

‘Most of the growth will be driven by health insurance’

Future Generali India's Anup Rau sees big opportunity in under-penetration of the sector

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General insurance is still underpenetrated in the country. Anup Rau, CEO and MD, Future Generali India Insurance, in an interview to *BusinessLine*, speaks about the growth drivers and challenges of this industry. Excerpts:

What growth numbers do you see for general insurance industry? And within the general insurance, which segment do you think is going to grow faster?

Insurance penetration in India is low, less than one per cent but all segments have shown double digit growth since inception.

This year, the private industry players have grown over 20 per cent. And even though there is an auto slowdown, the business increased on a case-by-case basis. But premium growth has been flat because the average ticket size has come down. This is because discount offers have increased, and

that's to customers' benefit. My personal view is that most of the growth will be driven through health predominantly due to the push from government. Also, health insurance is woefully underpenetrated and 80 per cent of health expenses are out of pocket and not through insurance. So, there is opportunity for health insurance to grow faster than any other segment.

How has the mandatory long-term third party cover impacted your business?

It is still early days so we can't really see how the pricing will work out. But I think we have to strike a balance, it has to be good and fair to customer and at the same time reasonably priced so industry sees value in those policies. Also, long-term third party cover is desirable since vehicles, especially two-wheelers are without third party insurance. As far as four-wheelers are concerned, I think the compliance is better, but then again, after

5th or 6th year the cover starts to drop. My only worry or a downside to this long-term cover is that, it may not be appropriately sold in the market. A three plus three (TP and OD) cover may lead a customer getting tied to a policy.

With regard to our business, the implementation of long-term third party cover has not impacted much because premium as a proportion of the cost of car is very low. Our motor business in fact has grown 18 per cent so far this fiscal.

Since the implementation of the new Motor Vehicle Act, has there been a jump in new business, particularly in September?

We haven't seen an extraordinary jump in motor insurance but we did hear from our agents that, the customers are very amenable to buying insurance because it is a violation to not have insurance. But I would see this, more as a short term shock, and things are moving for the better.

Has the slowdown in the auto sector impacted your business?
We haven't seen that impact rollover so far. And the part reason

for that is that there's always a lag. Also, most of the businesses are renewed and that's going to continue. New car business is about 10-15 per cent of the business. So it is going to take some time for that to bite.

What about home insurance segment? How is the penetration?

It is abysmally low. Home insurance has done poorly but as and when as these markets mature I would expect, content insurance, home insurance, etc. to pick up. For instance, if you look at the travel insurance today it is everywhere. Because most of the travellers, definitely overseas travellers, have insurance. That wasn't the case before.

How are your policies being distributed?

It is through all channels. We have agency, motor dealers, direct mar-

keting and online. This is for all of our products. Motor insurance, for example, because of the nature of the product, it is mainly distributed through dealers. But with increasing sales through online insurance, I think it's going to change the dynamics of the industry.

At Future Generali, motor insurance forms a large chunk of business while health forms a smaller portion. Though as an industry, motor insurance is a larger segment than health, the standalone health insurance companies, which are just six in number, sell more than all the

companies put together. The reasons for that is the open architecture of distribution agency for health companies.

That is, if I am a health insurer, I can co-opt agents from other insurance companies without having to undergo licensing process. If other general insurance players are allowed to co-opt agents, you know, a level playing field, I think you will find that general insurers will sell a lot more. But having said that, we do expect our health insurance business to register double digit growth every year, for the next two years.

There are also bite-size insurance products in the market for as low

as two rupees. Do you see any kind of threat from them?

While people would want to go for low priced insurance products, the tenure, the events and what is covered in these products are limited.

If you are going cycling this product covers you only for that time. It is a different segment or different market altogether. But I think the major players are also starting to move in that segment. At some point in time as they become more relevant and more important, they can be really competitive.

Are you planning to explore this segment further?

We do other things. For example, we sell something like a sachet product. We have dengue and mosquito borne diseases cover in a very low ticket size. We also sell other products, such as baggage content insurance.

I think over a period of time, lot of these product categories will grow. And small and large, insurers alike, will fall for all kinds of products, not just the traditional ones.



Bite-size insurance is a different market altogether. At some point in time, as it becomes more relevant and more important, it can be really competitive.

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