

Time ripe for insurers to regain lost ground



Embedded Value
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MAKING HAY

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what they had been doing. So, the first challenge before the industry is to regain the confidence of customers, both existing as well as prospective.

Now, with the economy reviving, there would be a large number of people who would enter the working class and would look for long-term financial security needs. The demand will come from almost all strata of income earners and objectives of buying insurance will vary from group to group, depending on income level and age. This is going to be the next big opportunity when the income level of all classes of people is likely to jump. The customers will have to be differentiated and tapped based on their financial objectives.

The next most daunting task in hand would be to create a team of competent distributors and sales persons to cater to various segments. Earlier, the main driver of sales was an attractive commission rate, but now that is no longer the case and the success of the network will depend only on volume. Generating high-volume business

in a sustained manner may be difficult with the present mindset. But the industry is full of highly talented managers. I am sure they will find ways to scale up activities to generate mass volume. The sales managers will have to work hard to know their people and products.

Insurers will have to understand that building long-term relationship is the key to ensuring success in the market. Ironically in the worst of the times, most companies made profit. This proves that insurance is different from banking and its parameters of success must be well understood.

Stricter oversight of the functioning of insurance companies is required. The board of insurers must approve strategies and monitor them in each of its meetings rather than endorsing short-term sales focus. Continuous growth in an untapped market with firm control on expenses and retention of customers will give the desired results and enhance brand value.

So far, the show has been conditioned by arrogance, chauvinism and a myopic view of growth and profitability on the part of the different players at different levels. But if the present political and financial market ecosystem is not leveraged to the full advantage of the industry the dream to play a vital role in the economy and society may continue to elude the life insurers. The time to regain lost ground is now.

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THE GREEN shoots in the economy have thrown open new opportunities for almost all industries in the manufacturing and services sectors. The markets are on a roll and the Pradhan Mantri Jan Dhan Yojana for financial inclusion is a welcome move. The banking sector is hopeful of a resurgence once investments in infrastructure projects kick off and companies start spending to produce more goods and services.

The life insurance industry has suffered substantially during the last five years, partly because of its own misdeeds and, partly because of an under-resourced regulator's activism. But its woes seem to be over now, thanks to a well-calibrated slowing down of directives from the regulator's office. The industry must now consciously try to ride the current wave of positive sentiments and emerge out of the mess that it has been finding difficult to control. The industry now needs to get ready for its second expedition to scale up its growth rate with a decisive impact on rate of penetration and insurance density.

The last crisis that began in 2009 was, in fact, a blessing in disguise, as it forced insurers as well as the regulator to introspect on the desirability as well as propriety of