easier to understand for customers. This would also encourage newer products with scalable and cheap tech enablement. Most importantly, the core issue of non-comparability of products from different insurers will get addressed. Standardization of products will lead to greater transparency and more credibility, in turn leading to market expansion.

There has been a rise in the number of bite-sized policies. You too are offering sachet plans. Are they profitable for insurers? Will such policies make traditional distribution methods redundant?

Such policies open a new avenue and potential for insurers. While comprehensive policies will still be bought, traditional insurers will look at entering this new space, leading to market expansion. It will also lead to newer avenues of selling. For example, we have acquired over half a million customers from our Future Retail stores through sachet products. Other opportunities such as ticket cancellation or event-based adventure sports will get more popular, and will add to traditional channels.

OFF TRACK


Your favourite book
1984 by George Orwell



Your fitness mantra
A low carb diet



If you were 21 again
I would have travelled more



Do you bring work home
Not during weekends



Favourite thing on your desk
The functional white board



product, so is the growth momentary?

Well, this issue will come to the fore maybe three years down the line. Right now, renewals constitute a large chunk of the business and I guess at some stage, if long-term motor insurance picks up, it will lead to loss of renewals. Regarding the spike, I believe it's momentary. A lot of third-party uninsured vehicles were covered after the amendments to the Motor Vehicles Act. This will peter out.

My larger concern is that once a customer is tied into a long-term OD product, she will not have the choice to exit the insurer or intermediary. This could lead to single-channel supremacy for motor OD products at the expense of the customer. It could also hit channels like agency model.

What are the current challenges in the general insurance space and how is Future Generali working towards tackling them?

The greatest challenge is the reduction in sales of new vehicles and the resultant pricing pressure due to competition. Also, this year there have been catastrophic losses, due to excessive rains and flooding increasing the claims cost.

The issue with motor insurance is that we don't underwrite driving behaviour, we just underwrite a portfolio of car models or the geography. IrDAI has set up a committee to examine if driving behaviour—fines and violations—can be shared with insurers. This would help us price appropriately. We could also use data better, to check if we can pre-underwrite.

Underwriting processes designed currently don't facilitate customer onboarding, they are more of a stopper. We are looking at a well-distributed business mix across channels of distribution as well as lines of business.

Disha Sanghvi
disha.s@hlive.com

Bite-sized products are viable and add real benefit to the core products and services being bought for a very tiny top-up amount. The volumes are large, leading to better pricing for customers.

The recent amendments to the Motor Vehicles Act has benefited insurers despite the sale of automobiles taking a hit. But motor insurance is a three- or five-year