

ENSURING LIFE GOES ON

LIFE INSURANCE HELPS IN PROVIDING FOR YOUR FAMILY AND LOVED ONES AT ALL TIMES, BUT HOW DO WE GROW THIS SECTOR? THE EXPERTS WEIGHED IN WITH THEIR OPINIONS



ARJIT BASU
MD & CEO, SBI Life Insurance

"I strongly believe that in the next 5-10 years, insurance will pick up, although the pace of it might vary. These changes have to continue and we need to have stronger distribution channels, trying to make insurance a product sought after by the customer."



ANUJ AGARWAL
MD & CEO, Bajaj Allianz Life Insurance

"I feel that instead of gauging insurance penetration by looking at the premiums, one should look at the number of lives insured."



ANUJ MATHUR
CEO, Canara HSBC Oriental Bank of Commerce Life Insurance

"The Life Insurance Industry's future would be defined by how well it is able to deliver value to the consumer. Insurers need to ensure that the consumer benefits from the solutions & most importantly understands the nuances of the product and the benefits it offers. "Right selling" to the "Right customer" is the way forward clearly and the Industry has to ensure this for times to come."



VIGNESH SHRIVANE
CEO, IDBI Federal Life Insurance

"Among the newer channels, Bancassurance has clearly emerged as a cost effective and popular channel in the recent times. Yet, for the Bancassurance model to truly succeed it is important to closely map sales organisation to the partner's structure and ensure that on-ground resource allocation and target setting are aligned with the true potential of bank branches/units."

Since the opening of the sector in 2001, the Indian life insurance sector has undergone troughs and highs and the sluggish period the Indian life insurance sector is passing through shines a light on the big challenge of profitability, particularly in the face of high operating losses brought about on account of distribution and operating models.

In the next 5-10 years, insurance will surely pick up the tempo, although the pace of it might vary. However, some fundamental changes need to happen even so. We not only need to have stronger distribution channels, but also focus on how the product is being sold. What we often see sold is the proposition of protection, while globally the hook is more about creating long term savings. It is by making a perceptible shift in this manner that we can make a life insurance product that is sought after by the customer.

We have to also get a better handle on our customers, as customer profiles and behavior is changing rapidly. For insurance, a

lot of our parents used to go visit insurance company branches, but a lot of us don't do that. The customer expects one thing today and could expect something very different tomorrow. We need to keep in mind that technology can change our perspective rapidly.

It must be said, however, that most of the regulatory changes that have been implemented have been quite soothing. They are largely fair and are trying to establish a good market. Ultimately, they help to keep the customer in focus and then you can deliver improved value.

It is also essential that we do not get too carried away with the growth seen in the last year. If you slice and dice and the market, you will notice that the traditional regular premium business is not growing and if you look at the number of policies, the number of customers and insurance penetration/density/rates, these too have been flat. Indeed, there are many miles to go before we sleep.

There are, broadly speaking, 3 major changes that will have a

major impact on the industry. First of all, we have to take into account expenses around management. Companies will have to reinvent their operating models. Some companies will have to look at the way they do business under the new guidelines.

Furthermore, and while this is yet to be put to the test, execution will be a big challenge since a parallel market of scammers and fraudsters exist that are looking for loopholes and mechanisms that allow them to prey on the weak. While the thinking and direction behind the regulatory changes is right, it is execution that will ultimately decide its fate.

Third, it is essential that life insurance companies work closely with the regulator so that the final guidelines are for the benefit of the industry and the customer and not just one or the other. It is vital that all stakeholders in the ecosystem are benefiting for all to truly reap the benefits of it. Lastly, a far more detailed engagement with the regulator is needed before companies in the sector can start adopting the right type of FDI. This detail is going to end up deciding the way forward.

A digital effort that includes engagement using optimal UI and UX is a must. Digital is not about cutting the middle man, but it will play a big role in complementing life insurance channels rather than replacing it.

