

Many Insurers Headless Amid Investor Heat on Top Execs

BOTTOM LINE Stakeholders seek higher valuations, want revenues to go up



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Mumbai: At least six insurance companies, both in the private and public sectors, are headless as top executives turn their back on the profession amid rising pressure from stakeholders to raise revenues in a sluggish market to gain higher valuation when foreign insurers come calling. The spate of resignations makes it difficult for insurers to hire talent in an industry where state-run companies dominate, resulting in the private sector not nurturing leaders despite more than a decade of operations.

India First Life Insurance, a joint venture between Bank of Baroda, Andhra Bank and UK's Legal & General, L&G General Insurance, and Bharti AXA General Insurance are among companies whose chief executives have quit. Tata AIA Life Insurance has been looking for a CEO after Suresh Mahalingam quit in March. Ajay Bumbhet of Royal Sundaram Alliance Insurance is due to retire and the company is yet to announce a successor. Chandra Prasad, chairman and managing director of National Insurance, has retired. PNB MetLife, which saw the exit of Rajesh Relan, just hired Ta-run Chug from ICICI Prudential to head its operations.

"We have seen a few changes and some exits are on the cards," said Abizer Diwani, partner and national leader, financial services, EY. "There is some performance pressure.

Despite extensive tie-ups and investment over long period, some shareholders have not got the return they have desired.

Although India offers a huge market for insurance companies, with less than 3% of the population covered, it is a tough market with the state-run Life Insurance Corporation dominating more than three fourths of the market. Furthermore, the private players have been concentrating only in cities, which have become a saturated market. With the government raising the foreign holding limit to 49%, from 26%, stakeholders want to raise revenues and profits to get higher valuation for their holdings.

India First, after almost five years of operations, has a 1.6% market share with first year premium of Rs 324 crore at quarter ended June. Bharti AXA General is ranked 13th with a gross premium income of Rs 121 crore in the first quarter of FY15, after being in business for six years.

An executive from a private sector insurance company said those shareholders putting pressure on executives to deliver returns in an extremely competitive market is one of the main reasons for exits at the top level. "There is pressure to show topline growth," said one of the executives who did not want to be identified. "Foreign shareholders are willing to increase their stake and Indian promoters are looking forward to reduce stake at a higher valuation."