

Speech Points for Mr. MA Alagappan

Good afternoon to our dear friends from the media. It is indeed a pleasure to have Mr. Toshiaki Egashira, Executive President, Mitsui Sumitomo Insurance Group here with us today. His visit to India has given us an opportunity to meet all of you and share our insights on the growing trends, challenges and opportunities of the Indo-Asian general insurance market.



Today, **India is the 5th largest market in Asia by premium**, following Japan, Korea, China and Taiwan. The size of the General Insurance industry in India is projected to be Rs. 32180 Crores in 2009-10. Despite of seeing 9 percent growth in 2008-09, India has been a victim of having the **lowest penetration rates** for property and casualty insurance in Asia in terms of premium as a percentage of GDP. This situation reflects the fact that India's insurance market is still in its infancy with solid growth potential.

Against the backdrop of rising income levels, insurers operating in a recently **deregulated environment** will be able to expand product lines to cater to the demand for more customized and sophisticated product solutions. Private players will continue to capture market share at the expense of public enterprises on a mix of aggressive distribution and service. Having penetrated the corporate segment in the past, most private insurers now seek to grow their retail books. Motor and Health Insurance which contribute to 70% of the industry's revenue will be the key drivers for the growth.

One of the major milestones in the Indian general insurance industry has been the withdrawal of premium pricing restrictions post January 2007. **Detarrification** or free pricing was intended originally to **give freedom to insurers to determine the rate and the type of risk they prepared to underwrite**. The continual entry of new private players coupled with the **intense competition** sparked off by the detarrification of general insurance sector has also resulted in **strengthening the bargaining power of the customer and development of customer centric insurance products**.

Post Detarrification era has caused major decline in prices of verticals like Property, Fire and to a greater extent affecting the Motor business too. Adding to the industry's misery is the fact that currently **only the price has been deregulated and not the product**. This has



resulted in **delay for the development of new products** and **approvals at the regulator's** end. Insurers currently are differentiating their offerings only on the basis of price.

The Indian insurance sector is rapidly moving towards international standards of free (risk-based) market pricing and new/innovative product offerings. Big changes have occurred over the last seven years, during which the sector was opened to private participation, but with foreign direct investment (FDI) capped at 26%. In line with forecasts for a continuation of solid growth and strong domestic demand, the number of insurers in the private sector will keep growing. Major foreign players see opportunities to increase both volumes and types of products. With the most anticipated Insurance bill awaiting approval in the parliament will **possibly lift the ceiling on foreign ownership to 49%**. This I think is very much needed to ensure healthy growth of the industry.

The other important facet of the bill would be the **provisions to liberalise and give more powers to IRDA**. This is in the interests of the industry and is welcome. However IRDA will have to quickly gear up and help the industry by creating a conducive environment for sustained growth. One other feature of the bill that I think is important is the provisions to **impose stiff penalties on various subjects like discounts and operating expenses**. While intentionally this may be a right move, the regulator will have to be careful about the timing as the industry will have to be strengthened first and the right enablers will have to be created before any penalties are imposed.

Before I conclude on my comments on the general insurance industry, I would like to take a few moments to re-cap on the highlights of our relationship with MSIG. This partnership started in April 2003 which has been very **mutually rewarding relationship** over the last six years. Chola MS has grown from pillar to pillar relying on **MSIG's expertise in the areas of underwriting, reinsurance support, systems and processes**. We have gained valuable insights from **MSIG's proven track record in the Property & Casualty business**. We have constantly tapped into the Japanese and Korean clientele from the MSIG portfolio that consists of leading players like Toyota, Honda, Sony and Panasonic. It is with great pride that I can say today that **Chola MS is amongst the leading insurers for Japanese and Korean clients**. We've complemented each other and together grown Chola Mandalam MS General Insurance Company to a position of strength in the last six years. We will continue to learn from each other's experience in future as well. Thank You. Now, over to Mr. Toshiaki Egashira.