'We want to grow across segments beyond motor insurance'

Q&A

RAKESH JAIN
CEO, Reliance General Insurance

Private general insurance company Reliance General Insurance, which saw a healthy growth in net profit for FY16, has taken a conscious stand to expand into non-motor businesses such as property, health and marine. RAKESH JAIN, CEO of Reliance General Insurance, talks to M Saraswathy about this strategy and future plans. Edited Excerpts:

Your motor business saw a muted growth in FY16. What was the reason?
The motor business was a large part of the overall premium. We realised that since the third-party segment will not help in making money, it was imperative to grow the other lines of business. Last financial year, we grew fire business by 30 per cent and marine by 10 per cent, which was much higher than industry growth. The idea was to have a more holistic presence. We took a call of not pursuing motor business where we could not make money. The motor business sector, on an aggregate, grew 14 per cent, but we only grew two per cent. Similarly, where industry grew in third-party motor business by 18 per cent; for us, it was -2 per cent. We believe this decision will help us improve our combined ratio and bottom line in the long run. It will give us an opportunity to grow the other parts of the book and eventually, our ability to really put capital to new lines of business can only happen when we take out some bit of capital from the high loss ratio products.

The company's profits saw a good growth in the last financial year. While industry in general took a hit mainly due to Chennai floods-related claims, what did you do to stay profitable?
We were perhaps the only company not to have pursued growth at a cost. We are well prepared and expect the future to be far better for us. We sacrificed almost ₹200 crore in terms of business, which is why growth rate in written premiums was only about four per cent. But, in terms of bottom line, many of them (other insurers) have had a moderated number and a large part of it is due to Chennai floods. We also had large claims there, but our profits grew 22 per cent for FY16 and our fourth-quarter profits grew 37 per cent. We believe in having a balanced strategy. When we grow segments such as property, health, crop insurance, etc, all these will become multiple verticals eventually strengthening the base of the company.

Apart from motor, the group health segment, too, faced a price war. Have you reduced business there as well?
Group health is another tough segment and we have not grown that. We have participated only where we have multiple relationships with the client. The focus is on how we innovate the product. Wellness is a big area but for us, it not only includes health checks but steps to ensure that policyholders stay healthy.

Hence, we are engaging with the clients to see what is their HR (human resources) philosophy to offer services to meet their needs. The aim is to create products to ensure that the quality of risk improves and also to see that people fall sick less often. This should not become a price game.

The big focus is on digital in the insurance sector. What steps are you taking in this space?
We believe that the entire thought process has to be digital and that is what we are focusing on. A decision has been taken that incrementally what we create, digital will be the mode. We spend about two per cent of our premiums is being spent on IT every year and in value terms, it is almost ₹60 crore. Of the 400,000 policies that we issue every month, 96 per cent are issued digitally.

In March, around 25,000 policies were sold online. This is almost touching five per cent of our policy base. With growing awareness, this will heighten further. What we want to do is to see a customer and predict what product is appropriate. For instance, if one comes to you from a tourism site, then he is likely hunting for a travel insurance and you should be able to offer that product first to him.

You don't have a bank partner. Are you trying to get any banks on board to sell your products?
We would like to catch up on the bancassurance channel through future tie-ups. Through the new model of open architecture, the customers would get more choice of products. This is a great opportunity for banks and insurers. While the process of tie-ups has been slow, it will develop in future course. There is a myth that banks are reluctant to extend tie-ups to more than one insurer in each category (life, non-life and health). We hope to break the myth.