

Softening of premium rates trigger fall

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Mumbai: The non-life insurance market is in danger of shrinking next year, following detariffing of motor insurance, coupled with softening of insurance premium rates worldwide. If this happens, it will be the first instance of a market shrinking after liberalisation.

The non-life insurance industry grew 13% to over Rs 16,000 crore last year. This growth was fuelled by motor insurance due to sharp rise in sales on new motor cars. While the sales are expected to keep pace, the rise in numbers is likely to be offset by fall in premium rates, post free pricing of motor insurance from April 1, '04.

At the same time, softening of rates could bring down premium income from large projects.

According to senior industry officials, large corporates have been able to save 20-25% of insurance premium due to softening of rates in the international reinsurance market.

Similarly, airlines, which are also big buyers of insurance, have seen their insurance bills come down by 20-25% due to reduction of premium.

“Premium rates have dipped 30% from the post 9/11 highs,” said V Ramakrishna, managing director, India Insure Risk Management Services, a broking outfit.