‘Fast-changing regulations a challenge for general insurance’

ROOPAM ASTHANA, chief executive officer and wholetime director, Liberty General Insurance, tells **Advait Rao Palepu** that the widespread changes in motor insurance regulations can lead to an increase in mis-selling because there are downsides to having too many product variants. The insurer is planning to expand to tier-2 and tier-3 towns with 100 new branches to attract the next generation of wealthy Indians. Edited excerpts:

Liberty General Insurance has been focused on specific product areas for the past few years while the health insurance book is growing. Will you participate in the Ayushman Bharat scheme and the crop insurance programme? What is the strategy for growth?
The Ayushman Bharat scheme, as well as the crop insurance programme, has to be run on a large scale and requires diversity in terms of population and region to be able to make commercial sense. They will also require additional capital. We are a relatively young company that is growing very fast and a little away from our break-even. We are investing and hopefully we will grow large enough soon to reach the point where we can participate in the Ayushman Bharat scheme as well as the crop insurance programme.
There is a real need for health insurance, which is what is fundamentally driving the growth of this line of business. With Ayushman Bharat, the benchmark or floor for the sum assured is set at ₹500,000, which is good for small businesses as well as retail customers. Around 70 per cent of our business today is motor insurance and we are working on building our health insurance book over the next couple of years. We are planning to put up 100 branches in 12 months, which will be a big exercise for us. Clearly growth today in smaller towns and cities is faster than in metros and we are increasing our presence there.

What are the biggest challenges for general insurance players?
The past couple of months have been very difficult in terms of regulation. Everybody seems to have a view on our business. The kind of changes, the frequency of changes and the time they are giving companies to adjust to those changes are unreal. One of my biggest challenges is managing these fast-changing regulations because it’s not just about compliance but because it impacts the entire ecosystem including our organisation from the front-end to the back-end — we have to ensure that the customer is not affected and no mis-selling happens because of these rapid changes.

The second challenge is that the general insurance industry has a brand issue. There is no top of the mind brand recognition that is there. In e-commerce you have Amazon, in life insurance there is LIC, in banking there is SBI, so there is a huge opportunity for general insurance companies to fill that space.

The other challenge is the perceived lack of trust because customers believe their claims will not be met while the experience has been the opposite. The industry is working with the General Insurance Council to build a campaign about the need for general insurance products and trust.

Changes have been brought to motor insurance products. How has Liberty General Insurance fared in meeting these new product standards?
The first change was the introduction of a compulsory three-year (new private cars) and five-year (new two-wheelers) third-party (TP) motor policy. And then there was the ruling on compulsory personal accident cover, which was increased to ₹1.5 million from ₹100,000-200,000. Before these, we had a simple set of products. People would buy one-year TP and one-year own-damage (OD) cover, which would be renewed every year. These were largely variants of motor insurance, but now the number of variants is overwhelming. It is difficult for customers to buy the right policy.

What challenges do you foresee in terms of these new product guidelines on motor insurance?
Mis-selling will begin to increase as things get complicated. Complexity in the market has increased. Today a customer may buy five-year OD cover because the agent convinced him or her to do so, but only later in the policy term will the realisation come that he or she may not have required it for such a long period. I foresee the frequency of claims will increase while the size of each claim may reduce. This may lead to some malpractices at the garages as well. This change in consumer psychology on claims and the impact of it on claim cost and premiums will be known only after a while. Therefore, we can’t build it into our price accurately right now although we will have to lock the price for five years today.

Given that your company is a young player, how do you view the changes in the distribution model, with digital sales picking up at the cost of the agency model?
The direct-to-customer (D2C) online model is an interesting possibility. Today online D2C is a sleeping giant and there is a latent demand for this. What is happening now on the regulatory front will give a good impetus to online D2C because today the consumer, who is more informed, has a lot of choices which not every agent and dealer would want to or can offer. The question at this point is: Why haven’t more people gone online? This is because most customers have believed they would get a better priced deal from an agent. Now that there are so many companies and variants of products, the customer can decide the price point at which they want to buy a policy and search online for the same. So the dependence on the agent to recommend the best product will reduce, which will drive sales online.
We are coming up with an online campaign by December to try and build the Liberty General Insurance brand online as a preferred brand.