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General Insurance Council mediates between insurers, Irdai over 'aggressive' growth figures

General insurers said it is an exciting time for the industry as the regulator has initiated many simplification and consolidation activities. However, some subjects need discussion.

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The General Insurance Council is mediating between non-life insurers and Irdai over the regulator's suggested growth figures, which some companies feel are "hugely stretched targets".

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The Insurance Regulatory and Development Authority of India (Irdai) has circulated "tentative targets" for growth to all insurers to increase insurance penetration. This is the first time Irdai has prescribed premium growth guidelines for individual companies, a move that surprised the industry.

The regulator has suggested increasing the collective premium for non-life insurance companies to Rs 11.73 trillion by FY27 from Rs 2.20 trillion as of FY22. For state-run general insurers, the target is raising it from Rs 75,000 crore to Rs 2.29 trillion during the period, while for standalone health insurers, the suggested increase in premium is to Rs 1.51 trillion from around Rs 20,000 crore.

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"The General Insurance Council is continuing its mediation works between the Irdai and general insurance companies on suggestive growth figures," V Jagannathan, chairman, Star Health and Allied Insurance, said.

After the discussions there could be some "revised figures". "Or if the regulator tells us we have to follow whatever figures it has given, we will follow. Ultimately, whatever decision Irdai takes, we are okay with it," he said. Jagannathan said it is possible for Star Health and Allied Insurance to achieve the suggested growth figures.

A top executive at a major general insurance company, however, said on condition of anonymity, that the growth figures are "hugely stretched targets".

"We will have to see how to keep other quality parameters in mind while pursuing such aggressive growth targets. Of course, as an insurer we will always want to balance the two. It cannot be one at the cost of the other. And I am sure the regulator will understand that," the executive said.

General insurers said it is an exciting time for the industry as the regulator has initiated many simplification and consolidation activities. However, some subjects need discussion.

Accoding to industry insiders, higher business growth for every company will ensure higher penetration, but future growth will depend on several factors. Whether the insurance companies can achieve Irdai's suggested growth figures would depend on factors such as underlying demand for insurance cover, macroeconomic growth and inflation going ahead, they said.

In a recent report, CareEdge said after over 20% growth in the first three months of the current financial year, the non-life insurance industry has moderated, reporting 16% growth in July to reach Rs 23,392.4 crore compared to Rs 20,157.3 crore in July 2021. In the year-to-date period, the industry reported a growth rate of 20.8%, compared to 15.2% for the same period last year. This growth has continued to be driven by health (especially the group segment), motor, and crop insurance (which reversed the drop witnessed last year for the same period).

"Health insurance premium has been the primary lever of the non-life insurance industry since the commencement of the Covid-19 pandemic. This has resulted in the segment increasing its market share from 32.8% for YTD FY21 to 38.3% for YTDFY23. The health segment has grown by 21.9% for year-to-date FY23, which is lower than the growth of 33.4% witnessed for the same period in FY22," CareEdge said in its report dated August 19.

The motor insurance segment has grown faster than health for the first four months of FY23, clocking a growth rate of 22.9% and reaching Rs 21,884.5 crore. "This growth rate is significantly better than last year's 4.8%. In year-to-date FY23, Motor OD grew by 23% (vs. 8.6% for the same period last year) and Motor

TP rose by 22.8% (vs. 2.8% for the same period last year). For July 2022, Motor OD and Motor TP premiums grew by 7.8% and 15.4%, respectively. The growth can be attributed to a low base of last year and an increase in Motor TP tariffs," the report said.

According to Fada, the automobile industry's domestic sales dropped by 7.8% y-o-y this July. If two-wheelers sales are excluded, vehicle sales would have eked out a marginal 0.4% increase in July. Generally, July is considered a lean month prior to the beginning of the festival season in August. However, concerns regarding inflation and supply chain constraints due to the ongoing geopolitical tensions continue to persist.

Crop insurance premiums increased by Rs 635.8 crore for the first four months of FY23, rising 14.8% against a 12.4% decline for the same period last year. The increase could be attributed to the fact that the deadline for insuring kharif crops was till July-end. Private insurers have increased their participation, while Agriculture Insurance Company of India reported a drop for the period under review.

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