

# Detariffing has cut insurance costs

*IFFCO-TOKIO General Insurance has been in business for over eight years. The company has set big targets for itself for financial year 2008-09. In an interview with Neha Pathania, chief executive officer S Narayanan speaks about the problems and prospects of the non-life sector and the impact of detariffing on the industry. Excerpts:*

■ **What is your overview about the general insurance market in India?**

The general insurance market in India is going through a very challenging, interesting and highly competitive phase. The growth in the last seven to eight years has been phenomenal in absolute numbers. From about Rs 12,000 crore of premium a year, the industry has now touched Rs 28,000 crore. But as a percentage of gross domestic product, it has not grown much. It's increased from 0.5 per cent 1999-2000 to 0.6 per cent last year, which is not really a big,



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S Narayanan  
CEO, IFFCO-TOKIO

considering the backdrop of the growth in life insurance sector. The other aspect is that it has clearly not reached the people. The premiums might have grown, but the actual numbers in terms of reaching out to people is very less. There is tremendous scope for general insurance considering the huge population in India. Today, we have 20 players providing various forms of insurance.

■ **What has been the effect of detariffing on the sector?**

The prices have fallen phenomenally. Whether it will remain a viable or profitable proposition is to be seen in the long run. Detariffing is not only about decontrol of prices. It is much more than that. Even earlier, tariffs were essentially affecting the large corporate customers. On the large commercial segment, property insurance prices have fallen steeply. In motor insurance, still there is a partial tariff. Third-party premium is still under-tariffed. The prices have not fallen steeply and I do

not think they will ever fall because traditionally motor insurance premiums are considerably less than the worldwide average. Progressively, my feeling is that the tariffs will be withdrawn even in the third-party segment. Once that happens, the price levels will automatically find a balance.

■ **What sets IFFCO-TOKIO apart from other insurers? What is your company doing to increase penetration?**

Our solidarity and synergy with the cooperative sector sets us apart from the other insurers. IFFCO has got a wide network of cooperatives running throughout the country. Our next task is to convert the synergy into a very effective distribution network. We are reaching out to the villages, working with cooperatives. These are important signs. We do have the conventional distribution system also, with our network of agents and business partners. But the cooperative network is the main strength.

■ **What are your targets for this fiscal?**

We have taken up a fairly aggressive target of 30 per cent growth in the premiums, which is considerably higher compared to the industry average and even higher than the private sector average. The industry average is expected to be around 9 to 11 per cent. The private sector average is projected at around 18 to 20 per cent.

■ **Any new products or segments you are particularly focusing on?**

There are going to be some more products, especially in micro-insurance sector. This is a very challenging field. Ticket sizes are not very high. Distribution and service channels are stupendous, but it is not very complicated. We are trying to develop more variations and combinations. There again the cooperative channel will be extremely useful to us.

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