

We Want to be Among Top 10 Here in 3 Years

ET GILTEDGE

DAVID H LONG CEO, LIBERTY MUTUAL

After the change in ownership at Liberty General Insurance Company, where bankrupt Videocon sold its 51% stake to DP Jindal Group (26%) and Enam Securities (25%), David H Long, CEO of Liberty Mutual, talks about the opportunities, breaking even and expansion plans of the company. Edited excerpts:

You have been in India for five years with just about 0.5% market share. What dragged you and how does the future look?

We had a good partner (Videocon), but a passive one. We lacked a partner that could help us build our business. We had to build this company from scratch. While we grew at 40% last year, we plan to become one of the top 10 players in the market within the next two-three years.

How do you intend to achieve that?

Given the growth rates that we see here and a savvy digital population, we see opportunities here. The next phase of growth will come from a larger geographical reach. We are looking at diversification of our portfolio. We are primarily doing motor but believe that health has got huge potential and we are investing significant amount in health. We are looking at growth to be a multiple of what the market is growing at.

You said Videocon was a passive shareholder. How are the new set of shareholders different?

Enam and Jindal are financially secure and well regarded. Enam, from a historical perspective, can help with partnerships to grow and Jindals are low key players. I don't anticipate either of the partners to be super active.

How do you see India's raising of foreigners' stake in insurance to 49%? Is it enough?

We don't want to be a passive investor in India, but want to be in control. There is one difference because we are the majority shareholder. Both of our partners give us management control.

Will you expand into corporate lines of business and is it profitable?

We have relationships with reinsurance companies, but we have not done large commercial lines here as yet. In terms of scale, we see market growth of personal lines more attractive. We are a start-up in India and want to build scale. We are pretty patient and see India as a long-term opportunity. I



INDIA PLANS



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would rather focus on building a quality foundation. We are two years from break even now. We will try to build our brand and invest in technology.

How is your business in China doing? How do you see opportunities in China vis-a-vis India?

We have done greenfield operations in both India and China. We will make acquisitions once we come in the top 10. We think Indian operation will break even in 18-24 months. That would make it seven years for us to break even. We started China business in 2005, a little ahead of here. China will break even next year, so that would be 14 years. We will grow faster in India.

Can you give us a sense of what Liberty aspires to be here?

We intend to make money in all markets. We grow when there is

opportunity to grow. We have to get to a point where we are not destroying the capital, i.e. the break-even position. We are not here to build a \$300-million profitable business. We are here to be \$1-billion.

General insurance companies are all bleeding with a combined ratio (a measure of profitability where above 100% indicates losses) of over 100%. Does that put pressure on your pricing capacity too?

We don't look at market that way. Each market is different. We look at different markets based on different opportunities. We continue to deploy capital based on the growth opportunity. We do look at economic returns, but differently. We make long-term economic decisions. This market in particular, we are very bullish about, even though the result of today aren't spectacular and even though the company here is not of any significance in size.

Which segments look attractive?

As we look down the road, we think it is an attractive business and we can commit capital here. We are number six in the world in property and casualty and our stated goal is to be number three. We are committed to India. We will continue to invest aggressively to become top 10 in the market and then move to top five. We should be in the top five in the next 5-7 years. We don't have to do it overnight. We are pretty bullish and optimistic about growth here.

You have exited some markets such as Poland and sold your life insurance business in the US. What is your global strategy?

Globally, our strategy is not to be in the life insurance business. Life business is not our core strength. We decided to move on a clear path to be market leader. We put capital into property and casualty business. We have looked at all our international business. We liked the markets that we are in. We don't jump in and out of a country. We are in 17 countries that contribute 54% to the global GDP. We have chosen wisely.

How do you see trade wars?

There are a lot of answers and a lot of bluster at the moment. I think the issue is more about getting back to the table and talking about how people are more comfortable doing things. I find it hard to believe that countries such as the US, India and China don't want to trade with each other. It does not get in the way of what we do on a daily basis. I can do business and trade with anybody. Hopefully, some of these things will die down or get negotiated. Hopefully, these issues are a little less serious than what it appears to be.

—Shilpy Sinha