There are some fundamental challenges that the industry must watch out for. Whether it's how to maximize information fluency in the age of big data, containing the growing threat of cybercrime, meet ever-changing compliance targets during a time of regulatory flux, or delivering on the demand for longevity products as life spans increase, leaders from the life insurance industry have their hands full. Agility, innovation, and customer engagement will be essential to drive sustainable growth in the industry.

All of these changes that are coming into the system can be put down to more insipid changes in the sector. Fundamentally, however, constant chopping and changing is not helpful. That is why the captain at the helm of affairs should give things a consistent, singular direction since constant course corrections are neither healthy nor beneficial for the industry at large.

Going forward, the industry is

Looking into the Crystal Ball

What lies ahead for the insurance sector? The experts in attendance gazed into the crystal ball and tried to offer some insights.

- A large in population, rise in tax benefits and burgeoning disposable income of the middle class will drive the growth of life insurance.
- As this happens and India scales up, the life insurance sector will move up the ladder and become the 3rd largest life insurance market in the Asia-Pacific region, close on the heels of leaders China and Japan.
- As insurance companies adapt to market demands and offer products that the customer wants, such as insurance products that offer assured income, there will be a new-found interest in life insurance products across consumer demographic segments.
- Evolving economic, political and social environments will contribute towards a marketplace where all players can expect to thrive and flourish. The impetus by way of Foreign Direct Investment (FDI) will give a further impetus to the sector.
- The IRDAI proposal to increase FDI in the private insurance companies to 49%, this will boost market penetration levels since the market is largely untapped at this point.
- Cost effectiveness will be a new mantra for companies as they look to drive greater quality from more controlled operational and operational spends.
- Investors are more confident of the prevailing political scenario in India, and the stage is ripe for insurance companies to make the most of this and repay investor confidence.
- With a majority of the market untapped, 2015 is going to be all about tapping new customers and making the most of existing patrons by offering them a wider array of products that suit multiple needs. With this drive, competition will become much fiercer.
- The year ahead will see both Indian insurance companies and the public at large stand to benefit. Improved awareness will be a big part of this as the middle class is now more educated and aware of the need for being insured. Thus, good times lie ahead for all stakeholders of the industry.



R M VISHARTHA
MD & CEO, IndiaFirst Life Insurance

"There is a strong and unique need served by insurance products: pure protection and long term savings with protection. Any comparison by combining diverse financial products like bank deposits, mutual funds and insurance into one basket, is doing a disservice in customer education and awareness."



JOYDEEP ROY
Director - CAMS Insurance Repository

"The Life Insurance industry is slowly maturing in its distribution landscape in response to consumer demand for quality and choice. Technology will play a big part in the future - from comparison engines to application process, from customer service to claims - and migrating to dematerialised policies in an Insurance Repository is a natural extension to serve the customer. Companies who thrive in a digital environment will be able to manage large agency forces and bancassurance also with ease."

expected to progress smoothly thanks to relatively stable economic policy & industry regulations. However, this phase will be marked by consumers having greater access to product information & making much more informed, involved decisions. Distributors would thus need to increase focus on product fitment & need based selling rather than

having a more one size fits all approach. Insurers would need to deploy enabling technology, analytics & risk management tools to become consumer centric and to help distributors become productive. If done right, there will be a seismic shift in the fortunes of the industry as it prepares to enter a new era of success.

ET Edge - SPEAK:

DEEPAK SHARMA, Chairman, Insurance Regulatory and Development Authority



"The Indian insurance industry has begun to show positive growth and the rates of return on fixed investments have also improved. Although moderate, this growth signals a turnaround for the industry and, combined with stronger stock markets, higher premium growth and cost containment efforts may indicate the start of the next growth phase for insurers."

However, notwithstanding the improvement in penetration and density in the last years, India largely remains an under-penetrated market. There is thus a need to drive insurance coverage, without which our nation will be burdened with unprecedented costs as the population ages.

The Economic Times Insurance Summit brought together leaders of the industry to contemplate on relevant topics like policy & regulatory changes and consumer awareness strategies. Together, we can help propel this hitherto sector and India to the next level of growth."