

PSU insurance firms cry foul: Private sector insurers taking market with 'unfair practices'

By: FE Online

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The public sector insurers claimed that 'unfair market practices' by private insurers have resulted in them losing out heavily in the motor business. The state-run insurers including National Insurance Company, New India Assurance, Oriental Insurance Company, and United India Insurance have alleged that their private sector peers are offering higher commission above the limit set by the Insurance Regulatory and Development Authority of India (IRDAI) to agents and dealers, The Indian Express reported citing unidentified sources. In FY19, the four major government-run insurance firms had together seen deceleration in growth from 45 per cent to 40 per cent in the motor insurance segment.

The private companies have benefited from the latest MISP (motor insurance service providers) rules set by the insurance regulator, limiting percentage of commission which can be paid by the insurance firms to the authorised dealers, the report said. In November 2017, the IRDAI had set a limit on payments by insurers to agents and dealers at 19.5 per cent for cars and 22.5 per cent for two wheelers. The regulator had also brought the companies under its purview as motor insurance service providers.

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Meanwhile, the latest data released by the General Insurance Council in April showed that the PSU general insurers are steadily losing market share in collection of premium to their private sector rivals. Against a premium collection of Rs 68,719 crore, up 1.37 per cent, New India Assurance, United India Insurance, National Insurance and Oriental Insurance Company have lost market share to the private sector insurers (except stand alone health insurers) who total recorded a premium collection of Rs 81,600 crore, up nearly 25 per cent, during 2018-19.

The experts had then cited the proposal of merger of three PSU general insurers, the issues around solvency issues as the two main issues other than the alleged unfair practices by private players in the motor business for state-run companies losing out in the market share.

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