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Q&A

G SRINIVASAN

Chairman, The New India Assurance Co.

'We Get Business Because We are Unique with Strong Financials'

The New India Assurance is the first general insurance company girding up to be listed in the next 6-8 months.

This listing is crucial as it will change the profile of the insurance industry in India, says G Srinivasan, its chairman. In an interview with Shilpy Sinha, he says the company is focusing on digital initiatives and investing heavily on technology to trigger faster growth. Editor's notes:

As the first general insurance company planning to list. How has the industry changed since you started the company?

When I started to understand various regulatory frameworks regarding insurance, looking at the company from a different perspective. Our regulatory requirements are good but there are some differences in Sebi's regulations. There are good government regulations required. We will come up with results every year. Our board has to be compliant with listing requirements. We are a technology-driven industry but may not be completely in line with what the regulators want. We need to get Irda approval from Sebi's approval. We will show, fix a time and go to the market. We have the full support of the Department of Investment and Public Asset Management).

What are the metrics one should look for before investing in a general insurance company?

The company is a leader, it is a multinational company. It has strong relationships with customers, huge infrastructure, leadership in complex solutions. Our foreign income is a great diversification. The business comes from foreign markets. We are not only serving the domestic market, we are serving international markets as well. We get business because we are unique with strong financials. Strong financial metrics like premium growth and investments, we have investments worth ₹50,000



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crore. Then, invisible assets like real estate, which doesn't get into the balance sheet. Solvency today is at 2.2 but if you add fair value of investments it will go up to 8. It will be much more if we include real estate. That gives us ability to have higher capacity, insure bigger risks. We are a

strong, cash-rich company.

PSUs are known to undercut rates to maintain market share. How do you respond to that?

It is completely wrong. Many new companies entered the market, when it (the market) was opened. There was competition and pressure to get good business. Public sector companies have also insured so that customer service should not be taken for a ride. India is in a stage where if you charge very high premium, people will not buy insurance. Prices have to be reasonable. Companies cannot function with the motive of only maximising profit. We also have the responsibility to develop insurance markets. There are certain segments where prices were below and companies have corrected it. There are very few areas like motor third party,

about which companies cannot do much. There would be some individual aberrations but prices are adequate. When you unleash market forces, this is bound to happen. Companies cannot come together and fix rates. Each company has an underwriting philosophy. Forces of demand and supply are corrective measures. There are certain industries where reinsurers want certain rates, based on their experience of the market. Reinsurers suffer losses when we suffer losses.

Do you see under reserving as a concern for the industry?

There are some companies where this is an issue. The regulator, for the past two years, has been focused on proper reserving. It is important because the top-most reasons why companies fail is not proper reserving. The action plan we have is to reach a combined ratio of 100% over the next three years. The environment is quite positive towards that. Today, there is a realisation in all companies to be focused towards underwriting profitability. I am optimistic that this will happen.

What part of your income comes from reinsurance and global operations?

We are primarily a direct insurance company. We are 88% direct and 12% reinsurance. We do reinsurance in India from GIFT City in India. We write global reinsurance from our desk at Lloyd's in London. Our Australian business is entirely reinsurance operation. In the international market, every company does reinsurance. We do not write treaty but facultative treaty. The Indian market is growing at 30% while global insurance market is growing at 4-5%.

How has the entry of global reinsurance companies affected premium rates?

It is very early to say. They will need some time to understand the market and adjust to the local environment. In the next 3-4 years they will be much more active.

There is some correction in growth in health insurance. Is it driven by the insurance?

For the past six months, every company is doing it. Today, we are very clear that the premium we charge has to be more than the perceived outlay. It will not depend on what happened last year but likely outgo for this year.

Your market share fell last year. How do you plan to regain it?

Last year, we lost market share because of agriculture insurance. Our market share had increased in the previous four years. In 2007, public sector market share was 61%. Since 2007, the erosion has been only 6%. There is some stability in the market. When you have new players coming in, there will be drop in market share. Erosion that happened in the first few years has completely stopped.

What is the focus now?

We have to grow in line with the market, improve our underwriting profitability, ensure efficient claims management and improve customer service. The government is creating a change in the industry. Now, the government is putting the public sector ahead, setting an example for others. This way, the public sector participates in the fortunes of the company. When companies are listed, the profile of the insurance industry will improve. Growth needs more capital. We are focused on digital and investing in technology. How much we are going to harness is more important. We have bancassurance tie-ups with Union Bank, Bank of India, Citibank and Corporation Bank. Apart from these, we have tie-ups with small co-operative banks. We will announce tie-ups with two large public sector banks in a month. We are focusing on bancassurance in a big way. We get 3% business through bancassurance whereas the industry is at 6%. We want our share to increase to 6% over the next two years. SBI was our major partner. It went with IAG. We did not venture in other tie-ups because we had SBI.

IN FOCUS

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New India appoints five bankers for IPO

Manur.Shetty@timesgroup.com

Mumbai: New India Assurance has selected five investment bankers for its forthcoming initial public offering this year.



