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Insurance in 2016

Reforms have set the ball rolling for the insurance sector. Now, insurers must play ball.

The insurance sector is going through a transition following the introduction of a new legislation that paves the way for reforms that would strengthen both life and general insurance. While foreign direct investment has been increased from 26 per cent to 49 per cent, more powers have also been delegated to the Insurance Regulatory and Development Authority of India (IRDAI) to ensure consumer-friendly regulations.

It is, however, not for the first time that the industry is undergoing a massive overhaul. In 2009, when the regulator came out with new guidelines for unit linked plans, charges were capped and surrender charges were slashed to make Ulips attractive, following a turf war between IRDAI and the Securities and Exchange Board of India (Sebi). New guidelines for traditional plans were also introduced to make the products customer-friendly.

The reformative moves had, in effect, slowed down the industry, but of late, it has started showing signs of a recovery. Private players have registered 18 per cent growth compared to a decline of 4 per cent in 2013/14. New business premium of Rs34,840 crore was collected in 2015 compared to Rs29,511 crore in 2014. LIC, however, registered a decline of 13 per cent in 2015 at Rs78,303 crore, compared to Rs90,644 in 2014.

While the insurance bill and new guidelines have helped the industry, here's a sneak peek into the factors that would define the insurance sector in 2016.

UNDERWRITING

One of the most important amendments was that insurers cannot deny a claim on any ground, whatsoever, including fraud and misrepresentation of facts, after three years of buying a policy. Experts, however, say that it can lead to tight underwriting practices, going forward. Earlier insurers had the power to reject a claim in case of fraud or misrepresentation of facts.

Now, the insurer has to raise doubts, if any, within three years from the date of issuance of the policy on the ground of fraud provided that the insurer communicates in writing to the insured. Says R. M. Vishakha, Managing Director and Chief Executive Officer, IndiaFirst Life Insurance: "If a claim is submitted in the fourth or fifth year and, in case, it is found that there was a clear intent to defraud or manipulate at the time of sourcing, the insurer will not be able to decline a claim."

Experts say there are two important things for insurers to consider. One, they are insuring the right segment of people. Two, they are insuring them for the value they are worth. Pawan Mahajan, Head of Underwriting, Bajaj Allianz Life Insurance, agrees. "In addition to detailed medical examinations for high-risk cases, insurers may also rely on getting surrogate information like credit bureau ratings and social media feed for high-risk propositions."

DISTRIBUTION

Insurers are also expected to come out with innovative products to meet the expectations surrounding the possible emergence of new and innovative distribution models. Says Deepak Mittal, CEO, Edelweiss Tokio Life: "The draft guidelines for e-commerce companies have already been kicked off. This will challenge the insurance companies and it could lead to some interesting innovative developments."

Arijit Basu, MD and CEO, SBI Life Insurance, echoes similar views. "Multi distribution channels will allow for a more customised approach and this will increase penetration through new modes of distribution, such as direct, Internet and telemarketing," he says, adding that increased levels of customisation through product innovation will result in a more personal association between the customer and the company.

PRODUCT INNOVATION

Insurers are also expected to launch products that are easy to understand, including pension schemes that, at present, lack focus. "As the population grows older and they learn to start providing for their retired years early, consumers would slowly expect innovation in pension, annuity products and introduction of long-term care products that are prevalent in western markets," says Mittal. TECHNOLOGY Experts say a lot of disruptive innovation through data analytics and good governance practices will be required to identify fraudulent cases. Cases have been frequently reported where fake callers identify themselves as agents ask policyholders to either cancel their policy or pay cash for renewing them.

"Vigilance within the industry has led the regulators to consider on-boarding various information from intelligence agencies, such as Lexis Nexis and CIBIL, and this could lead to some changes in the risk management practices that organisations follow," says Mittal. The sector has adopted technology to enhance customer experience, from issuance of policies to servicing of claims. "In SBI Life, we are moving to tab-based assisted sales. KYC (know your customer) and other documents can be uploaded and an in-built need analysis calculator will evaluate the most suitable product for the customer. The process efficiency improves significantly," says Basu.

HEALTH INSURANCE

The health insurance industry has been among the fastest growing segments, and may see more customised products to cash in on the growth prospects. Says Bhaskar Jyoti Sarma, MD and CEO, SBI General Insurance: "We expect to see more insurance companies coming up with more customisable products and disease-specific covers." At present, only a handful of companies offer disease-specific plans. Sarma says wellness is another aspect which is at a nascent stage and would definitely witness huge demand. Disease management through incentive based programmes is also expected to gain popularity.

DIGITISATION OF MEDICAL RECORDS

Digitisation will provide the much-needed boost to health insurance. Experts believe technology-based disease management may not be too far away. Says Sarma: "Maintaining online accounts with unique identification would be one of the big game changers in the health insurance industry. Every customer will be able to maintain all the policies in one account. He or she will also be able to have all his medical records and history in digital format and share with any insurance company." Digitisation of records will also help insurers to price their products better based on the medical history of a client. As the year rolls by, the industry will definitely have to strive for better customer experience before they can expand and reach out to more people