Aviva may exit India life insurance business: sources

REUTERS By Denny Thomas and Sumeet Chatterjee | Reuters – 16 hours ago

By Denny Thomas and Sumeet Chatterjee

HONG KONG/MUMBAI (Reuters) - Aviva PLC may pull out of its Indian insurance joint venture, valued at more than $500 million, as the British insurer retreats from less-profitable markets where it has struggled to expand, people familiar with the matter said.

Aviva, which aims to cut costs by 400 million pounds by year-end, is in the process of hiring corporate advisors to find buyers for its 26 percent stake in Aviva Life, its venture with Dabur Group, the sources told Reuters.

The insurer is considering various options, including selling its stake to Dabur Group if it fails to find a foreign buyer, one of the sources said. Dabur Group owns personal care and food products manufacturer Dabur India .

Aviva would be the third foreign insurer to quit India since 2012, stymied by regulations that restrict foreign ownership and fierce political opposition to changing those limits.

Aviva declined to comment. Mohit Burman, a director of Aviva Life who represents Dabur Group, was not immediately available for comment. The sources also declined to be identified due to the confidential nature of the matter.

The insurer had identified China and India as "high priority" and "must win" markets, but the move to sell out of India signals a change in that strategy.

Last year, Aviva hired former AIA Group CEO Mark Wilson to lead a turn around in its business which was hit by slower growth in its main market Europe.

Wilson joined after spiralling costs and poor share price performance triggered an investor revolt in 2012 that forced out then-CEO Andrew Moss. This year, Aviva pulled out of its Malaysian insurance joint venture and exited from Russia.

TOUGH MARKET

Like many other foreign insurers, Aviva rushed into India after the government allowed foreign investment in the $40 billion-plus insurance market in 2000, lured by low penetration rates and the high savings rate in Asia's third-largest economy.

Life insurance penetration in India is about 3.4 percent of gross domestic product in terms of total premiums underwritten in a year, much lower than 8.8 percent in Japan and 8.7 percent in Britain.

Regulatory uncertainty, however, has proved tough for foreign

RELATED CONTENT

View Photo

A woman and her child walk past a board displaying the latest currency rates at a …

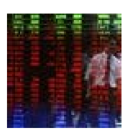
View Photo

A man walks past an AVIVA logo outside the company's head office in the city of London …

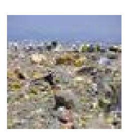
View Photo

A woman exchanging damaged currency waits for customers along a roadside in New Delhi …

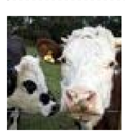
LATEST NEWS »



Asian shares fall to two-week low; Yen strengthens



CORRECTED-Video from Asiana crash rescue effort shows girl overlooked - report



New Zealand worries about China dairy bans as Fonterra hit by more recalls

Output in emerging

insurers while insurance in general has failed to take off as expected among the public - the whole industry logged an accumulative $3 billion loss over the last decade.

Indian laws limit foreign ownership in domestic insurers to 26 percent. Government approval for a proposal to raise the limit to 49 percent has been pending for a long time due to opposition by nationalist politicians.

Insurers were also hit by a 2010 clamp-down on the sale of lucrative equity-linked products. Foreign firms remain overshadowed by state-owned Life Insurance Corp of India, which holds an almost 75 percent market share.

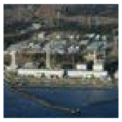
Foreign insurers including Britain's Standard Life , Canada's Sun Life, Prudential , Japan's MS&AD , Italy's Generali and Dutch insurer Aegon operate in India through joint ventures with local companies.

HSBC recently launched a process to sell its 26 percent stake in an insurance joint venture with two Indian state-owned banks. Dutch banking and insurance group ING and New York Life have also exited their India insurance joint ventures.

Profit at Aviva's India unit fell by more than half in the financial year ended March 2013 to about 320 million rupees, while total premium income dropped roughly 12 percent, according to company filings.

(Reporting by Denny Thomas in HONG KONG and Sumeet Chatterjee in MUMBAI; Additional reporting by Clare Baldwin in HONG KONG and Christopher Vellacott in LONDON; Editing by Miral Fahmy)

market economies contract in July - HSBC



Japan nuclear body says radioactive water at Fukushima an "emergency"

More »