The largest state-owned non-life insurer is looking at a combination of offer for sale of government's shares and issue of fresh equity. The merchant bankers for the issue are Kotak, Axis Bank, Nomura, IDFC and Yes Bank. The company has begun to prepare the offer document and will announce its financial results in a few days.

Speaking to **TOI**, New India Assurance chairman **G Srinivasan** said that the minimum float in an IPO is around 10% while the maximum is 25%, though the extent of dilution is yet to be decided. Given that the company has assets of over Rs 62,000 crore and is targeting global premium of over Rs 25,000 crore in-FY18, industry insiders are expecting a float in excess of Rs 5,000 crore.

Responding to speculation of merger of government-owned non-life companies, Srinivasan said that there was no concrete move and there has been only unconfirmed news reports. "As far as we are concerned there is no such thing and we are going ahead (with the public issue) in our present structure," said Srinivasan.

In January, the cabinet committee on economic affairs (CCEA) cleared the listing of five state-owned non-life insurance companies — New India Assurance, National Insurance, Oriental Insurance, United India Insurance and GIC Re. The committee also cleared reducing the government's stake in them to 75% from 100%.

However, two of the non-life companies are not in a financially sound position and there has been speculation that they may be merged. However, the financial position could change once their results for the current year are announced. "The market has been good for non-life insurers. Even without the inclusion of crop insurance there has been good growth in other segments and premium rates are also improving," said Srinivasan.

Car sales zoom in April on new models

TIMES NEWS NETWORK

New Delhi: Car and SUV sales started the new financial year on a healthy note, led by new models. Companies say that demand is expected to remain strong this year, though they await a final direction on GST and the new tax structure.

Maruti Suzuki reported its highest sales in April at 1.44 lakh units, showing a growth of 23%. The company is witnessing a robust demand for models such as Baleno hatchback and Brezza mini SUV. It has recently started production from its Gujarat plant. Maruti has a slew of new models in its portfolio, and is in the process of driving in new-generation version of Dzire entry sedan later this month.

Hyundai also recorded growth in April, although the pace was in single digit. The company's volumes were up 6% at 44,758 units against 42,351 units in the same month last year.

Toyota saw an over 50% growth in volumes, largely

IN TOP GEAR

Company	Apr '16	Apr '17	Change (%)
Maruti	1.2L	1.5L	23
Hyundai	42.4K	44.8K	6
Toyota	8.5K	12.9K	52
Tata	10.5K	12.8K	23
Honda	10.5K	14.5K	38
Nissan	3K	4.2K	39
Royal Enfield	47K	58.6K	25
Hero Moto	6.1L	5.9L	-3.5



due to strong running of Innova MPV and Fortuner SUV. The company's numbers in April were up 52% at 12,948 units against 8,529 units in the same month last year. The percentage of growth is stronger this year as Toyota had a depressed momentum at this time last year after a majority of its vehicles stayed out of the crucial Delhi-NCR market on the back of ban on larger diesel engines.

Tata Motors also reported a double-digit growth in volumes. The company, which recently launched a

new entry sedan Tigor, sold 12,827 units in April at a growth of 23%.

Honda, which had been facing tough times through most of last year, saw 38% growth in volumes in April. It sold 14,480 units against 10,486 units in the same month last year. The company recently launched WR-V crossover.

SUVs and crossovers have been a major reason behind the growth in the Indian passenger vehicles industry. Models fueling volumes for the industry include Maruti's Brezza, Hyundai's Creta and Toyota's Innova.

Core growth rebounds to a 3-mth high in Mar

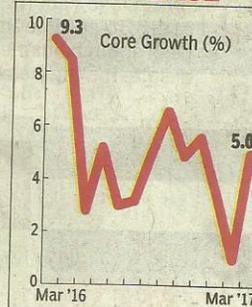
TIMES NEWS NETWORK

New Delhi: Growth in the key core sector rebounded in March to a three-month high on the back of double digit expansion in coal and steel, data showed on Monday.

The eight core sectors spanning coal, steel, crude oil, natural gas, refinery products, fertilizers, cement and electricity grew an annual 5% in March, faster than the previous month's 1% expansion but lower than the 9.3% growth in March 2016.

The eight core industries comprise nearly 38% of the weight of items included in the index of industrial production (IIP). The core sector growth in 2016-17 was 4.5%, marginally above the 4% expansion recorded in 2015-16.

GAINING PACE



The steel sector rose an impressive 11% in March, faster than the previous month's 8.7% growth, while coal output shot up 10% during the month compared to the 7.1% growth in February. Three sectors — fertilizers, refinery products and cement — were

the laggards, contracting in March. The cement sector has contracted for the fourth consecutive month.

"All eight constituents recorded a sequential improvement in year on year growth in March 2017, although three sectors, namely cement, refinery products and fertilizers, continued to record a year on year contraction in that month," Aditi Nayar, principal economist at ratings agency ICRA, said.

"Notwithstanding the considerable improvement relative to the previous month, the 6.8% contraction in cement output in March 2017 signals that the construction sector is yet to fully recover from the disruption that had set in after the note ban," she said.