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With insurance industry loss ratio at 87.3%, Bajaj General CEO Tapan Singhel calls for a data-driven review of IRDAI distribution proposals



As IRDAI proposes sweeping changes to insurance distribution, including tighter commission caps and lower expenses of management (EoM), the industry faces a crucial question: how can it improve efficiency without compromising reach, innovation and customer service?

In a conversation with Moneycontrol, Tapan Singhel, MD and CEO of Bajaj General Insurance, calls for a data-driven and constructive debate on the regulator's consultation paper, emphasising the need to focus on solutions rather than reactions. He also discusses the strategic partnership with Swiss Re, which aims to help Indian companies expanding overseas manage complex risks through global expertise and integrated insurance solutions.

What is your view on IRDAI's consultation paper on distribution reforms, including commission caps and the proposed glide path for expenses of management (EoM)?

The first thing to remember is that this is a consultation paper, not a final regulation. The regulator has put considerable effort into analysing data and identifying problems that need to be addressed.

Broadly, I see three objectives: ensuring that consumers receive the intended benefits, addressing mis-selling, and expanding distribution so that insurance reaches more people across the country.

The paper has generated strong reactions in the market, including from investors. But we should not respond emotionally to a consultation paper. The regulator has indicated that it is open to feedback, and the industry should engage in a constructive discussion about how best to address the issues identified.

We need to examine the data carefully and contribute practical solutions based on our experience. For instance, there has been considerable discussion about the EoM framework introduced earlier. Some argue that expenses have increased under the new system. But before judging the framework, we need to establish whether it has been fully implemented and whether the increase in expenses reflects higher commissions or the upfront payment of commissions on long-term policies.

When a long-term policy is sold, the commission may be paid upfront, while the policy's benefits and premiums extend over several years. The accounting treatment and timing of these payments need to be considered when assessing changes in EoM.

We should also evaluate the issue from the customer's perspective. In general insurance, the claims or loss ratio is an important indicator of the value customers receive.

Another example is third-party motor insurance. Since premiums in this segment are regulated by the government, reducing distributor commissions does not automatically translate into lower premiums for customers. If the objective is to improve customer value, we should examine whether the pricing framework itself can be made more responsive to claims experience.

You mentioned that the industry's loss ratio has risen. Given this, you mean loss ratios also need to be considered, rather than focusing on capping commissions and EoM?

If you look at the claims ratio, because from the customer's perspective, that is what matters. If you look at the general insurance industry, the loss ratio was 86.2% in FY25. In FY26, it moved to 87.3%. So, the loss ratio has increased. From a customer's perspective, that is a positive development because it means that, for every Rs 100 of premium, the customer is getting Rs 87.30 in claims. To me, that looks pretty reasonable, particularly when compared with other markets globally.

One possible solution is to look at reducing prices in segments where the loss ratio is low. For instance, should there be a regulation that requires an automatic price correction if the loss ratio in a particular retail business has remained below a certain level for three years? It could be 50% or 60%, or whatever threshold is decided. This is just one possible solution. Such a mechanism could make regulation simpler, while allowing insurers the flexibility to compete. If a company wants to use its capital to capture market share, that is its decision, but consumer protection should remain central.

We should look at the combined ratio as well. If the industry has a loss ratio of 87.3%, and you add an expense ratio of 20%, the industry's combined ratio is around 97–98%. In developed markets, if the expense ratio is around 26% and the combined ratio is 97–98%, the loss ratio would be around 71–72%. In India, the loss ratio is already 87.3%.

So, when we say that a particular measure is good for consumers, we should also ask whether Indian policyholders are getting a raw deal compared with consumers elsewhere. At an overall level, I don't think so. There may be specific segments where improvements are needed, but broadly, the loss ratio indicates a substantial claims payout to customers.

That is why I believe this requires more discussion. It should not be about opinions or feelings. It should be about facts, data points and constructive discussions.

If the consultation paper is implemented as proposed, what impact could it have on insurers and policyholders?

I would not assume that the consultation paper will be implemented in its current form. It is still open for discussion, and the industry should first focus on understanding the issues and providing constructive feedback.

The important question is how we can develop solutions that benefit the industry, the country and, most importantly, the consumer.

We should avoid making predictions about the impact before the consultation process is complete. The immediate priority is to engage with the regulator, examine the data and work towards a framework that addresses the identified problems.

The consultation paper and the Economic Survey have both highlighted technology-led insurance distribution. Could greater reliance on technology reduce the need for agents and employees?

Have you ever met someone who is genuinely excited about buying insurance? In my 35 years in the industry, I have rarely encountered that enthusiasm. This tells us that technology alone cannot solve the distribution challenge.

Consider the experience during the Covid-19 pandemic. Insurers introduced Covid covers that customers could purchase in just a few clicks, with minimal underwriting requirements. If ease of purchase alone were enough, one might have expected a much larger proportion of the population to buy these policies.

Insurance distribution is not a one-dimensional problem. It requires a combination of technology, awareness, regulation and industry initiatives.

We need to continually refine the way insurance is sold and serviced, using technology where it adds value while recognising that customers have different needs and preferences. Technology is an important part of the solution, but it cannot be viewed in isolation.

What synergies does Bajaj General Insurance expect from its partnership with Swiss Re?

The partnership is aimed at helping Indian companies expand globally and manage risks across markets.

India's economy is growing, and Indian corporates are increasingly expanding overseas. Over the past two years, we have seen a significant increase in the number of Indian companies doing business abroad. This trend is likely to accelerate over the next five years.

As these companies expand, their insurance needs become more complex. They need guidance on risks in overseas markets, local expertise and support across different geographies. Rather than having to approach different insurers in every country, they would benefit from a single, integrated solution.

Similarly, many foreign companies operating in India already have access to global insurance solutions. We need to be able to serve Indian companies expanding abroad, while also helping Swiss Re serve its corporate clients entering India.

This makes the partnership a natural fit. Swiss Re brings global presence, risk-management expertise, research and underwriting capabilities, while Bajaj General has a strong brand and an established presence in the Indian market, particularly in servicing large corporates.

The partnership can combine these strengths to address the current and future needs of Indian conglomerates and corporates looking to expand internationally.

Can the partnership with Swiss Re help Bajaj General offer more competitive premiums to corporate customers?

Companies with a strong risk-management framework and a global presence can benefit from scale and expertise, which can have a positive impact on pricing.

However, the bigger opportunity goes beyond premiums. It is about helping corporates understand, manage and protect themselves against emerging risks. These include artificial intelligence-related risks, cyber threats, climate-related events such as wildfires, and risks associated with new energy technologies, including green hydrogen and nuclear power.

What are the biggest opportunities and challenges for the insurance industry amid frequent regulatory changes?

India is among the most exciting markets in the world, with enormous opportunities for businesses over the next 20 to 30 years. Its economic growth, demographic profile and expanding consumer market create significant potential for the insurance sector.

I do not see a lack of opportunity as a concern. The challenge for companies is to build sustainable business models suited to India's market. These will need to combine scale, low margins, strong customer service, innovation and the effective use of technology.

I look at regulation much like the rules of a cricket match. The rules apply to all players. Each company must understand them and compete within that framework. Regulation should not be viewed only as a challenge; it is the framework within which insurers must innovate, compete and serve customers.

I remain very excited about India's opportunities. The industry needs to keep finding ways to use technology and innovation to improve customer service and make a meaningful contribution to society.